

# Booster Training Workshop

— Covina-Valley Unified School District

***CWDL***



# Today's Agenda

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# SCOs and Their Relationship with the District

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## Part I





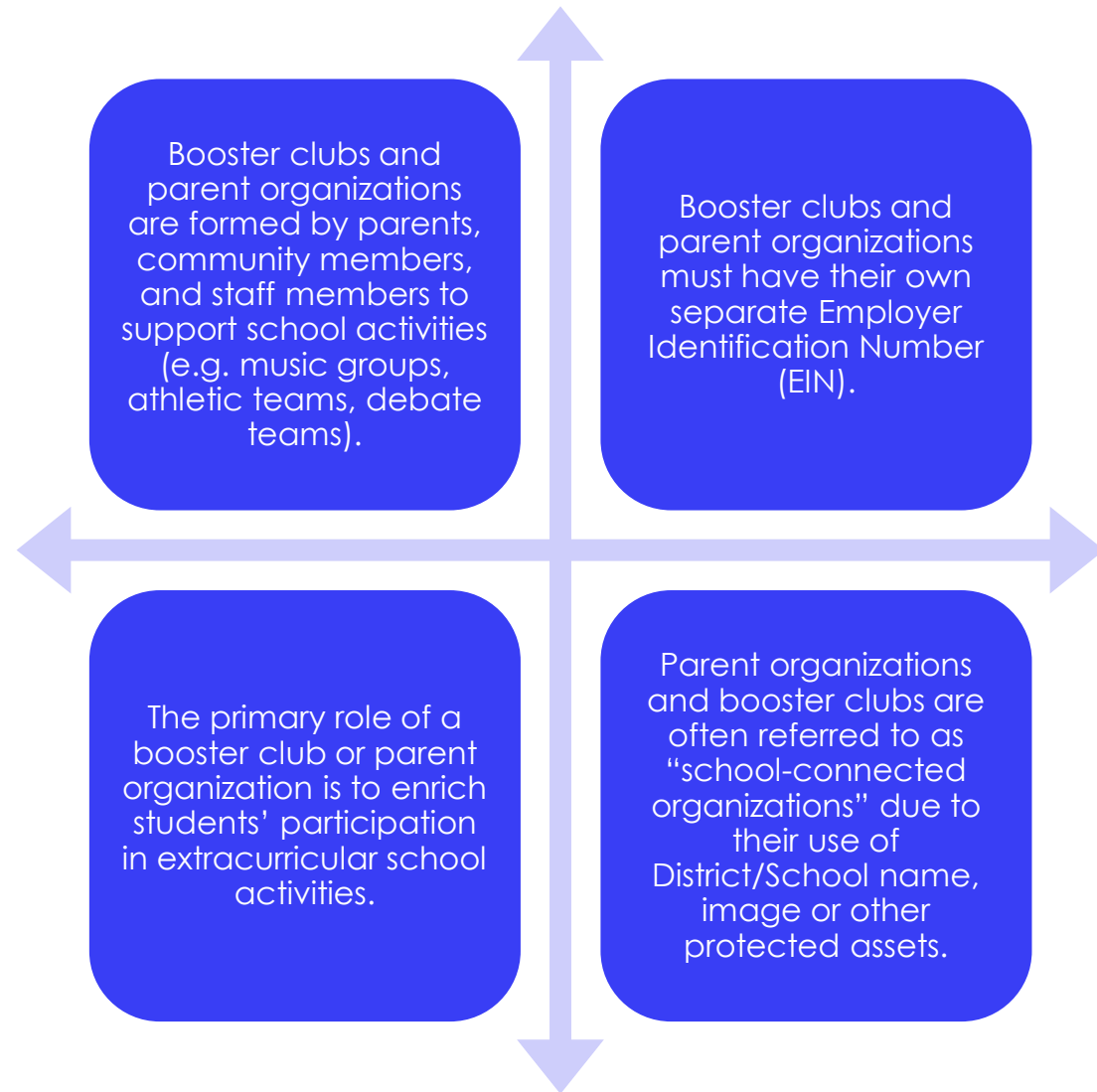
# Why the Focus on Booster Orgs??

