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Dear Supporter,

In 2017, Juma embarked on a period of change, undergoing a detailed strategic review, hiring a new CEO and launching our now-signature program YouthConnect. These changes allowed Juma to build a stronger core program, increase impact on youth served, and implement a financial model to sustain the organization going forward. Our Board of Directors approved deficit budgets in both 2017 and 2018 allowing us to spend down reserves while establishing our new program and securing necessary funding. Investing in our programming, planning and fundraising strategy, as well as making strategic reductions in our expenses, dramatically improved Juma's financial position.

As of September 30, 2019, Juma's revenue had surpassed our balanced budget by \$717,307, expenses are below budget by \$267,029; and Net Income has surpassed budget by \$1,038,409. These results are partially driven by a strong performance in raising funds from new donors and grant opportunities. Additional new financing resulted from two partners; a financial institution committed to supporting nonprofits which has extended a \$350,000 line of credit and a funder that helped us establish a \$100,000 cash reserve to provide a cushion against our seasonal revenue cycle.

Though we are confident in the financial sustainability of our current operations given the excellent performance we have seen since October 2018, management has identified additional possible reductions cumulatively worth over \$275,000 annually should our performance lag expectations. These potential reductions have been selected to minimize impact on our ability to deliver programs to our young people.

In sum, management has worked diligently to restore confidence in our ongoing operational sustainability and ability to provide quality, uninterrupted services to our young people. These decisions have collectively achieved both short and long-term sustainability and resulted in performance significantly stronger than expected. In light of these developments, we finished 2019 with a positive net income, allowing us to meet our financial obligations while providing the highest quality services in line with our mission.

The team is confident that Juma is positioned for a very strong future *making possible, possible* for thousands of highly motivated youth who are not given the chance to build a career. Our confidence comes from knowing that Juma has demonstrated a strong financial track record over the past quarter century and maintains a strong base of support from more than 80 corporate, private, and government entities. Our current strategic financial models show Juma is poised to achieve positive operating income in 2020 and beyond.

Should you have any questions, please don't hesitate to contact me ([adrianea@juma.org](mailto:adrianea@juma.org)) or with Juma's Chief Development Officer, Andrea Coen ([andreac@juma.org](mailto:andreac@juma.org)).

Thank you for joining us on this journey as we strive to create a world where all young people have the opportunity to succeed, advance and thrive in the career of their choice, competing in a job market that is inclusive, equitable, and diverse.

In partnership,

Adriane Armstrong, CEO

JUMA VENTURES

DECEMBER 31, 2019



REPORT

TO

THE BOARD OF DIRECTORS





A Century Strong

September 30, 2020

THE BOARD OF DIRECTORS  
JUMA VENTURES  
San Francisco, California

We are pleased to present this report related to our audit of the financial statements of **JUMA VENTURES (Juma Ventures or Juma)** for the year ended December 31, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Juma's financial reporting process.

We would like to thank the Finance team and the staff of Juma Ventures for their assistance during the audit.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to Juma Ventures.

*Hood & Strong LLP*



**Juma Ventures**

**Report to The Board of Directors**



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# Juma Ventures

## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<b>Our Responsibilities with Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 8, 2020. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b></p> <p>Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by Juma. Juma adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) as discussed in the notes to the financial statements.</p> <p>A complete summary of significant accounting policies used by Juma are described in detail in the notes to the financial statements.</p>



# **Juma Ventures**

## **Required Communications**

<b>Area</b>	<b>Comments</b>
<b>Accounting Policies and Practices (Continued)</b>	<p><b>Significant or Unusual Transactions</b></p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management's Judgments and Accounting Estimates</b></p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Significant Accounting Estimates."</p>
<b>Audit Adjustments</b>	<p>Audit adjustments proposed by us and recorded by Juma are shown in the attached "Summary of Recorded Audit Adjustments."</p>
<b>Passed Adjustments</b>	<p>Passed audit adjustments are summarized in the attached "Summary of Passed Audit Adjustments."</p>
<b>Disagreements with Management</b>	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.</p>
<b>Consultations with Other Accountants</b>	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>



