



Fresh Youth Initiatives, Inc.

Financial Statements

Year Ended June 30, 2018

(with summarized totals for the year ended June 30, 2017)

*A Certified Women-Owned Business Enterprise in the Commonwealth of Massachusetts
and New York State*

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Independent Auditors' Report

To the Board of Directors
Fresh Youth Initiatives, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Fresh Youth Initiatives, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fresh Youth Initiatives, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Davis Kelly, LLC.

New York, New York
February 20, 2019

Fresh Youth Initiatives, Inc.
Statement of Financial Position
For the Year Ended June 30, 2018

(with comparative totals for the year ended June 30, 2017)

	2018	2017
<i>Assets</i>		
Cash and cash equivalents	\$ 777,298	\$ 428,663
Accounts and pledges receivable	177,945	149,880
Investments	132,699	129,104
Prepaid expense	4,821	-
Fixed assets, net	2,767,819	2,860,882
<i>Total assets</i>	\$ 3,860,582	\$ 3,568,529
<i>Liabilities and Net Assets</i>		
Liabilities:		
Accrued expenses and accounts payable	2,046	8,422
<i>Total liabilities</i>	2,046	8,422
Net assets:		
Unrestricted	3,554,479	3,431,050
Temporarily restricted	175,000	-
Permanently restricted	129,057	129,057
<i>Total net assets</i>	3,858,536	3,560,107
<i>Total liabilities and net assets</i>	\$ 3,860,582	\$ 3,568,529

Fresh Youth Initiatives, Inc.

Statement of Activities

For the Year Ended June 30, 2018

(with comparative totals for the year ended June 30, 2017)

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total 2018</i>	<i>Total 2017</i>
Revenue and support:					
Government grants	\$ 1,616,727	\$ -	\$ -	1,616,727	\$ 877,511
Foundation grants	450,500	175,000	-	625,500	507,600
Individual contributions	57,336	-	-	57,336	105,980
Corporate grants	17,157	-	-	17,157	4,236
Special events, net	128,302	-	-	128,302	114,839
Interest and dividends	9,583	-	-	9,583	5,567
Unrealized gain/(loss) on investments, net	(623)	-	-	(623)	(84)
Total revenue and support	\$ 2,278,982	\$ 175,000	\$ -	2,453,982	\$ 1,615,649
Expenses:					
Program services	1,716,292	-	-	1,716,292	1,172,736
Management and general	296,526	-	-	296,526	203,648
Fundraising	142,515	-	-	142,515	99,088
Total expenses	2,155,333	-	-	2,155,333	1,475,472
Change in net assets	123,649	175,000	-	298,649	140,177
Net assets, beginning	3,430,830	-	129,057	3,559,887	3,419,710
Net assets, end of year	\$ 3,554,479	\$ 175,000	\$ 129,057	3,858,536	\$ 3,559,887

Fresh Youth Initiatives, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2018

(with comparative totals for the year ended June 30, 2017)

	<i>Program Expenses</i>	<i>General and Administration</i>	<i>Fundraising</i>	<i>2018 Total</i>	<i>2017 Total</i>
Salaries	\$ 1,129,012	\$ 217,062	101,322	\$ 1,447,396	\$ 908,680
Payroll taxes	76,564	14,724	6,871	98,159	74,222
Fringe benefits	88,499	17,020	7,942	113,461	89,075
Professional fees	62,442	12,007	5,604	80,053	74,496
Program supplies	59,192	-	4,202	63,394	50,607
Stipends/interns	9,967	-	-	9,967	1,788
Web design and maintenance	0	192	-	192	192
Activity fees	22,844	-	-	22,844	8,579
Travel	13,324	2,563	1,195	17,082	9,295
Program expense	61,615	-	-	61,615	19,075
Food expense	21,450	-	-	21,450	37,162
Equipment rental and maintenance	18,654	3,587	1,674	23,915	28,341
Insurance	21,382	4,112	1,919	27,413	25,734
Telephone	3,765	724	338	4,827	4,834
Utilities	21,948	4,221	1,969	28,138	31,621
Payroll processing fees	7,128	1,371	640	9,139	7,255
Dues and fees	3,175	611	284	4,070	2,868
Depreciation	95,331	18,332	8,555	122,218	101,648
<i>Total expenses</i>	<u>\$ 1,716,292</u>	<u>\$ 296,526</u>	<u>\$ 142,515</u>	<u>\$ 2,155,333</u>	<u>\$ 1,475,472</u>

Fresh Youth Initiatives, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2018