- Intersection of sensitive laws & restrictions
- Headlines and criminal penalties are at stake
- The District bears ultimate responsibility



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# School-Connected Organizations



# Relationship with the District

- Booster clubs and parent organizations:
  - Are legally separate from the district
  - Are not under the legal control of the district superintendent, board of education, site administrators, other district staff or students
  - Must remain completely separate from district's Associated Student Body (ASB) organizations
  - Must not administer or supervise ASB organizations
  - Must never commingle funds with ASB or district funds
  - Cannot keep funds in ASB or school safe

# EC 51521

Education Code Section 51521 states:

- “No person shall solicit any other person to contribute to any fund or to purchase any item of personal property, upon the representation that the money received is to be used wholly or in part for the benefit of any public school or the student body of any public school, ***unless such person obtains the prior written approval of either the governing board of the school district in which such solicitation is to be made or the governing board of the school district having jurisdiction over the school or student body represented to be benefited by such solicitation, or the designee of either of such boards.***”

# Consequences of EC 51521

- Education Code Section 51521 means that a school-connected organization may not legally operate unless and until it obtains the prior written approval of the district's governing board or its designee.
- The district governing board should adopt board policies and administrative regulations that booster clubs and parent organizations must follow to operate as a school-connected organization. (BP/AR 1230)



# BP/AR 1230: School-Connected Organizations

- The Board of Education recognizes that parents/guardians and community members may wish to organize parent organizations and/or booster clubs for the purpose of supporting the educational program and/or extracurricular programs, such as athletic teams, debate teams, and musical groups. The Board appreciates the contributions made by such organizations and encourages their interest and participation in supporting district activities and helping to achieve the district's vision for student learning. Parent/guardian clubs shall be especially careful not to seek advantages for the activities they support if those advantages might be detrimental to the entire school program.
- The Board recognizes that school-connected organizations are separate legal entities, independent of the district. The district's tax exempt status and federal identification number are not for use by school-connected organizations. In order to help the Board fulfill its legal and fiduciary responsibility to manage District operations, any school-connected organization that desires to raise money to benefit any district student shall submit a request for authorization to the Superintendent or designee, in accordance with Board policy and administrative regulation. In addition, the Superintendent or designee shall establish appropriate internal controls for the relationship between school-connected organizations and the District.
- The Board encourages school-connected organizations to consider the impact of fund-raising activities on the overall school and district program. School-connected organizations may consult with the principal to determine school needs and priorities. Activities by school-connected organizations shall not conflict with law, Board policies, administrative regulations, or any rules of the sponsoring school. No student shall be required to fundraise for, or pay any fees, deposits or other charges for his/her participation in an educational activity which constitutes an integral fundamental part of the district's educational program, including curricular and extracurricular activities.
- The District shall maintain a list of all recognized school-organizations and shall publish the list on its website. Additionally, once a year all teachers, coaches and school site staff will be provided with information on these requirements.

# Operating Guidelines

- Booster clubs and parent organizations must be authorized to operate within the district through an application process.
- All booster clubs and parent organizations are subject to revocation by the superintendent or designee if deemed necessary.
- To operate in the district, each booster club or parent organization should:
  - Provide evidence of California state and federal 501(c)(3) tax-exempt status (IRS Determination Letter and while waiting for the IRS letter, Form 1023 should be presented)
  - Provide proof that each parent organization or booster club has its own EIN. (Form SS-4)

# Operating Guidelines (Cont.)

- Submit a signed Booster Club Manual Acknowledgement form.
- Submit the district's signed Hold Harmless Agreement.
- Submit a copy of the booster club/parent organization's constitution, or bylaws.
- Submit complete, up-to-date financial statements (Balance Sheet and Income Statement) to the school site principal or designee twice each year.

# Operating Guidelines (Cont.)

- Ensure that the school-connected organization's officers attend a district-provided Annual Booster Club Workshop.
- Not imply any form of responsibility for or sponsorship of its fundraising events by the district, school site or ASB unless authorized by the district, school principal or principal's designee.



# Operating Guidelines (Cont.)

- Be responsible for maintaining its own tax-exempt status, accounting, financial records and income tax reporting to both the federal and state government.
- Never be allowed to use the district's EIN.
- Not use the ASB or district funds as a pass-through account.
- Maintain a Seller's Permit if selling merchandise or goods, because booster clubs and parent organizations are not sales tax exempt.
  - California Department of Tax and Fee Administration
  - <http://www.cdtfa.ca.gov>

# Operating Guidelines (Cont.)

- Annually submit a Certificate of Liability from its insurance company to the principal or designee and carry liability insurance in an amount equal to or exceeding the minimum coverage amounts determined by the district.
- Annually submit a member roster of names and a contact list of officers to the principal or designee complete with addresses, phone numbers and email addresses.

