Laspau, Inc.

Audited Financial Statements and Reports Required
for Audits in Accordance with *Government Auditing
Standards* and the Uniform Guidance
December 31, 2018

Contents

RSM US LLP

Independent Auditor's Report

Board of Trustees
Laspau, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of Laspau, Inc. (Laspau) which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, and cash flows for the years 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 audits. We conducted our audits in accordance with 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. 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laspau as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, Laspau adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* during the year ended December 31, 2018. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and disclosure relating to net assets. The adoption was retrospectively applied to January 1, 2017; the earliest year presented. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2019, on our consideration of Laspau's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Laspau's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Laspau's internal control over financial reporting and compliance.

RSM US LLP

Boston, Massachusetts
September 26, 2019

Laspau, Inc.

Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets:		
Cash and cash equivalents	**$ 938,086**	$ 1,448,215
Money market funds	**9,961,023**	13,672,535
Receivables from funding agencies	**159,152**	897,244
Pledges receivable	**15,807**	28,369
Prepaid expenses	**840,307**	1,105,684
Other current assets	**14,848**	31,090
Total current assets	**11,929,223**	17,183,137
Property and equipment, net	**322,703**	451,977
Total assets	**$ 12,251,926**	$ 17,635,114
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 683,143**	$ 562,400
Other short-term liabilities	**251,266**	312,604
Deferred revenue	**10,861,474**	15,992,975
Total current liabilities	**11,795,883**	16,867,979
Other liabilities		
Accounts payable	**250,000**	-
Total liabilities	**12,045,883**	16,867,979
Commitments		
Net assets:		
Without donor restrictions	**111,161**	495,090
With donor restrictions	**94,882**	272,045
Total net assets	**206,043**	767,135
Total liabilities and net assets	**$ 12,251,926**	$ 17,635,114

See notes to financial statements.

Laspau, Inc.

Statements of Activities
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Grants received	**$ 13,352,317**	**$ -**	**$13,352,317**	$18,405,799	$ -	$18,405,799
Less amounts designated by funders for specific beneficiaries	**(11,447,338)**	**-**	**(11,447,338)**	(15,843,259)	-	(15,843,259)
Net grant administration revenue	**1,904,979**	**-**	**1,904,979**	2,562,540	-	2,562,540
Other income:						
Seminars and workshops	**1,210,815**	**-**	**1,210,815**	1,427,889	-	1,427,889
Test administration	**299,163**	**-**	**299,163**	289,862	-	289,862
Interest income	**187,709**	**-**	**187,709**	69,855	-	69,855
Other	**16,259**	**-**	**16,259**	15,697	-	15,697
Net assets released from restrictions	**177,163**	**(177,163)**	**-**	14,050	(14,050)	-
Total revenue, gains and other support	**3,796,088**	**(177,163)**	**3,618,925**	4,379,893	(14,050)	4,365,843
Expenses:						
Grant administration	**2,038,755**	**-**	**2,038,755**	1,798,114	-	1,798,114
Seminars and workshops	**1,152,862**	**-**	**1,152,862**	1,117,542	-	1,117,542
Test administration	**171,284**	**-**	**171,284**	95,391	-	95,391
Management and general	**1,115,509**	**-**	**1,115,509**	1,485,810	-	1,485,810
Total expenses	**4,478,410**	**-**	**4,478,410**	4,496,857	-	4,496,857
Change in net assets from operations	**(682,322)**	**(177,163)**	**(859,485)**	(116,964)	(14,050)	(131,014)
Nonoperating income (expense):						
Contribution revenue	**433,806**	-	**433,806**	82,585	100,000	182,585
Fundraising expenses	**(135,413)**	**-**	**(135,413)**	(63,567)	-	(63,567)
Total nonoperating income (expense)	**298,393**	**-**	**298,393**	19,018	100,000	119,018
Change in net assets	**(383,929)**	**(177,163)**	**(561,092)**	(97,946)	85,950	(11,996)
Net assets:						
Beginning of year	**495,090**	**272,045**	**767,135**	593,036	186,095	779,131
End of year	**$ 111,161**	**$ 94,882**	**$ 206,043**	$ 495,090	$ 272,045	$ 767,135

See notes to financial statements.

Laspau, Inc.

Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ (561,092)**	$ (11,996)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**138,086**	130,283
Changes in assets and liabilities:		
(Increase) decrease in:		
Money market funds	**3,711,512**	(3,470,609)
Receivables from funding agencies, net	**738,092**	2,628,762
Pledges receivable	**12,562**	1,279
Prepaid expenses	**265,377**	118,801
Other current assets	**16,242**	(6,924)
Increase (decrease) in:		
Accounts payable	**370,743**	(51,012)
Other short-term liabilities	**(61,338)**	98,629
Deferred revenue	**(5,131,501)**	1,472,637
Net cash (used in) provided by operating activities	**(501,317)**	909,850
Cash flows from investing activities:		
Purchases of property and equipment, net	**(8,812)**	(45,841)
Net cash used in investing activities	**(8,812)**	(45,841)
Net (decrease) increase in cash and cash equivalents	**(510,129)**	864,009
Cash and cash equivalents:		
Beginning of year	**1,448,215**	584,206
End of year	**$ 938,086**	$ 1,448,215

See notes to financial statements.

Note 1. Nature of Organization

Laspau, Inc. (Laspau or the Organization) is a private, nonprofit corporation located in the Commonwealth of Massachusetts and affiliated with Harvard University (the University). Laspau designs, develops and implements academic and professional exchange programs on behalf of individuals and institutions in order to contribute to the advancement of education in Latin America, Canada, the Caribbean, and the United States. Through a variety of specialized services, Laspau carries out programs for several sponsors by cooperating with Latin American and Caribbean institutions seeking to assess and fulfill their educational and training needs. In support of its overall purpose, Laspau offers these specialized educational services to institutions in the Americas.

Note 2. Summary of Significant Accounting Policies

Classification and reporting of net assets: The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to not-for-profit organizations under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-For-Profit Organizations*. These requirements require the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the two net asset classes follows:

- Net assets without donor restrictions represent the portion of net assets of the Organization that is restricted by donor-imposed stipulations. Net assets without donor restrictions include expendable funds available for support of the Organization.
- Net assets with donor restrictions represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Cash and cash equivalents: Laspau considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents include the operating cash accounts available on a daily basis.

Other current assets: Laspau's other current assets include test booklets purchased for resale to third parties which are recorded at the lower of cost, determined by the first-in, first-out method, or market value.

Advertising: The Organization expenses advertising costs as incurred.

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

Property and equipment: Property and equipment, consisting of furniture, equipment, and software, are recorded at cost and depreciated over their estimated useful lives, generally four to five years, using the straight-line method. Expenditures for maintenance and repairs, which do not critically extend the useful life of the asset, are expensed as incurred.

When assets are sold or retired, the cost thereof and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss, if any, is credited to or charged against income.

Note 2. Summary of Significant Accounting Policies (Continued)

Impairment of long-lived assets: Laspau reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If facts or circumstances support the possibility of impairment, Laspau will prepare a projection of the undiscounted future operating cash flows. In cases when Laspau does not expect to recover its carrying value, an impairment loss will be recognized. As of December 31, 2018 and 2017, management has determined that no impairment indicators exist.

Deferred revenue and revenue recognition: Laspau acts as an administrator for all of its funding agencies, which include the United States Government, the Organization of American States, and other countries and private organizations. As an administrator, Laspau receives grants from these organizations for the purpose of funding fellowships for students at educational institutions within the United States, Latin America, Canada, and the Caribbean. Laspau records deferred revenue upon receipt of these grants equal to the value of funds received in advance of disbursements. Revenue from grants received is recognized as expenses designated for specific grantees are incurred. Deferred revenue is reduced as revenue from grants received is recognized.

Funds received from funding agencies are held by Laspau for future disbursement as designated by funders for specific beneficiaries. Prior to disbursement, funds are invested in money market funds.

Revenue from testing services, seminars and programs is recognized as they are performed or upon completion, in accordance with the terms of the contract.

Revenue from scholarship administration contracts is recognized as services are performed and revenue is earned.

Tax status: The Organization is a not-for-profit organization which is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organization follows FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management believes that the Organization has no material uncertainties in income taxes.

The Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities prior to 2015.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that 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.

Receivables from funding agencies: Laspau maintains allowances for doubtful accounts, when necessary, for losses resulting from the inability of their funders to make required payments. Laspau reviews their receivables on a regular basis to determine if past due balances are likely to be collected. This review includes discussions with Laspau's funders and their account representatives, the funders' payment history and other factors. Based on these reviews, Laspau may record or reduce an allowance for uncollectible accounts if they determine there is a change in the collectability of their receivables. No allowance for doubtful accounts was deemed necessary as of December 31, 2018 and 2017.

Note 2. Summary of Significant Accounting Policies (Continued)

Contributions: Contributions, including unconditional promises to give, are initially recognized at fair value as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at fair value.