(with comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 298,649	\$ 140,177
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	111,510	101,648
Realized loss/(gain) on investment	(4,322)	
Changes in assets and liabilities:		
Accounts receivable	(28,065)	483
Prepaid expense	(4,821)	
Accounts payable and accrued expenses	(6,376)	(10,084)
<i>Net cash provided by operating activities</i>	<u>366,575</u>	<u>232,224</u>
<i>Cash flows from investing activities:</i>		
Change in investment, net	508	11,276
Investment in equipment	(18,448)	(61,609)
<i>Net cash used in investing activities</i>	<u>(17,940)</u>	<u>(50,333)</u>
<i>Net change in cash and cash equivalents</i>	348,635	181,891
Cash and cash equivalents, beginning of year	<u>428,663</u>	<u>246,772</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 777,298</u>	<u>\$ 428,663</u>

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Fresh Youth Initiatives, Inc.

Notes to Financial Statements

Year Ended June 30, 2018

(With summarized totals for the year ended June 30, 2017)

Note 1 – Organization

The mission of Fresh Youth Initiatives (FYI) (the Organization) is to assist children who have the fewest resources to reach their greatest potential. We offer the tools, supports, and caring relationships that children and teenagers need to navigate life transitions, connect to their community, flourish in school, and get on track to college and career. Founded in 1993, FYI operates programs across four sites in Washington Heights/Inwood where 1400 children ages 5 – 18 year old participate in after school programs, summer camps, service learning, tutoring, advisory, and College Access programs. Increasingly, FYI works with children who are recent immigrants, helping them to acquire English skills, adapt to life in New York City, and flourish in school and in their personal lives.

Founded in 1993, the very first FYIers created a youth-run food pantry, organized soup carts for the hungry, and distributed hand-made sleeping bags to homeless persons—all FYI traditions that have endured. Recent program growth has sparked new and varied service learning opportunities. Many of our teens today are assisting their younger peers as tutors, homework helpers, and athletic coaches, and our youth-run food pantry increasingly donates groceries to FYI’s own children and families in need.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The financial statements presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, Financial Statements of Not-for-Profit Organizations. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - consists of assets, public support, program revenues and investment earnings which are available and used for charitable activities, operations and programs. Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee Organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests and investment income earned on restricted funds.

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets.

Fresh Youth Initiatives, Inc.

Notes to Financial Statements

Year Ended June 30, 2018

(With summarized totals for the year ended June 30, 2017)

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with maturity of three months or less when purchased, to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increase in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Increases or decreases in market value are recorded as unrealized gains or losses on investments.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services, which are summarized on a functional basis in the accompanying statement of activities. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification.

Plant, property and equipment

Plant, property, equipment, furniture and leasehold improvements are stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the lease term or life of the leasehold whichever is shorter, on a straight-line basis. The estimated useful lives for purposes of computing depreciation are as follows:

Major additions and improvements over \$1,000 are capitalized, and ordinary repairs and maintenance are expensed as incurred.

Income Tax Status

The Organization is exempt from federal income tax under the Internal Revenue Code Section 501(c) (3). Additionally, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (a) and has been classified as an organization that is not a private foundation

Fresh Youth Initiatives, Inc.

Notes to Financial Statements

Year Ended June 30, 2018

(With summarized totals for the year ended June 30, 2017)

Income Tax Status (continued)

under Section 509(a) (1) of the Internal Revenue Code. The Organization is also exempt from New York state taxes. Therefore, there is no provision for federal and or state taxes.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted assets are reclassified to unrestricted net assets.

Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Organization reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that

Note 3 - Accounts Receivable

Accounts receivable consist mainly of receivables from state and other government agencies for services which are expected to be collected in full within one year; therefore, no allowance for doubtful accounts has been recorded against those balances.

Note 4 - Fair Value Measurements

The Association has adopted FASB ASC 820, which defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Association considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

FASB ASC 820 also establishes a fair value hierarchy that requires the Association to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The categorization of each investment type within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. FASB ASC 820 establishes three levels of inputs that may be used to measure fair value:

Fresh Youth Initiatives, Inc.

Notes to Financial Statements

Year Ended June 30, 2018

(With summarized totals for the year ended June 30, 2017)

• ***Note 4 - Fair Value Measurements (continued)***

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- Level 1: quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: unobservable inputs that are supported by little or no market activity and that reflect the Association's own assumptions about market participants and investment prices.

