



# Culpeper Wellness Foundation, Inc. and Subsidiary

**Audit Results and Insights Report**  
from your Opportunity Advisors at Keiter

Prepared for the Finance Committee  
of the Board of Directors

July 17, 2024



Finance Committee of the Board of Directors  
Culpeper Wellness Foundation, Inc. and Subsidiary

We are pleased with the opportunity to provide audit services to Culpeper Wellness Foundation, Inc. and Subsidiary (the "Foundation"). Our goal in providing these services is to extend beyond the compliance aspects by sharing information that helps you, management, and others within the Foundation build upon its mission to improve health and promote wellness in Culpeper, Madison, and Orange counties. We recognize that we can play a role in your success by serving as your opportunity advisors.

We are committed to our not-for-profit community and strive to be the most respected, comprehensive resource for not-for-profit Foundations in Central Virginia. The depth of our not-for-profit team and experience with accounting matters specific to not-for-profit Organizations allows us to remain in touch with any recent developments, challenges, and other matters affecting the industry. This report to the Finance Committee includes insights and opportunities, best practices, and other information developed by your engagement team and our entire not-for-profit industry team that we believe are valuable to the Organization.

In addition, the Appendices summarize the results of the 2023 audit, including the scope of our engagement, the opinion expressed, and other communications required by our professional standards. The audit is designed to express an opinion on the consolidated financial statements. We considered the Organization's current and emerging business needs, along with an assessment of risks that could materially affect the consolidated financial statements and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the entire Board of Directors, and other users of the Organization's consolidated financial statements expect. We received the full support and assistance of the Organization's personnel.

This report is intended solely for the information and use of the Finance Committee, the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for allowing us to serve Culpeper Wellness Foundation, Inc. and Subsidiary



July 17, 2024  
Glen Allen, Virginia

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## General Information on the Not-For-Profit Industry



### Challenges

- Labor market conditions – staffing shortages and resulting wage pressure
- Inflation – increased costs of delivering on mission
- Interest rates – increased costs on variable rate debt and on capitalizing expansion using debt financing
- Cyber security - ensuring networks are secure to protect data and maintain operations
- Data analysis – measuring and communicating outcomes to stakeholders