# Juma Ventures

## Required Communications

Area	Comments
<b>Significant Issues Discussed with Management</b>	During the audit we held various discussions with management regarding the operating loss incurred during 2019. As part of our subsequent event valuation, we also reviewed and discussed the 2020 budget vs actual noting Juma is operating with a surplus as of July 31, 2020. Accordingly, we reviewed management's plans that are intended to mitigate the adverse effects of such conditions or events. Although the current year's opinion was not modified; we have added an emphasis-of-matter paragraph in our report that references management's plan disclosed in the footnotes to the financial statements.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Other Services</b>	We have also been engaged by Juma to prepare the tax forms Federal Form 990 and California 199 for the year ended December 31, 2019.
<b>Letter Communicating Internal Control Deficiencies Over Financial Reporting</b>	We have separately communicated control deficiencies reporting identified during our audit of the financial statements, and this communication is attached as Exhibit A.
<b>Significant Written Communications Between Management and Our Firm</b>	Communications between our Firm and management includes both the engagement and client representation letters (copies of which are available upon request).



## Juma Ventures

### Summary of Significant Accounting Estimates Year Ended December 31, 2019

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses its knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in Juma's December 31, 2019 financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
<b>Functional Expense Allocation</b>	Costs are allocated based on percentage of youth enrollment per program, square footage of office space by function and estimates of time determined by management.	Joint costs are allocated based on percentage of youth enrollment per program, square footage of office space by function and full-time staff by function to the total Organization. Administrative salaries are allocated 100% to Management, and General, support services costs.	We reviewed management's estimate noting the method and assumptions were reasonable, consistent with prior years, and in accordance with the applicable generally accepted accounting principles GAAP requirements.



# Juma Ventures

## Summary of Recorded Audit Adjustments Year Ended December 31, 2019

Number	Name	Account Number	Debit	Credit	Net Income (Loss)	Amount Change
AJE #1	Grants Receivable	1340		(50,000)		
	Foundation/trust grants	4220	50,000			
	To reverse 2020 related grants that were recorded in 2019				(191,536)	(50,000)
AJE #2	Foundation/trust grants	1340		(20,000)		
	Grants Receivable	4220	20,000			
	To record full amount of two-year grant of which half was recorded in 2019				(171,536)	20,000
AJE #3	Transfer to temp restricted	5905	2,465,500			
	Released - Prior year restricted grants	5920		(2,170,027)		
	Released - Total	5950	2,170,027			
	Received current year restricted grants	5960		(2,465,500)		
	To record restricted grants and release of restricted net assets for the year ended 12/31/19				(171,536)	-
AJE #4	Citibank Checking	1010	5,800			
	Accounts Payable	2010		(5,800)		
	Salaries & Wages – Enterprise	7270	356			
	Unearned/Deferred Revenue	2300		(356)		
	Citibank NY IDA Escrow	1130	2			
	IDA Liability New York – Investors	2215		(2)		
	Client prepared entry: To adjust bank and salary balances to capture all activity for the year ended 12/31/19				(171,892)	(356)
AJE #5	Charles Schwab	1033	1,683			
	Individual/small business contributions	4010		(1,677)		
	Interest-savings/short-term investments	5310		(6)		
	Client prepared entry: To adjust Charles Schwab balance at year-end to account for activity during the year				(170,209)	1,683
AJE #6	Fundraising events	4030		(22,895)		
	Gifts in kind-goods: To reclassify event revenue for financial statement presentation	4140	22,895		(170,209)	-



## Juma Ventures

### Summary of Passed Audit Adjustments Year Ended December 31, 2019

During the course of our audit, we accumulated unposted adjustments that were determined by management to be immaterial, both individually and in the aggregate, to the statements of financial position, activities, and cash flows and to the related financial statement disclosures. Following is a summary of those differences.

