



# Keller & Owens, LLC

*Certified Public Accountants*

To the Board of Directors

## **Sherwood Center for the Exceptional Child dba Sherwood Autism Center**

We have audited the financial statements of **Sherwood Center for the Exceptional Child dba Sherwood Autism Center** (the “Organization”) as of and for the year ended June 30, 2021, and have issued our report thereon dated March 21, 2022. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated July 7, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies and material weaknesses and other matters noted during our audit in a separate letter to you dated March 21, 2022.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Organization is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate for uncollectible receivables was based on its aging and actual experience.
- Management's estimate of the allocation of functional expenses is performed by recording specifically identifiable items by department into the accounting software. Other allocations are performed based on hours worked by various personnel and management's best estimate.
- Management's estimate of the useful lives of property and equipment is based on industry standards, actual experience, and the life of the underlying office lease.
- Management's estimate of depreciation is provided on a straight-line basis over the aforementioned lives.
- Management's estimate of the fair value of investments is based on observable, active market quotes for identical securities.

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We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

*Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to:

- The disclosure of the concentration of credit risk in Note 2 to the financial statements
- The disclosure of liquidity and availability of resources in Note 3 to the financial statements, which provides information as to how the Organization manages cash and which assets can be used for meeting operational needs.
- The disclosure of the Paycheck Protection Program (“PPP”) loan disbursements in Note 7 to the financial statements, which illustrates the various provisions and the actual and future anticipated effects on the financial statements.
- The disclosure of net assets with donor restrictions and net assets released from restrictions in Note 8 to the financial statements, which are affected by donor stipulations as to how certain funds are to be spent.
- The disclosure of concentrations in Note 10 to the financial statements regarding total support and revenue.
- The disclosure of risk and uncertainties in Note 11 to the financial statements, which describes the unknown magnitude and potential effects of the COVID-19 outbreak with regard to the Organization.
- The disclosure of recent accounting pronouncements in Note 12 to the financial statements, which summarizes upcoming changes in accounting and reporting that may affect the Organization.

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

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### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The attached schedule summarizes the uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule summarizes the material misstatements that were identified as a result of our audit procedures and were brought to the attention of, and corrected, by management.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Organization's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management that are included in the management representation letter dated March 21, 2022.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

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**Other Significant Matters, Findings or Issues**

In the normal course of our professional association with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Organization's auditors.

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

A handwritten signature in cursive script that reads "Keller & Owen, LLC". The signature is written in black ink and is positioned to the right of the main text block.

Overland Park, Kansas

March 21, 2022

**Sherwood Center for the Exceptional Child**  
**Uncorrected Misstatements**  
**June 30, 2021**

Account	Debit (Credit) To:						
	Assets	Liabilities	Net Assets		Total	Revenues	Expenses
			Without Donor Restrictions	With Donor Restrictions			
Fixed Assets	20,465						
Net Assets w/o Donor Restrictions			(20,465)		(20,465)		
<i>To adjust fixed assets included in the fixed asset schedule but not recorded in the general ledger in previous years</i>							
Legal Services			7,500		7,500		7,500
Accounts Payable		(7,500)					
<i>To record legal services for the deductible on the pending lawsuit</i>							
Net Assets w/o Donor Restrictions			33,746		33,746		
Net Assets w/ Donor Restrictions				(33,746)	(33,746)		
<i>To adjust beginning net assets for the entire United Way May 2020 to April 2021 \$37,108 promise to give upfront in accordance with ASU 2018-08</i>					-		
Effect of Uncorrected Misstatements - Current Period	20,465	(7,500)	20,781	(33,746)	(12,965)	-	7,500
Total Balances at Fiscal Year-End	9,214,181	(989,450)	(8,042,497)	(182,234)	(8,224,731)	(3,939,769)	3,035,865
Percentage Change	0.2%	0.8%	-0.3%	18.5%	0.2%	0.0%	0.2%

Client: *Sherwood Center for the Exceptional Child - 14437*  
 Engagement: *AUD 2021 - Sherwood Center for the Exceptional Child*  
 Period Ending: *6/30/2021*  
 Trial Balance: *3000 - Sherwood TB Database*  
 Workpaper: *1405 - Adjusting Journal Entries*

Account	Description	Debit	Credit
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**Adjusting Journal Entries**

**Adjusting Journal Entries JE # 1**

To roll net assets. Client will not post.

3000	Without Donor Restrictions	13,971.44	
6010	Bank & Merchant Fees	18.85	
7020	Contract-IT	1,515.00	
9615	Miscellaneous Expense	656.71	
6551	Facilities Rental		16,162.00
<b>Total</b>		<b>16,162.00</b>	<b>16,162.00</b>

**Adjusting Journal Entries JE # 2**

PBC depreciation expense entry

9010	Depreciation Expense	112,021.01	
1610	Accumulated Depreciation		112,021.01
<b>Total</b>		<b>112,021.01</b>	<b>112,021.01</b>

**Adjusting Journal Entries JE # 3**

To adjust AR to actual.

1220	A/R - General	24,005.00	
4205	Special Education Daily Rate		24,005.00
<b>Total</b>		<b>24,005.00</b>	<b>24,005.00</b>

**Adjusting Journal Entries JE # 4**

To adjust cash and payroll paid before year-end

2140	Accrued Wages	79,022.57	
1015	Bank of America - Operating - x0527		79,022.57
<b>Total</b>		<b>79,022.57</b>	<b>79,022.57</b>

**Adjusting Journal Entries JE # 5**

To adjust payroll taxes for MO tax credit not recorded

5020	Payroll Taxes	39,818.26	
4410	Government Grants		39,818.26
<b>Total</b>		<b>39,818.26</b>	<b>39,818.26</b>

**Adjusting Journal Entries JE # 6**

To remove time-restricted UW contributions from the CY.

4030	United Way Allocation	30,923.12	
1215	A/R - United Way		30,923.12
<b>Total</b>		<b>30,923.12</b>	<b>30,923.12</b>

**Adjusting Journal Entries JE # 7**

To record time-restricted UW contributions rec'd in the CY.

1215	A/R - United Way	34,457.43	
4030	United Way Allocation		34,457.43
<b>Total</b>		<b>34,457.43</b>	<b>34,457.43</b>

**Adjusting Journal Entries JE # 8**

To adjust furniture fixtures & equipment to adjust fixed asset schedule

	1610	Accumulated Depreciation	135,692.00	
	1510	Furniture Fixtures & Equipment		135,692.00
<b>Total</b>			<b>135,692.00</b>	<b>135,692.00</b>

**Adjusting Journal Entries JE # 9**

To adjust accumulated depreciation to agree to fixed asset schedule as of 6.30.2021

	9010	Depreciation Expense	18,830.73	
	1610	Accumulated Depreciation		18,830.73
<b>Total</b>			<b>18,830.73</b>	<b>18,830.73</b>

**Adjusting Journal Entries JE # 10**

To adjust for 401k match earned but not paid as of year-end

	5036	401k Matching	13,525.43	
	2117	401k Withholdings		13,525.43
<b>Total</b>			<b>13,525.43</b>	<b>13,525.43</b>

	<b>504,457.55</b>		<b>504,457.55</b>
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<b>Total All Journal Entries</b>	<b>504,457.55</b>		<b>504,457.55</b>
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