Contributions to be received after one year are discounted using a rate commensurate with the risk involved once an appropriate allowance for doubtful collections has been determined. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fund-raising activity. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions class.

Fair value measurements: Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs and the Organization has various processes and controls in place to ensure that fair value is reasonably estimated.

Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, the inputs are based on the lowest level of input that is significant to the fair value measurement.

Note 2. Summary of Significant Accounting Policies (Continued)

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended December 31, 2018 and 2017, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its balance sheets or results of operations.

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

Money market funds: Money market funds are open ended funds that generally have subscription and redemption activity at a $1.00 stable net asset value. On a daily basis a fund's stable net asset value is calculated using the amortized cost (not market value) of the securities held in the fund. Money market funds are classified as level 1 within the fair value hierarchy.

Recent accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (FASB ASC 606)* (ASU 2014-09). This standard outlines a single comprehensive model for organizations to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenues are recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards as it is considered in current guidance. The Organization will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. The FASB issued ASU 2015-14 to defer the effective date of ASU 2014-09 for all entities by one year. The standard will be effective for annual reporting periods beginning after December 15, 2018 using either two methods: (a) retrospective review to each prior reporting period presented with the option to elect certain practical expedients as defined with ASU 2014-09 or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The FASB also issued ASU 2016-10 and 2016-12, which make various changes to technical guidance included in ASU 2014-09. The Organization is currently evaluating the impact of the adoption of ASU 2014-09 on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In August 2016, FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230) *Classification of Certain Cash Receipts and Cash Payments*, which will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 will be effective for fiscal years beginning after December 15, 2018, and will require adoption on a retrospective basis unless it is impracticable to apply, in which case the Organization would be required to apply the amendments prospectively as of the earliest date practicable. The Organization is currently evaluating the impact of this ASU on the financial statements and disclosures.

Note 2. Summary of Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU has different effective dates for resource recipients and resource providers. As the Organization is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact of the adoption of this guidance on its financial statements.

Recently adopted accounting pronouncements: During 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which amends the requirements for financial statements and requires the Organization to make reporting changes that affect the following:

- Net asset classifications and related disclosures
- Underwater donor-restricted endowments and related disclosures
- Additional disclosures useful in assessing liquidity within one year of the statement of financial position date
- New reporting requirements relating to expenses including disclosure of expenses
- Reporting of net investment return

The Organization made changes to terminology and classification as described above as well as additional or modified disclosures, particularly Notes 3 and 10. Amounts previously reported for the year ended December 31, 2017 have been reclassified on a retrospective basis to achieve consistent presentation. Amounts previously reported as temporarily or permanently restricted net assets have been reclassified to be reported as with donor restrictions.

Note 3. Available Resources and Liquidity

The Organization regularly monitors liquidity required to meet its operating needs. For purposes of analyzing resources available to meet general expenditures, such as operating expenses, over a twelve-month period, the Organization considers all expenditures related to its ongoing activities. At December 31, 2018, the financial assets and liquidity resources available within one year for general expenditure comprise the following:

Cash and cash equivalents	$ 938,086
Money market fund	9,961,023
Receivables from funding agencies, net of allowance for doubtful accounts	159,152
Pledges receivable	15,807
Total financial assets and liquidity resources available within one year	$ 11,074,068

Laspau, Inc. management monitors bank accounts on a daily basis to ensure sufficient funds are available to cover checks written and wires sent. The finance director reviews cash flow history and projections for the fiscal year on a monthly basis, sharing them with the Board of Trustees on a quarterly basis.

Note 4. Property and Equipment

Property and equipment consist of the following at December 31:

	2018	2017
Furniture and equipment	$ 80,872	$ 80,872
Software	1,091,747	1,082,935
	1,172,619	1,163,807
Less accumulated depreciation	(849,916)	(711,830)
Property and equipment, net	$ 322,703	$ 451,977

Depreciation expense on fixed assets was $138,086 and $130,283 for the years ended December 31, 2018 and 2017, respectively. Most software costs incurred relate to the implementation of a customer relationship management system.

Note 5. Reimbursement of Grantee and Administrative Expenses

Arrangements with funding agencies normally provide for the recovery of both grantee and administrative expenses. For certain contracts administrative expenses are recovered based on an indirect cost rate which is subject to audit. Laspau recognizes revenue related to grantee and administrative expenses as actual costs are incurred or as allowed by contract.

Amounts paid to grantees are net of withholding taxes which Laspau remits on behalf of the grantees. These expenses are included in amounts designated by funders for specific beneficiaries.

Note 6. Commitments and Contingencies

Laspau is committed to minimum annual rent payments under a long-term non-cancelable operating lease for the use of office space and for certain office equipment until September 2020.