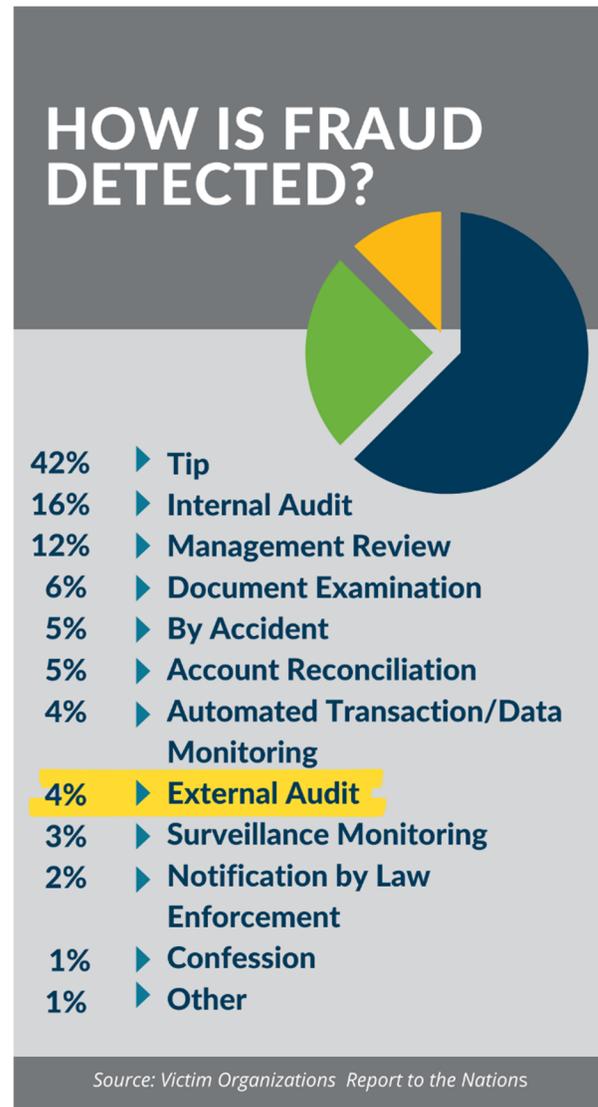


### Opportunities

- Technology - leverage technology to maximize efficiencies and improve processes
- Communication - enhance donor communications and brand management through websites, social media, and email
- Cyber security - ensuring networks are secure to protect data and maintain operations
- Outsourcing – explore outsourcing of certain functions to strengthen internal controls and lower operating expenses
- Partnerships – explore partnering with for-profits and other not-for-profits to achieve mission delivery
- Data analysis – measuring and communicating outcomes to expand donor base and increase contributions/grants

## Best Practices: Fraud Detection and Prevention

The Association of Certified Fraud Examiners (“ACFE”) is the world’s largest anti-fraud Foundation and premier provider of anti-fraud training and education. Every other year, the ACFE publishes its *Report to the Nations*, a study which represents the most comprehensive examination available of the costs, methods, victims, and perpetrators of occupational fraud. The study is published in an effort to help all better understand occupational fraud and help combat it through fraud prevention controls. Below is a summary of the key findings from *Occupational Fraud 2022: A Report to the Nations*.



## Best Practices: Policies and Procedures Checklist

### General Corporate

#### Policies

- Designation of Funds Policy
- Delegation of Authority Policy
- Conflict of Interest Policy
- Telecommuting Policy
- Document Retention Policy
- Gift Acceptance Policy
- Information Security Policy
- Investment Policy
- Social Media Policy
- Whistleblower Policy
- Ethics Policy
- Travel Policy
- Purchasing policy

### General Accounting

#### Policies

- Fixed assets and capitalization policy
- Expense allocations
- Reserves
- Investments
- Revenue recognition

#### Procedures

- Bank reconciliations
- Purchasing and cash disbursements
- Expense reimbursements, including credit card use
- Cash receipts
- Payroll processing
- Financial statement close process

### Key Points for Effective Development, Adoption, and Monitoring

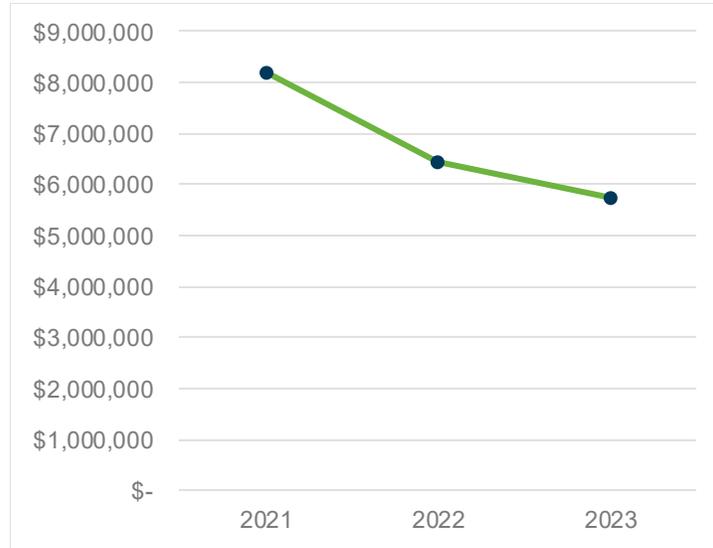
1. Consult with other Organizations and subject matter experts during development
2. Have all employees acknowledge receipt and review of policies and procedures
3. Make policies and procedures easily accessible to employees on an ongoing basis
4. Ensure endorsement from the Board of Directors and senior leadership team
5. Continuously monitor and periodically evaluate for effectiveness.

