

# **Laspau, Inc.**

Audited Financial Statements and Reports Required  
for Audits in Accordance with *Government Auditing  
Standards* and the Uniform Guidance  
December 31, 2017

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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, 2017 and 2016, and 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, 2017 and 2016, 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.

**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 27, 2018, 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 27, 2018

Laspau, Inc.

**Statements of Financial Position**  
**December 31, 2017 and 2016**

	<b>2017</b>	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,448,215	\$ 584,206
Money market fund	13,672,535	10,201,926
Receivables from funding agencies, net of allowance for doubtful accounts	897,244	3,526,006
Pledges receivable	28,369	29,648
Prepaid expenses	1,105,684	1,224,485
Other current assets	31,090	24,166
<b>Total current assets</b>	<b>17,183,137</b>	<b>15,590,437</b>
Property and equipment, net	<b>451,977</b>	536,419
<b>Total assets</b>	<b>\$ 17,635,114</b>	<b>\$ 16,126,856</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 562,400	\$ 613,412
Other short-term liabilities	312,604	213,975
Deferred revenue	15,992,975	14,520,338
<b>Total current liabilities</b>	<b>16,867,979</b>	<b>15,347,725</b>
Net assets:		
Unrestricted	495,090	593,036
Temporarily restricted	272,045	186,095
<b>Total net assets</b>	<b>767,135</b>	<b>779,131</b>
<b>Total liabilities and net assets</b>	<b>\$ 17,635,114</b>	<b>\$ 16,126,856</b>

See notes to financial statements.

Laspau, Inc.

Statements of Activities

Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Grants received	\$ 18,405,799	\$ -	\$ 18,405,799	\$ 22,751,123	\$ -	\$ 22,751,123
Less amounts designated by funders for specific beneficiaries	(15,843,259)	-	(15,843,259)	(19,928,313)	-	(19,928,313)
<b>Net grant administration revenue</b>	<b>2,562,540</b>	<b>-</b>	<b>2,562,540</b>	<b>2,822,810</b>	<b>-</b>	<b>2,822,810</b>
Other income:						
Seminars and workshops	1,427,889	-	1,427,889	787,496	-	787,496
Test administration	289,862	-	289,862	319,032	-	319,032
Interest income	69,855	-	69,855	50,674	-	50,674
Other	15,697	-	15,697	11,749	-	11,749
Net assets releases from restrictions	14,050	(14,050)	-	-	-	-
<b>Total revenue, gains and other support</b>	<b>4,379,893</b>	<b>(14,050)</b>	<b>4,365,843</b>	<b>3,991,761</b>	<b>-</b>	<b>3,991,761</b>
Expenses:						
Grant Administration:						
U.S. Government funded programs	1,214,499	-	1,214,499	1,002,579	-	1,002,579
Other funded programs	583,615	-	583,615	895,936	-	895,936
Seminars and workshops	1,117,542	-	1,117,542	625,836	-	625,836
Test administration	95,391	-	95,391	75,524	-	75,524
Management and general	1,485,810	-	1,485,810	1,504,823	-	1,504,823
<b>Total expenses</b>	<b>4,496,857</b>	<b>-</b>	<b>4,496,857</b>	<b>4,104,698</b>	<b>-</b>	<b>4,104,698</b>
<b>Change in net assets from operations</b>	<b>(116,964)</b>	<b>(14,050)</b>	<b>(131,014)</b>	<b>(112,937)</b>	<b>-</b>	<b>(112,937)</b>
Nonoperating income (expense):						
Contribution revenue	82,585	100,000	182,585	153,088	-	153,088
Fundraising expenses	(63,567)	-	(63,567)	(11,954)	-	(11,954)
<b>Total nonoperating income (expense)</b>	<b>19,018</b>	<b>100,000</b>	<b>119,018</b>	<b>141,134</b>	<b>-</b>	<b>141,134</b>
<b>Change in net assets</b>	<b>(97,946)</b>	<b>85,950</b>	<b>(11,996)</b>	<b>28,197</b>	<b>-</b>	<b>28,197</b>
Net assets:						
Beginning of year	593,036	186,095	779,131	564,839	186,095	750,934
End of year	\$ 495,090	\$ 272,045	\$ 767,135	\$ 593,036	\$ 186,095	\$ 779,131

See notes to financial statements.

Laspau, Inc.

**Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (11,996)	\$ 28,197
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	130,283	105,361
Changes in assets and liabilities:		
(Increase) decrease in:		
Money market fund	(3,470,609)	1,956,533
Receivables from funding agencies, net	2,628,762	(2,595,275)
Pledges receivable	1,279	(24,624)
Prepaid expenses	118,801	136,926
Other current assets	(6,924)	396
Increase (decrease) in:		
Accounts payable	(51,012)	119,033
Other short-term liabilities	98,629	(306,940)
Deferred revenue	1,472,637	1,050,111
<b>Net cash provided by operating activities</b>	<b>909,850</b>	<b>469,718</b>
Cash flows from investing activities:		
Purchases of property and equipment, net	(45,841)	(264,508)
<b>Net cash used in investing activities</b>	<b>(45,841)</b>	<b>(264,508)</b>
<b>Net increase in cash and cash equivalents</b>	<b>864,009</b>	<b>205,210</b>
Cash and cash equivalents:		
Beginning of year	584,206	378,996
End of year	\$ 1,448,215	\$ 584,206

See notes to financial statements.