Rent expense for office space amounted to $299,727 and $286,095 during the years ended December 31, 2018 and 2017, respectively. The following is a schedule by year of future minimum rental payments required under the operating leases:

2019	$ 293,326
2020	229,845
	$ 523,171

Note 7. Concentrations of Receivable Balances

Receivables from funding agencies at December 31 consist of the following:

	2018			2017		
	Primary Funding Agency Receivable Balances		Percent of Total Receivable Balance	Primary Funding Agency Receivable Balances		Percent of Total Receivable Balance
Organization of American States	$	25,251	16%	$	11,303	1%
Institute of International Education		-	0%		290,000	32%
Universidad de los Andes		26,735	17%		19,159	2%
Other funding agencies		107,166	67%		576,782	65%
	$	159,152		$	897,244	

Note 8. Related Parties

Laspau is an affiliate of the University. The University pays certain of Laspau's costs that are subject to reimbursement by Laspau. These reimbursable costs include salaries, employee fringe benefits and other expenses paid by the University on behalf of Laspau. Disbursements for these costs aggregated $3,072,614 and $3,218,583 in 2018 and 2017, respectively. At December 31, 2018 and 2017, $280,229 and $412,460, respectively, was payable to the University and is included in short-term and long-term accounts payable on the statements of financial position.

In addition, the Organization has an agreement with the University to repay an advance of funds which were used to finance restructuring costs incurred in 2018. The outstanding balance of this advance is $515,000. The monthly payments range from $20,000 to $25,000 plus interest at 1.25% starting in January 2019 through June 2019, and 2.13% starting in July 2019 through October 2020. The amounts owed to the University under this agreement at December 31, 2018 are included in accounts payable in the statement of financial position as follows:

Current accounts payable	$	265,000
Long-term accounts payable		250,000
	$	515,000

Laspau utilizes the University's fringe benefit rate to recover employee fringe benefit costs from sponsors.

Employees of Laspau are governed by the personnel plans and policies of the University, including those policies covering post-retirement benefits and vacation time earned and vested.

Note 9. Net Assets

Net assets with donor restrictions consist of purpose-restricted contributions of $94,882 and $272,045 as of December 31, 2018 and 2017, respectively.

Note 10. Functional Expenses

Direct costs are charged to the applicable natural and functional classifications whenever possible. However, the financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Organization. These expenses require allocation on a reasonable basis that is consistently applied. Administrative overhead costs, information system costs, and depreciation are allocated based on estimates of time and effort.

The following tables present functional expenses by natural classification for the year ended December 31, 2018:

	Program Services						
	Grant Administration	Seminars and Workshops	Test Administration	**Total Program Services**	General and Administrative	Fundraising	**Total**
Personnel	$ 1,224,185	$ 270,363	$ 130,430	**$ 1,624,978**	$ 1,271,309	$ 23,665	**$ 2,919,952**
Professional Fees	58,601	232,156	6,244	**297,001**	60,856	13,294	**371,151**
Building & Equipment	144,990	33,150	15,448	**193,588**	150,571	2,803	**346,962**
Information Systems	67,206	16,393	7,160	**90,759**	69,793	1,299	**161,851**
Travel	16,197	388,357	694	**405,248**	6,768	3,855	**415,871**
Office Expenses	13,408	5,975	2,663	**22,046**	12,483	488	**35,017**
Marketing and Communications	3,979	152,241	424	**156,644**	4,132	9,595	**170,371**
Administrative	23,646	12,301	1,905	**37,852**	16,256	466	**54,574**
Depreciation	57,892	12,786	6,168	**76,846**	60,109	1,119	**138,074**
Total	**$ 1,610,104**	**$ 1,123,722**	**$ 171,136**	**$ 2,904,962**	**$ 1,652,277**	**$ 56,584**	**$ 4,613,823**

Note 11. Subsequent Events

The Organization has evaluated subsequent events through September 26, 2019, the date the financial statements were available to be issued.

Laspau, Inc.

Schedules of Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identification Number	Total Amount Provided to Sub-Recipients	Federal Expenditures
Department of State Bureau of Education and Cultural Affairs				
Indirect award, passed through the Fulbright Academic Exchange Program Institute of International Education:				
Academic Exchange Programs – Graduate Students				
	19.400	S-ECAGD-15-CA-017	$ -	$ 68,996
	19.400	S-ECAGD-15-CA-1015	-	854,842
	19.400	S-ECAGD-17-CA-1015	-	1,485,303
	19.400	S-ECAGD-18-CA-1009	-	1,509,425
	19.400	S-ECAGD-18-CA-0045	-	406,619
Total Expenditures of Federal Awards			$ -	$ 4,325,185

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Laspau, Inc. (Laspau) under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Laspau, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Laspau.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Laspau has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

RSM

Independent Auditor's 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*

RSM US LLP

Board of Trustees
Laspau, Inc.