# Operating Guidelines (Cont.)

- Annually submit a Certificate of Liability from its insurance company to the principal or designee and carry liability insurance in an amount equal to or exceeding the minimum coverage amounts determined by the district.
- Annually submit a member roster of names and a contact list of officers to the principal or designee complete with addresses, phone numbers and email addresses.
- Have its own bank account in the name of the organization separate from the district and/or ASB. A copy of the bank account statement and list of authorized signers must be annually submitted to the principal or designee.

# Operating Guidelines (Cont.)

- Not allow any individual to personally benefit from the booster club or parent organization's activities.
- Upon termination, provide through the school-connected organization's constitution for the distribution of any excess funds and assets to another nonprofit organization; e.g., the booster club's or parent organization's school site, the ASB or the district.



# Operating Guidelines (Cont.)

- The booster club or parent organization must submit a proposed budget and list of proposed fundraising activities to the school site principal or designee at the beginning of each school year for a determination to be made that there are no fundraising conflicts with other school activities, including ASB.
- Booster clubs' or parent organizations' ability to use school district facilities is regulated by California Education Code 38130-38139, otherwise known as the Civic Center Act.
- All fundraising activities at any district school site, including booster club and parent organizations, must be approved in advance per the district's Facility Use Policy.

# Operating Guidelines (Cont.)

- Students may volunteer for or assist booster clubs or parent organizations when it does not interfere with students' other school site obligations.
- A booster club or parent organization may never discriminate against students on the basis of a family's membership in, contributions to, or fundraising for the booster club or parent organization, or the family's time spent on booster club or parent organization activities.
- When a booster club or parent organization donates or raises funds for a school site, ASB or the district, it should state the specific purpose for which the funds are being donated on all applicable literature.
  - Once funds are donated and accepted by the district, the funds are the property of the district and may not be returned to the parent organization or booster club.

# Formation of an SCO



# Formation of an SCO



Step 1: Determine the organization's name and elect officers



Step 2: Prepare a constitution and bylaws



Step 3: Prepare and file Articles of Incorporation & Statement of Information and file relevant tax forms

Obtain EIN

Apply for Federal tax exemption (Form 1023)

Apply for CA tax exemption (Form 3500/3500A)

File initial registration form with CA Attorney General's Registry of Charitable Trusts



Step 4: Obtain District site principal or designee approval



# Naming the Org



A booster club or parent organization's name may not imply any form of responsibility of the district, school site, or ASB.



It is recommended not to use the name of the school or school mascot in the name of the booster club or parent organization but if used, must add "Booster" to the name.



Must not use the school or district address on its letterhead or any correspondence.



Should create a unique logo/mascot, separate and distinct from the school site logo or the district logo.

# Membership and Governance



# Membership Requirements

- Membership is limited to parents, community members, and school staff. Students may not be members but may volunteer.
- Membership fees may not be required for membership in the parent organization or booster club.
- Fees must never be required from students or from parents of students for the student to participate in school activities.
- A booster club or parent organization may not unlawfully discriminate against any parents, community members, or staff who wish to participate in the booster club or parent organization's activities.

# Electing Officers

- All booster club or parent organization officers should be elected annually.
- All booster club or parent organization officers must provide complete contact information to the school principal or designee.
- The school principal or designee must be notified in writing of any change in booster club or parent organization officers.



# Electing Officers (Cont.)

- All members of a booster club or parent organization's executive board are legally obligated to be prudent and reasonable in conducting themselves to preserve parent organization or booster club funds and legally protect the organization.
- All booster club or parent organization executive board members must actively participate in the management of the parent organization or booster club including attending meetings, evaluating financial reports, and reading minutes.

# Electing Officers (Cont.)

- Compensation: No member, management, executive, governing board member, committee member, etc. should be compensated to participate in the booster club or parent organization.
- District employees may not serve on the executive board for any booster or parent organization located at the site at which they work. This includes holding any booster club or parent organization board or officer positions such as:
  - Treasurer
  - Bookkeeper
  - Fundraising chairperson
  - Check signer
  - Person designated to collect any fees, donations, checks, or cash

# Governance

- Audit Committee
  - Annual internal reviews or independent external audits of the booster club's or parent organization's financial records must be conducted.
  - The annual review should be performed by at least two individuals who are independent from the booster club's or parent organization's day-to-day financial activities. If two independent individuals are not available, the treasurer may conduct the review with one other independent individual. All review reports should be signed by those conducting the review and the organization president.