## Best Practices: Information Security Controls

Information security is a significant business issue that is only becoming more important as technologies advance and not-for-profits become more sophisticated in using them. Information security threats may be external, as in the case of data breaches or viruses, or internal, as a result of a failure in the design or implementation of IT systems or misuse of data by employees. To protect your organization, consider implementing the following internal controls:

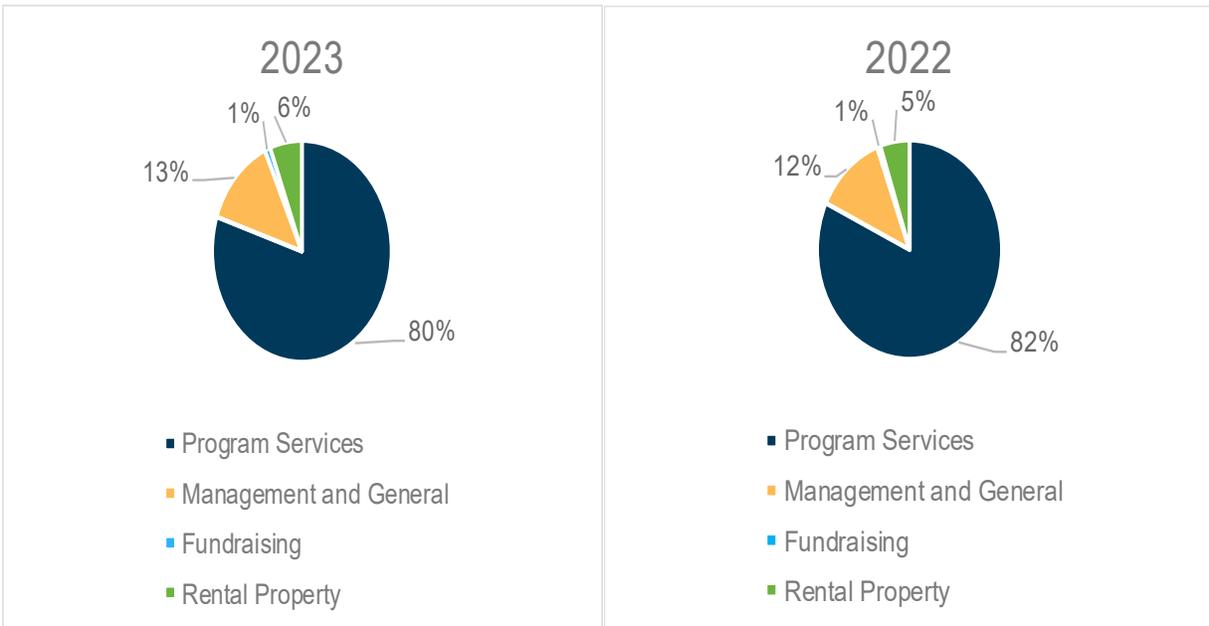
| Entity-Level Controls   |  |
|---|--|
|    | <ul style="list-style-type: none"><li>✓ Adopt and enforce an Information Security Policy</li><li>✓ Perform periodic Security Awareness training for staff and volunteers</li><li>✓ Assess the adequacy of cyber security insurance policies to cover electronic data loss and interruption of operations</li><li>✓ Maintain an IT asset inventory, including software and hardware used (onsite, hosted, and mobile devices)</li><li>✓ Implement procedures to monitor third-party service providers, such as, if applicable, obtaining the service auditor's report and ensuring all recommended security, availability and privacy controls are in place</li></ul> |
| Access & Security Controls  |  |
|   | <ul style="list-style-type: none"><li>✓ Require a unique ID for each user and limit the use of shared accounts</li><li>✓ Encrypt data in transit by implementing a secure, virtual private network</li><li>✓ Require password length (minimum of 8 characters but prefer 14 characters), complexity, minimum and maximum password age, number of invalid access attempts allowed, and lockout settings</li><li>✓ Perform at least annual user access reviews of critical systems and applications</li></ul>  |
| Network Security Controls   |  |
|  | <ul style="list-style-type: none"><li>✓ Implement multi-factor authentication (MFA) for access for all systems or applications that can be accessed remotely</li><li>✓ Implement perimeter defenses such as firewalls, email filters, web filters, DNS filters, and intrusion detection/prevention systems</li><li>✓ Perform periodic vulnerability scans and penetration tests of critical systems</li><li>✓ Implement antivirus on all user workstations</li><li>✓ Implement host-based firewalls on user computers that block all inbound connections on unnecessary ports and protocols</li></ul>  |
| Backup and Recovery Controls  |  |
|  | <ul style="list-style-type: none"><li>✓ Maintain a formalized backup policy and schedule.</li><li>✓ Daily, confirm backups were successful and troubleshoot any failures</li><li>✓ Perform periodic testing to ensure restorability of backup data</li></ul>   |
| Change Management Controls  |  |
|  | <ul style="list-style-type: none"><li>✓ Require approval for all change requests</li><li>✓ Maintain a tracking system for all change requests</li><li>✓ Maintain a list of individuals authorized to approve and implement changes</li><li>✓ If software is developed internally, segregate development responsibilities/access from those with access to implement changes into the production environment</li></ul>  |