## Laspau, Inc.

### Notes to Financial Statements

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#### 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 both inside and outside of the Americas. In March 2016 the Organization legally changed their name from LASPAU: Academic and Professional Programs for the Americas, Inc. to Laspau, Inc.

#### 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset classes follows:

- Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- Temporarily restricted net assets 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.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. There are no permanently restricted net assets.

**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.



Laspau, Inc.

## Notes to Financial Statements

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### Note 2. Summary of Significant Accounting Policies (Continued)

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.

**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, 2017 and 2016, 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.

**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 2014.

**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. The allowance for doubtful accounts as of December 31, 2017 and 2016 totaled \$0 and \$37,746, respectively.

**Notes to Financial Statements**

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**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 unrestricted net asset 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.

Laspau, Inc.

## Notes to Financial Statements

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### 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, 2017 and 2016, 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 Updated ("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 has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard will be effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact of the pending adoption of ASU 2016-02 on the Organization's financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Organization is currently evaluating the impact of the pending adoption of ASU 2016-14 on the Organization's financial statements.

**Laspau, Inc.**

**Notes to Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

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, 2019, and will require adoption on a retrospective basis unless it is impracticable to apply, in which case we 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.

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 also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. 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.

**Note 3. Property and Equipment**

Property and equipment consist of the following at December 31:

	2017	2016
Furniture and equipment	\$ 80,872	\$ 80,872
Software	1,082,935	1,037,094
	1,163,807	1,117,966
Less accumulated depreciation	(711,830)	(581,547)
Property and equipment, net	<u>\$ 451,977</u>	<u>\$ 536,419</u>

Depreciation expense on fixed assets was \$130,283 and \$105,361 for the years ended December 31, 2017 and 2016, respectively. Software costs incurred relate to the implementation of a customer relationship management system, which was placed into service in two phases with the final phase being placed into service in April 2016.

**Note 4. 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.

## Laspau, Inc.

### Notes to Financial Statements

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#### Note 5. 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 \$286,095 and \$258,438 during the years ended December 31, 2017 and 2016, respectively. The following is a schedule by year of future minimum rental payments required under the operating leases:

2018	\$	288,948
2019		293,326
2020		229,845
	\$	<u>812,119</u>

#### Note 6. Concentrations of Receivable Balances

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

	2017		2016	
	Primary Funding Agency Receivable Balances	Percent of Total Receivable Balance	Primary Funding Agency Receivable Balances	Percent of Total Receivable Balance
Organization of American States	\$ 11,303	1%	\$ 22,349	1%
CAPEX	-	0%	3,094,320	88%
Institute of International Education	290,000	32%	200,000	6%
Other funding agencies	595,941	67%	209,337	5%
	<u>\$ 897,244</u>		<u>\$ 3,526,006</u>	

The 2016 accounts receivable balance for CAPEX was principally an advance billing for specific program funds.

#### Note 7. 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 \$3,218,583 and \$3,198,068 in 2017 and 2016, respectively. At December 31, 2017 and 2016, \$412,460 and \$526,897, respectively, was payable to the University and is included in accounts payable on the statements of financial position.

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 8. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of purpose restricted contributions of \$272,045 and \$186,095 as of December 31, 2017 and 2016, respectively.

**Laspau, Inc.**

**Notes to Financial Statements**

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**Note 9. Subsequent Events**

In September 2018, the Organization reached agreement with Harvard University to repay approximately \$800,000 owed to the University for services provided to the Organization in 2018. After initial payments totaling approximately \$290,000 in 2018, monthly payments ranging from \$20,000 to \$25,000 plus interest at 1.25% will be made starting in January 2019 through October 2020.

The Organization has evaluated subsequent events through September 27, 2018, the date the financial statements were available to be issued.

**Laspau, Inc.**

**Schedules of Expenditures of Federal Awards  
Year Ended December 31, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identification Number	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	\$ 523,827
	19.400	S-ECAGD-15-CA-1015	1,481,713
	19.400	S-ECAGD-17-CA-1015	698,922
	19.400	S-ECAGD-18-CA-1009	58,692
Total Expenditures of Federal Awards			<u>\$ 2,763,154</u>

**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, 2017. 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.

**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***

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, 2017, and the related statement 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 27, 2018.

**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. However, material weaknesses may exist that have not been identified.

**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*.



**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 27, 2018

**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, 2017. 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, 2017.

## **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 27, 2018

Laspau, Inc.

**Schedule of Findings and Questioned Costs  
December 31, 2017**

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**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  No
- Significant deficiencies identified?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  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  No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
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?  Yes  No

**II. Financial Statement Findings**

A. Internal Control

None

B. Compliance Findings

None

**III. Findings and Questioned Costs for Federal Awards**

A. Internal Control

None

B. Compliance Findings

None

**Laspau, Inc.**

**Summary Schedule of Prior Audit Findings**

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**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