# Governance (Cont.)

- Audit Committee
  - An annual external audit conducted by a certified public accountant is highly recommended.
  - All financial discrepancies discovered during the review or audit must be brought to the booster club or parent organization president's attention. A plan for resolving all review or audit exceptions and financial discrepancies must be proposed to the booster club or parent organization's governing board immediately.
  - The organization must make all booster club or parent organization financial records available upon request of the audit committee, any organization board members or the school site principal or designee.

# Internal Controls and Risk Areas



# Fraud Targets

- Booster clubs and parent organizations need internal controls just as do ASBs, school districts and any other well-managed business.
- Because booster clubs and parent organizations tend to experience a higher turnover of management and business staff, consistently following good business practices and internal controls can be challenging.
- Such turnover, the collection of a lot of cash, and many other reasons are also why booster clubs and parent organizations are often thought of as good targets for financial fraud.



# Internal Controls

- Policies and procedures designed to provide the governing board and management with reasonable assurance that the district, including ASB, achieves its objectives and goals. They include:
  - Segregation of duties
  - Limiting access to assets
  - Management review and approval
  - Reconciliations
  - Maintaining established policies, procedures and standards of conduct
  - Ensuring appropriate management tone
    - “Tone at the top”
  - Ensuring efficient and effective accounting and business practices, policies and procedures



# Internal Control Best Practices

- Complete purchase order/requisition prior to purchase
- Never pay expenses out of cash receipts
  - Deposit cash and then write a check
- Keep the checkbook and extra check stock in a safe, secure place
- Void checks that are incorrect or not issued
- Never sign checks in advance --have at least one backup signer (but can be more)
- Use checks in proper sequence
- Never make check out to “cash”
- Ensure checks have two signatures

# Internal Control Best Practices (Cont.)

- Receive the service/product/goods before making payment
  - Original documents/receipts exist and proper authorization obtained
- Maintain a record of each meeting and the action(s) taken in them
- Reconcile bank statements within two weeks of receipt, with proper review and approval afterward
- Always use cash controls
  - Pre-numbered receipt books or tickets
  - Adequately control where cash controls are stored
- Ensure financial statements are submitted and complete
- Maintain effective filing systems and records management
- Verify that proper signatures exist on all cash collection forms

# Internal Control Best Practices (Cont.)

- Dual cash counts
  - Always count funds with a witness/countersign deposit forms
  - Use tamper-proof sealed plastic bank bags at all levels of custody
- Endorse all checks –“For Deposit Only ...”
- Do not leave funds unattended on a desk
  - If the person who normally receives cash is unavailable, assign another individual and ensure they double count all cash
- Make timely deposits: daily if possible, but at least every 2-3 days Never leave undeposited money over weekends or holidays
- Never make payments to district employees including cash, check, or gift card. (Doing so can cause serious IRS payroll tax issues for the organization, the employee, and the district whether or not you issue a 1099.)

# Internal Control Best Practices (Cont.)

- Always report overages and shortages in cash controls AND cash
- Maintain budgets for all activities
- Ensure proper cash handling and physical chain of custody for all cash receipts
- No commingling of receipts from separate events
- Immediately deliver proceeds from all events to the bookkeeper
- Use pre-numbered tickets, receipt books, or tally sheets (e.g., cash controls) at all events
- Complete cash receipts and deposit documentation for fundraising events, concession sales, and other events
- Use cash boxes

# Internal Control Best Practices (Cont.)

- Safe storage is a must
  - The safest place for money to be is in the bank
  - Second safest place for money is a safe
- If you cannot deposit the money in the bank that day – put the money in a safe with a witness present

# Risk Areas

- Games & gambling
- Raffles
- Bingo
- Alcohol
- Tobacco



# Games & Gambling

- California Penal Code Section 330 provides that:
  - ***“Every person who deals, plays, or carries on, opens, or causes to be opened, or who conducts, either as owner or employee, whether for hire or not, any game of faro, monte, roulette, lansquenet, rouge et noire, rondo, tan, fan-tan, seven-and-a-half, twenty-one, hokey-pokey, or any banking or percentage game played with cards, dice, or any device, for money, checks, credit, or other representative value, and every person who plays or bets at or against any of those prohibited games, is guilty of a misdemeanor, and shall be punishable by a fine not less than one hundred dollars (\$100) nor more than one thousand dollars (\$1,000), or by imprisonment in the county jail not exceeding six months, or by both the fine and imprisonment.”***




# Games & Gambling (Cont.)

- Nonprofits may register with the Attorney General for promoting nonprofit organization gambling under the fundraiser registration program at <https://oag.ca.gov/gambling/charitable>.
- The OAG website states, “The State of California’s Business and Professions Code Sections 19985-19987 allow for eligible nonprofit organizations to hold “charity poker night” fundraisers. Qualified nonprofit organizations and suppliers of equipment and/or services for such fundraising events must submit an Annual Registration Form to the Bureau of Gambling Control for prior approval.”