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 Laspau, Inc. (Laspau), which comprise the statement of financial position as of December 31, 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 September 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Laspau'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 Laspau's internal control. Accordingly, we do not express an opinion on the effectiveness of Laspau'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, although material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018.001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laspau'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 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*.

Laspau, Inc.'s Response to Findings
Laspau, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Laspau, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Laspau'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Boston, Massachusetts
September 26, 2019

RSM US LLP

Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Laspau, Inc.

Report on Compliance for the Major Federal Program
We have audited Laspau, Inc.'s (Laspau) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Laspau's major federal program for the year ended December 31, 2018. Laspau's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for Laspau's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Laspau's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Laspau's compliance.

Opinion on the Major Federal Program
In our opinion, Laspau complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance
Management of Laspau is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Laspau's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Laspau's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Boston, Massachusetts
September 26, 2019

Laspau, Inc.

Schedule of Findings and Questioned Costs
December 31, 2018

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

▪ Material weaknesses identified?	_____Yes	__X__	No
▪ Significant deficiencies identified?	__X__Yes	_____	None Reported
Noncompliance material to financial statements noted?	_____Yes	__X__	No

Federal Awards

Internal control over major programs:

▪ Material weaknesses identified?	_____Yes	__X__	No
▪ Significant deficiencies identified?	_____Yes	__X__	None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

▪ Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	_____Yes	__X__	No

Identification of major programs:

CFDA Number	Name of Federal Program
19.400	Academic Exchange Programs – Graduate Students

Dollar threshold used to distinguish between Type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee?	__X__Yes	_____	No

II. Financial Statement Findings

A. Internal Control

2018.001: Internal Controls Over Deferred Revenue

Program: CFDA #19.400 – Academic Exchange Programs – Graduate Students

Criteria: Accounting principles generally accepted in the United States of America ("GAAP") require that a not-for-profit organization record deferred revenue upon receipt of grants equal to the value of funds received in advance of disbursements. Revenue from grants received should be recognized as expenses designated for specific grantees are incurred. Deferred revenue should be reduced as revenue from grants received is recognized.

Condition: During our audit of deferred revenue, we identified multiple programs with negative deferred revenue balances. Upon further investigation by management, it was determined that approximately $175,000 in revenue was recognized in error.

Context: Upon inquiry from auditors, management performed an investigation of negative deferred revenue balances and identified the errors.

Effect: The Organization recognized approximately $175,000 of revenue in error.

Cause: The errors resulted from the Organization's lack of precision in the preparation and review of their deferred revenue balances in order to verify that prior year deferred revenue balances and current year activity, including cash receipts, expenditures, and revenue recognition, were accurate.

Recommendation: We recommend that management, as part of their normal reconciliation process, investigate all negative deferred revenue amounts to ensure that revenue is being properly recognized.

Views of Responsible Officials and Planned Corrective Action:

We accept the recommendation that management, as a part of our normal reconciliation process, will investigate all negative deferred revenue amounts to ensure that revenue is being properly recognized. We will complete this review as of December 31, 2019 for the 2019 fiscal year, and will continue this process annually thereafter.

B. Compliance Findings

None

III. Findings and Questioned Costs for Federal Awards

A. Internal Control

None

B. Compliance Findings

None

Laspau, Inc.
Corrective Action Plan
Year Ended December 31, 2018

Identifying Number: 2018.001: Internal Controls Over Deferred Revenue

Finding: During our audit of deferred revenue, we identified multiple programs with negative deferred revenue balances. Upon further investigation by management, it was determined that approximately $175,000 in revenue was recognized in error.

Corrective Actions Taken or Planned: Management, as a part of our normal reconciliation process, will investigate all negative deferred revenue amounts to ensure that revenue is being properly recognized. We will complete this review as of December 31, 2019 for the 2019 fiscal year, and will continue this process annually thereafter.

Laspau, Inc.

Lisa Tobias, Associate Director of Finance and Administration

Laspau, Inc.

Summary Schedule of Prior Audit Findings

I. Financial Statement Findings

A. Significant Deficiencies in Internal Control

None

B. Compliance Findings

None

II. Findings and Questioned Costs for Federal Awards

A. Significant Deficiencies in Internal Control

None

B. Compliance Findings

None