Description	Effect – Debit (Credit)				
	Assets	Liabilities	Beginning Net Assets	Revenue	Expenses
<b><i>Reverse Prior Year Misstatements:</i></b>					
1. None					
<b><i>Current Year Misstatements:</i></b>					
2. To reclassify net assets with restrictions for time restricted contribution from prior period			\$ (50,000) 50,000		
Total impact			\$ -		





A Century Strong

September 30, 2020

THE BOARD OF DIRECTORS  
JUMA VENTURES  
San Francisco, California

In planning and performing our audit of the financial statements of **JUMA VENTURES (Juma Ventures or Juma)** as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Juma Ventures' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Juma's internal control. Accordingly, we do not express an opinion on the effectiveness of Juma'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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Juma Venture's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Included in this communication are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses.

This communication is intended solely for the information and use of management, the Board of Directors, others within Juma Ventures, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Hood & Strong LLP*



## **CURRENT YEAR RECOMMENDATIONS**

### **CONTROL DEFICIENCY**

#### **Tracking Conditional Grants**

##### *Observations*

During our testing contributions, it was noted through discussion with management that there is no system in place for the development or finance teams to track revenue earned and outstanding commitments on conditional grants.

##### *Recommendations*

We recommend that Juma implement a formal process for tracking new conditional grants, conditional grant revenue earned during the year, and outstanding commitments from conditional grants. This will ensure that revenue earned from grants is properly recorded and that the related disclosures in the financial statement report are complete.

#### **Electronic Files**

##### *Observations*

During our testing over expenditures, it was noted that proper documentation was not available for us to review for 9 transactions. There were 5 missing invoices and 4 missing checks. We also noted one instance in which an agreement for a grant was not readily available for us to review.

##### *Recommendations*

We recommend that Juma enhance its controls over retention of electronic files including invoices and payments. We also recommend that Juma begin electronically securing its various balance sheet reconciliation files. Once a schedule has been reviewed and finalized, it should be locked down so no changes can be made after it has been approved. In addition, we recommend the accounting department establish procedures for maintaining the appropriate files and documents, so they are easily located and available for review.

## **OTHER RECOMMENDATIONS**

We offer the following recommendation as a policy enhancement, not as a finding of deficiency.

#### **Net Asset Releases**

##### *Observations*

During our testing of the releases of net assets with donor restrictions, management was unable to provide the original agreement for an IDA release due to the agreement being from 2011.

##### *Recommendations*

We recommend that as long as Juma is carrying forward net assets with restrictions on their books, they should maintain all related documentation to determine net assets are being released in accordance with stipulations in agreements.



## **NetSuite Administrative Access Rights**

### *Observations*

Upon inspection of the financial system user access rights at Juma Ventures, we noted that all financial system users contain administrator privileges.

### *Recommendations*

We recommend Juma evaluate access rights to Intacct financial system based on the minimum level required to perform the employee's job function and reduce the level of access based on this requirement. Administrator privileges should be assigned to a select few.

## **PRIOR YEAR RECOMMENDATIONS**

### **SIGNIFICANT DEFICIENCY**

#### **Payroll Hire and Termination**

As described in the cover letter of this communication a significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency.

### *Observations*

During our testing of payroll and personnel files, it was noted that many youth employees who have not worked for an extended period of time have not been deactivated or terminated in the payroll system.

### *Recommendations*

We recommend Juma create procedures so that termination information is properly communicated on a quarterly basis from remote sites and tracked by the main office in San Francisco. Employees who have not worked for Juma for more than 3 months should be inactivated. These individuals should be followed up with to determine if they should be terminated from the payroll system. Having active employees that are not currently working for Juma opens the organization to a fraud risk.

### *Current year status*

We did not encounter any situations similar to last year whereby a youth employee selected for payroll testing was not employed during the year. We will therefore consider this recommendation to be implemented.



## **CONTROL DEFICIENCIES**

### **Signature Stamps**

#### *Observations*

During our audit, we noted that an employee has access to the signature stamp of the CEO and CFO and uses them to sign checks if they are not available in person.

#### *Recommendations*

We recommend Juma restrict access to signature stamps to the individual whose signature it is. Employees that have access to the stamps can sign checks and documents that are not authorized by the appropriate personnel. Having access to both stamps allows checks over \$15,000 to be stamped and signed without authorization. As an alternative, Juma may consider adding to the disbursement support the emailed approval and or initial that the check-signor authorized the use of the signature stamp.

