
**NEW WORLD PREPARATORY CHARTER
SCHOOL**

Financial Statements

For the year ended June 30, 2018

NEW WORLD PREPARATORY CHARTER SCHOOL
Financial Statements
June 30, 2018

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Independent Auditors' Report

To the Board of Trustees of
New World Preparatory Charter School
Staten Island, New York

Report on the financial statements

We have audited the accompanying financial statements of New World Preparatory Charter School, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Prior period financial statements

The financial statements of New World Preparatory Charter School, as of and for the year ended June 30, 2017, were audited by other auditors whose report dated October 31, 2017 expressed an unmodified opinion on those statements.

Other reporting required by government auditing standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 on our consideration of New World Preparatory Charter School internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 New World Preparatory Charter School internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "NChing LLP". The signature is written in a cursive, slightly slanted style.

New York, New York
October 31, 2018

NEW WORLD PREPARATORY CHARTER SCHOOL**Statement of Financial Position**

June 30, 2018

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 4,104,931	\$ 4,020,106
Grants receivable	231,083	168,749
Prepaid expenses	9,608	9,608
Other assets	392	1,203
	<hr/>	<hr/>
Total current assets	4,346,014	4,199,666
Property and equipment, net	347,004	435,153
Other assets		
Restricted cash	75,332	75,295
	<hr/>	<hr/>
Total assets	<u>\$ 4,768,350</u>	<u>\$ 4,710,114</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 167,545	\$ 180,328
Accrued salaries and other payroll-related expenses	772,730	758,730
Refundable advances	35,377	223,285
	<hr/>	<hr/>
Total current liabilities	975,652	1,162,343
Net assets - unrestricted		
Undesignated	3,717,366	3,472,476
Reserve - contingency	75,332	75,295
	<hr/>	<hr/>
Total unrestricted net assets	3,792,698	3,547,771
Total liabilities and unrestricted net assets	<u>\$ 4,768,350</u>	<u>\$ 4,710,114</u>

The accompanying notes are an integral part of these financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL**Statement of Activities**

For the year ended June 30, 2018

	<u>2018</u>	<u>2017</u>
<u>Operating revenue and other support</u>		
State and local per pupil operating revenue		
General education	\$ 5,463,678	\$ 5,553,884
Special education	<u>1,641,594</u>	<u>1,442,182</u>
Total state and local per pupil operating revenue	7,105,272	6,996,066
Grants, contract and other support		
State and local grants	195,463	51,782
Federal grants	461,226	267,942
Contributions	11,696	-
Special event (net direct costs of \$29,529 for the year ended June 30, 2017)	-	31,821
Interest and other income	<u>35,757</u>	<u>6,048</u>
Total operating revenue and other support	<u>7,809,414</u>	<u>7,353,659</u>
<u>Expenses</u>		
Program expenses		
Regular education	5,336,628	4,785,052
Special education	<u>1,368,344</u>	<u>1,118,562</u>
Total program expenses	6,704,972	5,903,614
Supporting services		
Management and general	834,073	775,789
Fundraising	<u>25,442</u>	<u>-</u>
Total program and supporting services expenses	<u>7,564,487</u>	<u>6,679,403</u>
Change in net assets	244,927	674,256
Unrestricted net assets - beginning of year	<u>3,547,771</u>	<u>2,873,515</u>
Unrestricted net assets - end of year	<u>\$ 3,792,698</u>	<u>\$ 3,547,771</u>

The accompanying notes are an integral part of these financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL

Statement of Functional Expenses

For the year ended June 30, 2018

	Program expenses			Supporting services		Total 2018
	Regular education	Special education	Total programs	Fund raising	Management & general	
Salaries and staff						
Instructional personnel	\$ 2,291,010	\$ 675,394	\$ 2,966,404	\$ -	\$ -	\$ 2,966,404
Administrative staff personnel	498,307	18,363	516,670	-	289,841	806,511
Non-instructional personnel	225,369	8,305	233,674	-	131,086	364,760
Total salaries and staff	<u>3,014,686</u>	<u>702,062</u>	<u>3,716,748</u>	<u>-</u>	<u>420,927</u>	<u>4,137,675</u>
Operating expenses						
Payroll taxes and fringe benefits	624,179	145,359	769,538	-	87,151	856,689
Retirement	80,468	18,739	99,207	-	11,235	110,442
Financial and administrative	259,217	103,687	362,904	-	69,124	432,028
Contracted services	20,166	4,696	24,862	-	2,816	27,678
Administrative	35,159	8,188	43,347	-	4,909	48,256
Marketing and recruitment	13,177	3,068	16,245	-	1,840	18,085
Legal and professional	-	-	-	-	15,400	15,400
Insurance	50,732	11,815	62,547	-	45,143	107,690
Repairs and maintenance	168,032	39,131	207,163	-	23,462	230,625
Occupancy	84,007	19,564	103,571	-	11,729	115,300
School and staff development	258,495	60,199	318,694	-	36,093	354,787
Student services	2,614	45,572	48,186	-	335	48,521
Field trips	13,693	3,189	16,882	-	1,875	18,757
Food service	125,847	35,495	161,342	-	-	161,342
Supplies and instructional materials	244,991	57,054	302,045	-	34,207	336,252
Equipment leasing and furnishings	48,103	11,202	59,305	-	6,717	66,022
Technology	18,215	4,242	22,457	-	2,543	25,000
Utilities	61,869	14,408	76,277	-	8,638	84,915
Depreciation	174,847	40,718	215,565	-	24,413	239,978
Other expenses	38,131	39,956	78,087	25,442	25,516	129,045
Total operating expenses	<u>2,321,942</u>	<u>666,282</u>	<u>2,988,224</u>	<u>25,442</u>	<u>413,146</u>	<u>3,426,812</u>
Total expenses	<u>\$ 5,336,628</u>	<u>\$ 1,368,344</u>	<u>\$ 6,704,972</u>	<u>\$ 25,442</u>	<u>\$ 834,073</u>	<u>\$ 7,564,487</u>

The accompanying notes are an integral part of these financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL

Statement of Functional Expenses

For the year ended June 30, 2017

	Program expenses			Supporting services	Total 2017
	Regular education	Special education	Total programs	Management & general	
Salaries and staff					
Instructional personnel	\$ 2,070,155	\$ 558,725	\$ 2,628,880	\$ -	\$ 2,628,880
Administrative staff personnel	463,288	15,627	478,915	256,467	735,382
Non-instructional personnel	298,319	10,063	308,382	165,144	473,526
Total salaries and staff	<u>2,831,762</u>	<u>584,415</u>	<u>3,416,177</u>	<u>421,611</u>	<u>3,837,788</u>
Operating expenses					
Payroll taxes and fringe benefits	554,344	114,387	668,731	82,534	751,265
Retirement	65,597	13,536	79,133	9,767	88,900
Financial and administrative	252,000	96,000	348,000	38,250	386,250
Contracted services	4,328	893	5,221	644	5,865
Administrative	31,163	6,340	37,503	4,640	42,143
Marketing and recruitment	20,560	4,242	24,802	3,061	27,863
Legal and professional	-	-	-	17,000	17,000
Insurance	46,176	9,528	55,704	41,627	97,331
Repairs and maintenance	169,983	35,075	205,058	25,308	230,366
Occupancy	85,078	17,555	102,633	12,667	115,300
School and staff development	143,046	29,517	172,563	21,298	193,861
Student services	2,464	42,955	45,419	316	45,735
Field trips	1,732	403	2,135	237	2,372
Food service	85,251	24,045	109,296	-	109,296
Supplies and instructional materials	177,016	36,527	213,543	26,355	239,898
Equipment leasing and furnishings	47,785	9,860	57,645	7,115	64,760
Technology	14,962	3,087	18,049	2,228	20,277
Utilities	46,980	9,694	56,674	6,995	63,669
Depreciation	159,384	32,888	192,272	23,730	216,002
Other expenses	45,441	47,615	93,056	30,406	123,462
Total operating expenses	<u>1,953,290</u>	<u>534,147</u>	<u>2,487,437</u>	<u>354,178</u>	<u>2,841,615</u>
Total expenses	<u>\$ 4,785,052</u>	<u>\$ 1,118,562</u>	<u>\$ 5,903,614</u>	<u>\$ 775,789</u>	<u>\$ 6,679,403</u>