The following is a description of the valuation methodologies used for assets measured at fair value:

- *Equity securities*: Equity securities are recorded at quoted market price.
- *Fixed income securities*: Fixed income securities are recorded at amortized cost, which approximates fair value, and are considered to be held-to maturity securities.

Note 5 – Investments

Investments included on the accompanying statement of position reflect funds invested in equity and fixed income securities. Those investments are reported at their fair values at year end. The fair values of financial instruments appearing on the accompanying statement of financial position have the following valuation approaches as defined by FASB ASC 820 hierarchy:

- Assets utilizing Level 1 inputs include equity securities. The fair value of these securities at June 30, 2018 was \$177,945. There are no liabilities utilizing Level 1 inputs.
- Assets utilizing Level 2 inputs include fixed income securities. The carrying values of these securities at June 30, 2018, which equaled fair value were zero. There were no assets utilizing Level 3 inputs. There are no liabilities utilizing Level 3 inputs.

Note 6 - Fixed Assets

	<u>2018</u>	<u>2017</u>
Land, buildings and improvements	\$ 3,750,904	\$ 3,750,904
Furniture and equipment	32,268	28,052
Office equipment and computers	126,267	112,035
Communication expenses	39,800	39,800
Subtotal fixed assets	<u>3,949,239</u>	<u>3,930,791</u>
Accumulated depreciation	<u>1,181,419</u>	<u>1,069,909</u>
	<u>\$ 2,767,820</u>	<u>\$ 2,860,882</u>

Fresh Youth Initiatives, Inc.

Notes to Financial Statements

Year Ended June 30, 2018

(With summarized totals for the year ended June 30, 2017)

Note 7 - Concentration of Risk

The Organization maintains its cash balances in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Note 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets for the year ended June 30, 2018 is \$175,000 and is restricted as to purpose. There were no temporarily restricted net assets for the year ended June 30, 2017.

Note 9 – Permanently Restricted Net Assets- Endowment

Endowments

The Organization follows the provisions of ASC Topic 958, Section 205-45, and *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*. These provisions provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) and also require disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds. The Organization has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulated so much of the donor-restricted endowment fund as is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary. Accounting guidance associated with the enactment of NYPMIFA as set forth in Accounting Standards Codification 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the New York State UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Fresh Youth Initiatives, Inc.

Notes to Financial Statements

Year Ended June 30, 2018

(With summarized totals for the year ended June 30, 2017)

Note 9 – Permanently Restricted Net Assets- Endowment (continued)

1. The duration and preservation of the Fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. The investment policies of the Organization

Funds Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies at June 30, 2018 and June 30, 2107.

Return Objectives, Strategies Employed and Spending Policy

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The primary objective of the endowment is to generate income which would be withdrawn and used to support current year programs.

Spending Policy

The current anticipated income stream is targeted to be between 5 to 7%. Only publicly traded securities are employed in this account, growth of capital is a secondary objective. Since principal cannot be invaded and income can be withdrawn it is anticipated that the fund would be nearly fully invested all of the time. The Organization has an endowment which was originally funded with \$100,000 from the Jean L. & Robert A. Stern Foundation. The monies are managed by an investment manager who will have discretion in investing the principal and fees which are discounted and all inclusive. Distributions are to be made as needed – annually, bi-annually or quarterly as requested. If the Organization dissolves all remaining assets are to be given to the Children’s Aid Society.

The Organization was given a contribution for a permanently restricted endowment fund with an original corpus of \$150,000. The donor stipulated that up to 5% of the balance in the account is to be transferred to the Organization for operating purposes. The remaining permanently restricted balance was \$129,104 as of June 30, 2018.

Fresh Youth Initiatives, Inc.

Notes to Financial Statements

Year Ended June 30, 2018

(With summarized totals for the year ended June 30, 2017)

Note 10 - Subsequent events

Subsequent events have been evaluated through February 20, 2019, which is the date the financial statements were available to be issued. ASC 855-10 defines “Subsequent events” as further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Organization management has evaluated events subsequent to June 30, 2018 to February 20, 2019 which is the date the financial statements were available to be issued. There was no material events noted during this period that would impact the results reflected in this report.



*Independent Auditors' Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards*

To the Board of Directors
Fresh Youth Initiatives, Inc.
New York, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Fresh Youth Initiatives, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fresh Youth Initiatives, Inc.'s internal control over financial reporting (internal control) to determine the 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 Fresh Youth Initiatives, Inc.'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fresh Youth Initiatives, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do

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not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DavisKelly, LLC.

Boston, Massachusetts
February 20, 2019