#### *Current year status*

We discussed with management and determined there to be no issues in 2019 regarding inappropriate access to signature stamps. We therefore consider this recommendation to be implemented.

### **Vacation Accrual**

#### *Observations*

During our audit, we noted that an employee accrued vacation at a lower rate than the authorized pay rate. Additionally, another employee accrued more than the maximum amount of hours per the employee handbook.

#### *Recommendations*

We recommend Juma review the vacation accrual and ensure that the proper rates are used, and that no individuals are accrued over the maximum allowed in the employee handbook.

#### *Current year status*

We encountered a similar situation with an employee accruing vacation at a lower rate than their authorized pay rate. We will continue making this recommendation.



## **OTHER RECOMMENDATIONS**

We offer the following recommendations as a policy enhancement, not as a finding of deficiency.

### **Financial Operations and Monitoring**

#### *Observation*

During the year ended December 31, 2018, Juma experienced a loss in Change in Net Assets of \$1,471,988, which resulted in a deficit of \$1,355,888 in Net Assets without Donor Restrictions at the end of the year. Juma Ventures concluded the December 31, 2019 year-end with a loss of \$220,209, including a negative change in net assets without donor restrictions of \$1,821,762. The Statement of Cash Flows also reflected a use of cash from operating activities of approximately \$44,000. These are significant changes for any organization to manage in a short period of time; to assist Juma in their stewardship, we offer the following recommendations.

#### *Recommendation*

We recommend Juma continue to review its operations to reduce costs and develop a financial forecast to assist management and the Board in determining to what extent it can continue to subsidize the program services it is currently providing. Additionally, management and the Board should undergo a thorough review of its ability to raise the necessary funds to replenish the deficit in net assets without donor restrictions and develop sufficient operating cash reserves.

#### *Current year status*

While there has been significant improvement over last year, Juma is still operating at a loss. We will continue making this recommendation.

## **STATUS OF RECOMMENDATIONS FROM 2017**

### **SIGNIFICANT DEFICIENCY**

#### **Audit Readiness**

During the first quarter of 2019, Juma experienced significant turnover in their finance team due to the unplanned departures of the Controller and Director of Finance. As described in the cover letter of this communication a significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency.

#### *Observations*

During the audit, several schedules were not provided or completed by the requested date. Many balance sheet accounts were not reconciled timely and several entries were required to correct the balances for pledges receivable, inventory, accrued liabilities, and temporarily restricted net assets. The delay in receiving the schedules and final closing entries caused inefficiencies throughout the audit and extended fieldwork beyond the scheduled time frame.



Besides accurate year-end reporting, the performance of reconciliations and closing procedures during the fiscal year ensures that financial information provided to management and the board is timely and accurate to assist in program and operational decisions necessary throughout the year.

*Recommendations*

We recommend that Juma evaluate the operations of the Finance department and reassess duties to determine that there are appropriate responsibility and distribution of work.

We also recommend that a monthly closing checklist is utilized to ensure critical reconciliations are performed throughout the year. The checklist should detail out all recurring journal entries, account reconciliations, standard reports, external reporting requirements, deadlines, and who is responsible for preparing and reviewing schedules. As a common practice, the review should be documented and dated at the time the review occurs. The checklist should be completed monthly by the Controller and provided to the Chief of Operations and Finance Officer along with the monthly financial statements and budget to actual variance analysis.

*Current year status*

We observed significant improvements made by management relating to audit readiness for the current year audit. We therefore consider this recommendation to be implemented.

**CONTROL DEFICIENCIES**

**Bank Reconciliations**

*Observations*

During our audit, we noted that there is no physical indication of who prepared the monthly bank reconciliation, and who reviewed and approved the reconciliation. Additionally, included in the outstanding check listing, it was noted that checks dated back to 2012 are including in listing.