The accompanying notes are an integral part of these financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL**Statement of Cash Flows**

For the year ended June 30, 2018

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 244,927	\$ 674,256
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	239,978	216,002
Changes in operating assets and liabilities		
Grants receivable	(62,334)	(6,580)
Due from management company	811	(1,203)
Accounts payable	(12,783)	72,043
Accrued salaries and other payroll-related expenses	14,000	284,980
Refundable advances	(187,908)	217,041
Due to management company	-	(23,271)
Net cash provided by operating activities	<u>236,691</u>	<u>1,433,268</u>
Cash flows from investing activities		
Acquisition of fixed assets	(151,829)	(115,000)
Increase in restricted cash	<u>(37)</u>	<u>(38)</u>
Net cash used in investing activities	<u>(151,866)</u>	<u>(115,038)</u>
Net increase in cash and cash equivalents	84,825	1,318,230
Cash and cash equivalents - beginning of year	<u>4,020,106</u>	<u>2,701,876</u>
Cash and cash equivalents - end of year	<u><u>\$ 4,104,931</u></u>	<u><u>\$ 4,020,106</u></u>

The accompanying notes are an integral part of these financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL

Notes to Financial Statements

June 30, 2018

Note 1 Organization

New World Preparatory Charter School (the “School”), a 501(c)(3) tax-exempt organization, is a public charter school located in Staten Island, New York. The School was granted a five-year charter in February 2010 and commenced sixth grade classes in September 2010. Seventh and eighth grades were added in 2011 and 2012. The School is currently operating under its second charter renewal which is effective January 9, 2018 for an additional five years. The School provides an exceptional education for students by employing research-proven strategies to raise middle school academic achievement including academic rigor and relevance, personalization, focused professional development, and meaningful engagement of families and the larger community.

Note 2 Summary of significant accounting policies

Basis of presentation and use of estimates. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net asset presentation. The classification of the School’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position, and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

- Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School. The School currently does not possess any permanently restricted net assets.
- Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. The School has no temporarily restricted net assets at June 30, 2018.

NEW WORLD PREPARATORY CHARTER SCHOOL

Notes to Financial Statements

June 30, 2018

Note 2 Summary of significant accounting policies – (continued)

- Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Cash and cash equivalents. The School considers all short-term, highly liquid investments, such as money market funds, to be cash equivalents.

Revenue recognition. The School recognizes revenue from the state and local governments based on the School’s charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as refundable advances. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

Grants receivable. Grants receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the School’s best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Grants receivable are \$231,083 and \$168,749 at June 30, 2018 and 2017, respectively. There is no allowance recorded at June 30, 2018, as all amounts are deemed collectible.

Property and equipment. Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$500. Items with an acquisition cost of less than \$500 or a useful life of less than one year are expensed in the year purchased. Depreciation is computed using the straight-line method over estimated useful lives of the respective asset. The estimated depreciable lives of the different classes of property are as follows:

Asset	Useful Life
Building	39 years
Furniture and fixtures	7 years
Leasehold improvements	5 years
Computer and office equipment	3 years

NEW WORLD PREPARATORY CHARTER SCHOOL

Notes to Financial Statements

June 30, 2018

Note 2 Summary of significant accounting policies – (continued)

Construction-in-progress at June 30, 2018 and June 30, 2017 consists of costs incurred for appraisal and architecture fees. Construction-in-progress is stated at cost. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and put into use.