Financial Trends



Note that in 2021 a building was donated and in 2022 there was a capital campaign

Allocation of Functional Expenses



### Internal Control and Other Observations

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control and opportunities for strengthening internal controls and operating efficiency. The comments below summarize our observations and suggestions regarding those matters. We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail, to perform any additional study of these matters, or to assist you in implementing the recommendations.

### Reviews and Financial Close

Keiter noted that having an outside third-party accountant for an Organization the size and complexity of CWF can be challenging. Because the third-party accountant is not within the Organization on a regular basis, certain items may be miscommunicated, or communicated but misconstrued since there is not an accountant onsite and working within the Organization on a regular basis. This makes regular reviews of journal entries and monthly reconciliations even more important to accurate financial reporting for the Organization.

Keiter noted that month end reviews are being performed, but some are not documented to signify their performance. Keiter recommends that Ashley document her reconciliation of the information in Donor Perfect to what is on the general ledger at least quarterly. In addition, Keiter recommends that someone within the management of the Organization's operations review journal entries monthly and document their review. Also, Keiter recommends that Ashley Green forward a copy of monthly bank reconciliations to Shari Landry so that she can review.

## **Internal Control and Other Observations, Continued**

### **Timeliness of Client Assistance**

There was a delay in the closing of the financial records at year-end. Schedules used in the audit to support balances and activity were not accurately prepared as of the start of fieldwork and had to be revised and reconciled to the trial balance. Entries were made late to the trial balance received at the beginning of fieldwork, or were made by Keiter as audit entries, resulting in changes to multiple accounts. As a result, financial information was not available timely in preparation for the audit.

To ensure financial information is useful and relevant, we recommend the Organization incorporate additional financial close procedures and processes to ensure accounts and books are closed and all year-end entries are made within 60 days of fiscal year end.

### **Other Areas of Focus for 2024 and Upcoming Audits:**

- During fixed asset additions testing Keiter noted that all 2023 additions had a useful life of five years including large building components - which is inconsistent with previous years capitalization, and with the Organization's capitalization policy. Keiter recommends the Organization implement a review process for fixed assets. Management should review the fixed asset detail at least annually, including reviewing fixed asset additions for reasonableness, and to determine if there are any assets that have been sold, disposed or are otherwise not in use.
- While reviewing the information technology general controls, Keiter noted the Organization does not have written policies in place for: information security with security objectives defined, procedures to ensure systems incidents/problems, and errors are reported/analyzed/resolved timely, backups, authentication and access mechanisms. Keiter tested some of these areas on a sample basis, and notes that there were controls in place. However, there are not written policies and procedures. Keiter recommends the Organization implement/maintain written security and control policies.

## **Appendix A: Summary of the Engagement**

Our audit was designed to express an opinion about whether the consolidated financial statements of Culpeper Wellness Foundation, Inc. and Subsidiary (the “Organization”) that have been prepared by Keiter on behalf of management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with generally accepted accounting principles. As discussed with management during our planning process, our audit plan was designed based on our assessment of risk for the Organization and our assessment of external factors that impacted the Organization’s operating environment.

We also provide the following services to the Organization:

- Assist in the preparation of the consolidated financial statements, including proposing adjusting entries;
- Provide observations and recommendations to improve or enhance the Foundation’s internal control environment.