*Recommendations*

We recommend Juma require an indication of the preparer and reviewer on the bank reconciliations, as well as the date that it was prepared and subsequently reviewed. Any stale checks that are outstanding more than six months should be investigated and resolved by either making a stop payment and reissuing the check or providing the funds to the state so that it can be assigned to the proper individual through the unclaimed property process.

*Current year status*

We continue to make this recommendation.



## **Payroll Hire and Termination**

### *Observations*

During our testing of payroll and personnel files, it was noted that not all hire and termination dates were included on the employee master file or did not agree with the hire and termination dates included in the personnel file. Also, the termination documentation maintained in the file for the previous Chief Executive Officer (CEO) was not signed by any other individual than the previous CEO.

### *Recommendations*

We recommend Juma create procedures so that hire and termination information is properly communicated from remote sites and tracked by the main office in San Francisco. Also, the final executed documentation by the exiting employee and Human Resources should be included in the terminated employee's personnel file in accordance with Juma's policies and procedures.

### *Current year status*

We did not encounter any difficulties in the current year audit as it pertains to obtaining appropriate hire and termination information for our payroll testing. We will consider this recommendation to be implemented.

## **Expense Reimbursement**

### *Observation and recommendation*

During the audit, it was noted that the CEO expenses are not reviewed by a member of the Board of Directors and other employees expense reports did not include all receipts, as required by Juma policy. As an enhancement to the review process, we recommend the CEO's expenses including supporting documentation of expenses, be reviewed and approved by the Board Treasurer. This review can occur on a quarterly basis and retrospectively. The review of expenses reports by a board member is considered a best practice within the not-for-profit sector and offers a higher level of transparency on behalf of Juma. Additionally, we recommend that all receipts are collected, or Juma modify the policy to set a dollar threshold that would require receipt documentation.

### *Current year status*

We continue to make this recommendation.



## **OTHER RECOMMENDATIONS FROM 2017**

### **Financial Operations and Monitoring**

#### *Observation*

During the year ended December 31, 2017, Juma experienced a loss in Change in Net Assets of \$858,762, which resulted in a deficit of \$82,272 in Unrestricted Net Assets at the end of the year. The Statement of Cash Flows also reflected a use of cash from operating activities of \$1,713,178. As of August 31, 2018, Juma's operations reflected a loss in Change in Net Assets of approximately \$1,552,000. These are significant changes for any organization to manage in a short period of time; to assist Juma in their stewardship, we offer the following recommendations.

#### *Recommendation*

We recommend Juma continue to review its operations to reduce costs and develop a financial forecast for the next 3 years to assist management and the Board in determining to what extent it can continue to subsidize the program services it is currently providing. Additionally, management and the Board should undergo a thorough review of its ability to raise the necessary funds to replenish the Unrestricted Net Asset deficit.

#### *Current year status*

The losses continued in 2019, the recommendations continue to apply.

## **STATUS OF RECOMMENDATIONS FROM 2016**

### **Payroll Documentation**

#### *Observation and Recommendation*

During our testing of payroll and personnel files, we noted that certain participant's personnel files did not contain current pay rate documentation. Maintaining pay rate authorization in the employee personnel files is an important control against unauthorized changes in pay rates. We recommend that Juma update personnel files to reflect the most recent pay rates approved for each employee.

#### *Current year status*

We did not encounter any difficulties in the current year audit as it pertains to obtaining appropriate updated payrate information for our payroll testing. We will consider this recommendation to be implemented.

### **Adjusting Journal Entries**

#### *Observation*

During our audit, we noted that journal entries are entered and posted prior to being reviewed. Juma's current policy is to review journal entries within NetSuite after they have been posted, however, NetSuite allows journal entries to be edited after they have been approved in NetSuite.



*Recommendation*

We recommend that management categorize journal entries into recurring journal entries and nonrecurring journal entries, where authorization for recurring journal entries is established at the beginning of the year. Nonrecurring journal entries would require individual authorization by management. Additionally, we recommend the ability to edit entries post review be restricted within the accounting system.

*Current year status*

Management is in the process of implementing this recommendation. It was also noted that journal entries are not kept with supporting documentation attached. We recommend that physical copies of journal entries be kept in binders with supporting documentation.