Restricted cash. Under the provisions of its charter, the School established an escrow amount to pay for legal and audit expenses that would be associated with dissolution, should such event occur.

Refundable advances. Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statement of financial position.

Donated goods and services. The School receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying statement of activities, since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

The School received donated transportation and food service services from the local district. The School was unable to determine a value for these services.

Functional allocation of expenses. Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications using bases determined by management to be reasonable. Management and general expense includes expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School.

NEW WORLD PREPARATORY CHARTER SCHOOL

Notes to Financial Statements

June 30, 2018

Note 2 Summary of significant accounting policies – (continued)

Income taxes. The School is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying financial statements.

The School is no longer subject to income tax examination by federal, state or local tax authorities for years before June 30, 2014.

Subsequent events. Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through October 31, 2018, the date that the financial statements were available to be issued.

Note 3 Property, plant and equipment

Property, plant and equipment consist of the following as of June 30,:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 1,080,480	\$ 1,040,830
Furniture and fixtures	144,153	144,153
Computer equipment	684,207	588,028
Office equipment	31,744	31,743
Construction-in-progress	<u>44,249</u>	<u>28,249</u>
	1,984,833	1,833,003
Less, accumulated depreciation	<u>(1,637,829)</u>	<u>(1,397,850)</u>
	<u>\$ 347,004</u>	<u>\$ 435,153</u>

NEW WORLD PREPARATORY CHARTER SCHOOL

Notes to Financial Statements

June 30, 2018

Note 4 Accrued salaries and other payroll-related expenses

Accrued salaries and other payroll-related expenses consist of amounts earned by the staff during the school year which are paid out over the summer months. For the years ended June 30, 2018 and 2017, accrued bonuses relating to a retention plan were approximately \$120,000 and \$216,000, respectively. Also included in accrued salaries and other payroll-related expenses is accrued salary of \$586,629 and \$480,773 as of June 30, 2018 and 2017, respectively.

Note 5 Retirement plan

The School offers a 401(k) plan for all qualifying employees. Employees are eligible for the plan immediately upon employment. Participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, up to IRS limits for each calendar year. The School matches 100% of an employee's contribution up to 4% of the employee's annual compensation. For the years ended June 30, 2018 and 2017, the School's matching contribution were \$110,442 and \$88,900, respectively. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

Note 6 Commitments

The School is a lessee under an operating lease, principally for classroom space and administrative offices which expires August 31, 2018. For the years ended June 30, 2018 and 2017, rent expense was \$115,300, respectively.

Minimum lease payment for the year ending June 30, 2019 is \$19,216.

Note 7 Concentration of credit risk

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

The School received approximately 91% and 95% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York City Department of Education during the year ended June 30, 2018 and 2017, respectively. Additionally, the School's grants receivable consists of approximately 83% and 97%, respectively, from the New York State Department of Education.

NEW WORLD PREPARATORY CHARTER SCHOOL

Notes to Financial Statements

June 30, 2018

Note 8 Contingency

The School participates in a number of federal and state programs. These programs require that the School comply with certain laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government grants and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

Note 9 Support services

The School entered into three support services agreements with three third party service providers to provide assistance with accounting and bookkeeping, financial reporting and budgeting, grant financial management, human resources, payroll and benefits administration, and technology support services. These agreements expire annually on June 30, but are subject to annual renewal. For the years ended June 30, 2018 and 2017, fees under the agreements amounted to \$397,837 and \$364,684 respectively.

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

To the Board of Trustees of
New World Preparatory Charter School
Staten Island, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New World Preparatory Charter School, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered New World Preparatory Charter School'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 New World Preparatory Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of New World Preparatory Charter School'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 New World Preparatory Charter School's financial statements are free of 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 audits, 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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

NChing LLP

New York, New York
October 31, 2018