# Raffles

- Always file the Nonprofit Raffle Program form annually if you are going to have a raffle.
- \$20 fee.
- Complete by September 1.
- Registration period is September 1 to August 31.

STATE OF CALIFORNIA CT-400-1 (Rev. 06/2017)		DEPARTMENT OF JUSTICE PAGE 1 of 1	
<b>APPLICATION FOR REGISTRATION          NONPROFIT RAFFLE PROGRAM          (California Penal Code section 320.5)</b>			
	The registration period is September 1 to August 31. After August 31, a new registration is required.		MAIL TO: Office of the Attorney General Registry of Charitable Trusts P.O. Box 903447 Sacramento, CA 94203-4470
	A CHECK IN THE AMOUNT OF \$20 MADE PAYABLE TO DEPARTMENT OF JUSTICE MUST ACCOMPANY THIS REGISTRATION FORM		STREET ADDRESS: 1300 I Street Sacramento, CA 95814 (916) 210-6400  WEBSITE ADDRESS: <a href="http://www.sos.ca.gov/charities">www.sos.ca.gov/charities</a>
Proof of California Franchise Tax Board exempt status must be attached to this registration application. This application will otherwise be deemed delinquent and returned to the organization.		(For Registry Use Only)	
Name of Organization		Raffle Registration Number: _____	
Address of Organization		Provide at least one of the following:	
City or Town, State and ZIP Code		Federal Employer Identification Number (FEIN): _____	
E-mail Address		Corporate Number: _____	
Telephone Number		Organization Number: _____	
Fax Number		State Charity Registration Number: _____	
Specify the organization's tax - exempt status pursuant to California Revenue and Taxation Code section:			
<input type="checkbox"/> 23701a Labor, agricultural, or horticultural organizations		<input type="checkbox"/> 23701g Nonprofit pleasure and recreation clubs	
<input type="checkbox"/> 23701b Fraternal beneficiary societies, orders or associations		<input type="checkbox"/> 23701k Religious or apostolic corporations having common or	
<input type="checkbox"/> 23701d Religious, charitable, scientific, testing for public safety, literary, educational, amateur sports or prevention of cruelty to children or animals organization		<input type="checkbox"/> 23701l Domestic fraternal societies, orders or associations	
<input type="checkbox"/> 23701e Business leagues, chambers of commerce, real estate boards, and boards of trade		<input type="checkbox"/> 23701t Homeowners and associations	
<input type="checkbox"/> 23701f Civic leagues, social welfare organizations and local employee organizations		<input type="checkbox"/> 23701w Veterans organizations	
Proposed date(s) of raffle(s) [REQUIRED] _____ (month/day/year)			
By signing this application for registration, I hereby certify all of the following: 1. <input type="checkbox"/> Applicant is a private, nonprofit organization, 2. <input type="checkbox"/> Applicant has been qualified to conduct business in the State of California for at least one year prior to the raffle first held and 3. <input type="checkbox"/> all information provided on this application is true and correct.			
_____ Signature of Authorized Officer or Director Who Prepared This Form		_____ Date	
_____ Printed Name of Authorized Officer or Director		_____ Title of Authorized Officer or Director	


# Raffles (Cont.)

- Must be a nonprofit
- One year qualified
- FTB entity status letter
- **90% of profits per raffle must be distributed to a beneficial or charitable purpose** (This is why 50/50 raffles are illegal)
- Detached tickets must have #'s
- Only adults supervise drawing
- Cannot be conducted over the internet
- And More, so read the rules

STATE OF CALIFORNIA  
CT-400P-1  
(Rev. 06/2017)

**APPLICATION FOR REGISTRATION  
NONPROFIT RAFFLE PROGRAM**  
(California Penal Code section 320.5)

DEPARTMENT OF JUSTICE  
PAGE 1 of 1



The registration period is September 1 to August 31. After August 31, a new registration is required.