At the conclusion of the audit, Keiter provided any supporting schedules relating to the first item above, which is a non-attest service, to ensure Keiter is not the sole host or custodian of the Company’s data in accordance with our professional standards. In addition, Shari Landry, President, and the Finance Committee, performed a review process to assume responsibility for those non-attest services. The audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities.

### Appendix B: Required Communications

Professional standards require the auditor to communicate certain matters to those charged with governance that may assist the Finance Committee as a representative of the Board of Directors in overseeing management's financial reporting and disclosure process. Below we summarize these required communications as they apply to Culpeper Wellness Foundation, Inc. and Subsidiary.

- We issued an unmodified opinion on the Organization's consolidated financial statements for the year ended December 31, 2023.
- The consolidated financial statements of the Organization have disclosed its accounting policies and practices. Critical accounting policies and practices include:
  - Consolidation
  - Contributions of non-financial assets
  - Revenue recognition
  - Fair value of investments
  - Property and equipment
  - Net asset classification
  - Related parties
- Based on our audit, we believe the accounting principles and practices used by the Organization are consistent with the previous year and the judgments made by management were reasonable. Disclosures are considered appropriate and consistent with the industry.
- Significant management estimates for 2023 consist of:
  - Depreciable lives of property and equipment
  - Valuation of investments
  - Valuation of pledges receivable
  - Functional expense allocation
  - Valuation of contributed goods and services
  - ASC 842 lease assumptions

We believe the accounting estimates made by management are reasonable and consistent with industry standards.

- There were no significant unadjusted audit differences
- We did not discuss any material alternative accounting treatments with management.
- We are not aware of any significant unusual transactions recorded by the Organization or any significant accounting policies used by the Organization related to controversial or emerging areas for which there is a lack of authoritative guidance.
- We had no disagreements, serious difficulties, or major issues with management.
- We are not aware of any fraud or illegal acts.
- We are independent of the Organization.
- We request certain written representations at the conclusion of the audit and understand management has provided you a copy of those representations.
- No significant findings or issues were discussed during the audit.

Appendix C: Audit Adjustments

Entries Resulting from Audit Procedures and/ or Received after Fieldwork Began

Property, Plant and Equipment:

| Date   | Name                                       | Account No | Debit     | Credit     |
|--|--|------------|-----------|------------|
| 12/31/2023   | CWF CIP                                    | 1606       |           | -600.00    |
| 12/31/2023   | CWF CIP                                    | 1606       |           | -13,200.00 |
| 12/31/2023   | Building Components                        | 1630       | 13,200.00 |            |
| 12/31/2023   | Building Components                        | 1630       | 7,109.00  |            |
| 12/31/2023   | Fixed Assets to be Capitalized             | 1650       |           | -3,548.00  |
| 12/31/2023   | Accumulated Depreciation                   | 1690       |           | -1,210.00  |
| 12/31/2023   | Accumulated Depreciation                   | 1690       |           | -84,229.00 |
| 12/31/2023   | Accumulated Depreciation                   | 1690       |           | -12,634.00 |
| 12/31/2023   | Consulting Fees                            | 5203       | 600.00    |            |
| 12/31/2023   | Repairs and Maintenance-Purchased Services | 5322       |           | -3,561.00  |
| 12/31/2023   | Depreciation                               | 5920       | 1,210.00  |            |
| 12/31/2023   | Depreciation                               | 5920       | 84,229.00 |            |
| 12/31/2023   | Depreciation                               | 5920       | 12,634.00 |            |
| PBC - PMB adjustments to fixed assets  |  |            |           |            |
| <hr/>  |  |            |           |            |
| 12/31/2023   | Accumulated Depreciation                   | 1690       | 66,924.00 |            |
| 12/31/2023   | Net Assets closed to account               | 3000       |           | 66,924.00  |
| To correct accumulated depreciation due to incorrect posting of prior year auditor entry |  |            |           |            |
| <hr/>  |  |            |           |            |
| 12/31/2023   | Accumulated Depreciation                   | 1690       | 73,461.00 |            |
| 12/31/2023   | Depreciation                               | 5920       |           | 73,461.00  |
| To adjust depreciation using appropriate useful lives                                    |  |            |           |            |
| <hr/>  |  |            |           |            |
| 12/31/2023   | Accumulated Depreciation                   | 1690       | 73,461.00 |            |
| 12/31/2023   | Depreciation                               | 5920       |           | 73,461.00  |
| To adjust depreciation using appropriate useful lives                                    |  |            |           |            |
| <hr/>  |  |            |           |            |