A CHECK IN THE AMOUNT OF \$20 MADE PAYABLE TO DEPARTMENT OF JUSTICE MUST ACCOMPANY THIS REGISTRATION FORM

MAIL TO:  
Office of the Attorney General  
Registry of Charitable Trusts  
P.O. Box 903447  
Sacramento, CA 94203-4470


STREET ADDRESS:  
1300 I Street  
Sacramento, CA 95814  
(916) 210-6400

WEBSITE ADDRESS:  
[www.ag.ca.gov/charities](http://www.ag.ca.gov/charities)

<small>Proof of California Franchise Tax Board exempt status must be attached to this registration application. This application will otherwise be deemed delinquent and returned to the organization.</small>		<small>(For Registry Use Only)</small>	
<b>Name of Organization</b>		<b>Raffle Registration Number:</b> _____	
<b>Address of Organization</b>		<b>Provide at least one of the following:</b>	
<b>City or Town, State and ZIP Code</b>		Federal Employer Identification Number (FEIN): _____	
<b>E-mail Address</b>		Corporate Number: _____	
<b>Telephone Number</b>		Organization Number: _____	
<b>Fax Number</b>		State Charity Registration Number: _____	
<b>Specify the organization's tax - exempt status pursuant to California Revenue and Taxation Code section:</b>			
<input type="checkbox"/> 23701a Labor, agricultural, or horticultural organizations		<input type="checkbox"/> 23701g Nonprofit pleasure and recreation clubs	
<input type="checkbox"/> 23701b Fraternal beneficiary societies, orders or associations		<input type="checkbox"/> 23701k Religious or apostolic corporations having common or	
<input type="checkbox"/> 23701d Religious, charitable, scientific, testing for public safety, literary, educational, amateur sports or prevention of cruelty to children or animals organization		<input type="checkbox"/> 23701l Domestic fraternal societies, orders or associations	
<input type="checkbox"/> 23701e Business leagues, chambers of commerce, real estate boards, and boards of trade		<input type="checkbox"/> 23701t Homeowners and associations	
<input type="checkbox"/> 23701f Civic leagues, social welfare organizations and local employee organizations		<input type="checkbox"/> 23701w Veterans organizations	
<b>Proposed date(s) of raffle(s) [REQUIRED]</b> _____ (month/day/year)			
By signing this application for registration, I hereby certify all of the following: 1. <input type="checkbox"/> Applicant is a private, nonprofit organization, 2. <input type="checkbox"/> Applicant has been qualified to conduct business in the State of California for at least one year prior to the raffle first held and 3. <input type="checkbox"/> all information provided on this application is true and correct.			
_____ Signature of Authorized Officer or Director Who Prepared This Form		_____ Date	
_____ Printed Name of Authorized Officer or Director		_____ Title of Authorized Officer or Director	

# Raffles (Cont.)

- Two page report
- Report each year there is a raffle
- NEW: Report aggregate for all raffles, not each. Penal Code 320.5
- Due October 1

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Signature of Authorized Officer or Director Who Prepared This Form		Date	
Printed Name of Authorized Officer or Director		Title of Authorized Officer or Director	

# Bingo

- California law and city and county ordinances provide that it is a ***criminal misdemeanor*** to violate bingo ordinances, or to pay or receive a profit, wage, or salary from any bingo game.
- City ordinances, rules, and forms apply. Check your city bingo ordinance.
- Only operated by a California tax-exempt nonprofit organization (Proof = FTB Tax Exempt Determination Notice/Letter)
- Completion of the licensing application and receipt of a valid license from the city, and where applicable the county, prior to conducting any games
- Minors are prohibited from any participation in any bingo game
- Total value of prizes awarded cannot exceed \$250 in cash or kind, for each game held

# Tobacco

## Possession and Sale of Tobacco

- NO TOBACCO IS ALLOWED AT ANY BOOSTER CLUB EVENT ON DISTRICT PROPERTY
  - Under California Health and Safety Code Section 104420 and California Labor Code Section 6404.5, United States Code Section 6083, the use of any form of tobacco products at any time in district-owned or leased buildings is prohibited on district property and in district vehicles.
    - The prohibition of tobacco applies to all employees, students, and visitors at any school-sponsored instructional program, activity, or athletic event held on or off district property.



# Thank You

For more information, please contact:

**John Dominguez, CPA, CFE, CGMA**

**Ben Leavitt, CPA, CFE**

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San Diego, CA 92123

***CWDL***

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**CWDL.COM**