**Appendix C: Audit Adjustments, Continued**

**Entries Resulting from Audit Procedures and/ or Received after Fieldwork Began, Continued**

**Property, Plant and Equipment, continued:**

| Date       | Name          | Account No | Debit     | Credit    |
|------------|---------------|------------|-----------|-----------|
| 12/31/2023 | CWF CIP       | 1606       | 17,519.00 |           |
| 12/31/2023 | Miscellaneous | 4399       |           | 17,519.00 |

To correct refund of a 2021 bond incorrectly recorded to construction in progress

**Revenues and Support:**

| Date       | Name                     | Account No | Debit     | Credit    |
|------------|--------------------------|------------|-----------|-----------|
| 12/31/2023 | Deferred Revenue         | 2700       | 20,000.00 |           |
| 12/31/2023 | Local Grants & Contracts | 4160       |           | 20,000.00 |

To record grant received as a 2023 revenue

|            |                    |      |           |           |
|------------|--------------------|------|-----------|-----------|
| 12/31/2023 | Pledges Receivable | 1411 | 44,130.00 |           |
| 12/31/2023 | Contributions      | 4110 |           | 44,130.00 |

To record reimbursement grant from VAFCC for Q4 2023 as all conditions were met as of 12/31/2023

**In-Kind:**

| Date       | Name                                   | Account No | Debit      | Credit      |
|------------|--|------------|------------|-------------|
| 12/31/2023 | In-kind Professional Services Received | 4115       |            | -48,170.00  |
| 12/31/2023 | In-kind Professional Services Received | 4115       | 335,274.00 |             |
| 12/31/2023 | Volunteer Services Provided            | 5110       | 48,170.00  |             |
| 12/31/2023 | Volunteer Services Provided            | 5110       |            | -335,274.00 |

PBC - To true up in-kind professional services to the Free Clinic

**Appendix C: Audit Adjustments, Continued**

**Entries Resulting from Audit Procedures and/ or Received after Fieldwork Began, Continued**

**In-Kind, continued:**

| <b>Date</b>  | <b>Name</b>                            | <b>Account No</b> | <b>Debit</b> | <b>Credit</b> |
|--|--|-------------------|--------------|---------------|
| 12/31/2023   | In-kind Professional Services Received | 4115              |              | -1,200,318.00 |
| 12/31/2023   | NChg Pharmacy Supplies                 | 5304              | 1,200,318.00 |               |
| PBC - To record for UVA health in-kind support for Free Clinic |  |                   |              |               |

**Other:**

| <b>Date</b> | <b>Name</b>                 | <b>Account No</b> | <b>Debit</b> | <b>Credit</b> |
|-------------|-----------------------------|-------------------|--------------|---------------|
| 12/31/2023  | CWF Other A/R               | 1208              |              | 47,581.00     |
| 12/31/2023  | Accrued Interest Receivable | 1515              | 46,068.00    |               |
| 12/31/2023  | Interest Income             | 4310              | 1,513.00     |               |

To accrue interest receivable for Truist Fixed Income Investment balance at year-end

|            |                  |      |          |          |
|------------|------------------|------|----------|----------|
| 12/31/2023 | CWF Loan Fees    | 1661 |          | 7,556.00 |
| 12/31/2023 | Interest Expense | 5405 | 7,556.00 |          |

To write off loan fees which should have been amortized starting in 2021

|            |                      |      |           |           |
|------------|----------------------|------|-----------|-----------|
| 12/31/2023 | Gain (Loss) Other    | 4430 | 17,007.00 |           |
| 12/31/2023 | Amortization Expense | 5921 |           | 17,007.00 |

To true up amortization expense on lease