August 10, 2018

To the Board of Directors
Maya's Hope Foundation, Inc.
New York, New York

In planning and performing our audit of the financial statements of Maya's Hope Foundation, Inc. as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Maya's Hope Foundation, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiencies in Maya's Hope Foundation, Inc.'s internal controls to be material weaknesses:

Material Prior Period Adjustment

During our audit, we noted an adjustment resulting in the understatement of unrestricted net assets at December 31, 2016. Accordingly, adjustments were made in 2017 to increase the opening balance of temporarily restricted net assets and to decrease accrued expenses by $8,000. The adjustment had a material effect on the Foundation's financial statements and was not identified and corrected in a timely manner.

Cash Disbursements

We noted that the monthly bank statements are not being reviewed by someone independent of the check preparation process. Review of the bank statement by an individual who is independent of the check preparation process and does not have access to the accounting records is one of the simplest, yet most effective, internal control procedures over cash disbursements for smaller organizations. We recommend that a person independent of the check preparation process review the bank statements, reconciliations, and check images monthly and document this review by completing a bank statement review form. A sample bank statement review form has been attached. We also noted the President's expense reimbursements are not being reviewed by anyone in a supervisory role. We recommend an individual in a supervisory role complete a review of the President's expense reimbursements as well as her credit card expenditures and an individual other than the President sign the reimbursement check.

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. We consider the following deficiencies in Maya's Hope Foundation, Inc.'s internal controls to be significant deficiencies:

Cash Receipts

We noted that one person is responsible for opening incoming mail in the office. We recommend that the mail always be opened in the presence of two individuals to avoid the possibility of misappropriation of assets. As currently done, all checks received should be stamped “for deposit only” at the time the mail is opened. We also recommend that the Foundation continue to prepare a list of check receipts and have it initialed by the people opening the mail and make copies of the checks. The person who reviews the bank statements should compare deposits on the bank statements to the daily log of incoming checks to ensure that all of the receipts are being deposited.

Monitoring of Internal Control Systems

Monitoring is a process that assesses the quality of an organization’s internal control environment over time and involves assessing the design and operation of controls on a timely basis and taking actions as necessary. Monitoring must be part of an organized effort that goes beyond simple observation of operations. We noted that the board of directors was not involved in monitoring activities of the Foundation’s internal controls. Our recommendations include the implementation of a routine for providing timely financial reports to appropriate members of governance on a regular basis.

We also became aware of the following matters, which we believe represent opportunities to improve the Foundation’s internal control environment or operational effectiveness.

Adoption of Audit Committee

Effective with the New York State Nonprofit Revitalization Act of 2013, a corporation required by Article 7-A of the Executive Law to file an independent certified public accountant’s audit, shall have either a designated Audit Committee consisting entirely of “independent” directors or the Board of Directors (with only independent members participating in the deliberations or voting) overseeing the accounting and financial reporting processes of the corporation and the audit of the corporation’s financial statements. One of the Audit Committee’s responsibilities will be monitoring of the organization’s internal control systems.

The current audit threshold is $750,000 and will increase to $1,000,000 for annual reports due to the New York State Charities Bureau with an original or extended due date after July 1, 2021. We recommend that Maya’s Hope consider forming an audit committee in the future as a best practice or if the organization grows in the future and have revenue over the audit threshold.

Recently-Issued Accounting Standards

During the next several years not-for-profit organizations will face the task of implementing three new Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASU) that will have a major impact on their financial reporting:

ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This standard is effective for fiscal years beginning after December 15, 2017 (i.e., calendar year ending December 31, 2018, or fiscal years ending in 2019), with early adoption permitted.

ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Most not-for-profit organizations must apply this standard for fiscal years beginning after December 15, 2018 (i.e., calendar year ending

December 31, 2019, or fiscal years ending in 2020). Earlier adoption is permitted for any fiscal year beginning after December 15, 2016.

ASU 2016-02, Leases (Topic 842). Most not-for-profit organizations must apply this standard for fiscal years beginning after December 15, 2019 (i.e., calendar year ending December 31, 2020, or fiscal years ending in 2021). Earlier adoption is permitted

Because most not-for-profit organizations have lean accounting staffs it is unlikely they are going to be able to work on implementing all three standards at the same time. ASU 2016-14 has the earliest effective date; however, some implementation steps for the other two standards should start soon, and some organizations may need to begin with a different standard because of unique implementation complexities. The attached Appendix II examines each of the three standards in a little more detail.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Foundation personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the board of directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Wegner CPAs, LLP

Yigit Uctum, CPA
Partner

Appendix I

Maya's Hope Foundation, Inc.
Bank Statement Review

Bank Account: ____________________________________

Month & Year: ____________________________________

Check boxes for the following procedures performed.

☐ Traced transfers to/from corresponding bank statements.

☐ Reviewed deposit slips for reasonableness.

☐ Reviewed ACH/EFT transactions for reasonableness.

☐ Examined check images for:
- All check image pages are present.
- Proper payee.
- Reasonable amount.
- Authorized signature(s) per established policy.
- Reasonable endorsement, if image available.

☐ Requested and examined the supporting documentation for the following transactions:

____

____

____

I have completed the above procedures. The receipts and disbursements appear reasonable.

____________________________________ ____________________
Reviewer, Title Date

Appendix II

ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities

ASU 2016-14 will affect every not-for-profit organization; however, the FASB has indicated that it intends this standard to be an update, not a complete overhaul, of the current financial reporting model for not-for-profit organizations. The new standard simplifies and improves how a not-for-profit organization classifies its net assets as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The goal of this standard is to improve how not-for-profit organizations communicate their financial performance and condition to their stakeholders while also reducing certain complexities in preparing financial statements.

The primary changes in the new standard are as follows:

- Combination of the permanently restricted and temporarily restricted classes of net assets into a single class, net assets with donor restrictions. Unrestricted net assets will be referred to as net assets without donor restrictions.

- Reporting the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhancing disclosures about underwater endowments.

- Disclosure about the liquidity and availability of financial assets to meet cash needs for general expenditures within the next year.

- Reporting expenses by both functional and natural classes by all organizations, not just voluntary health and welfare organizations, and additional guidance for allocating costs.

- An option to omit the reconciliation of the change in net assets to operating cash flows when an organization presents the statement of cash flows using the direct method. The standard continues to permit organizations to choose between the direct method and indirect method of reporting operating cash flows.

- Requirement to report investment return net of investment expenses.

- Disclosure, as of the end of the reporting period, of the amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources that are free of donor-imposed restrictions.

The new liquidity and availability disclosures will require information that may not be currently tracked by not-for-profit organizations. Also, some organizations may need to revisit their policies and practices about internal designations of net assets.

ASU 2014-09, Revenue Recognition

ASU 2014-09 introduces a comprehensive, principles-based framework for recognizing revenue and supersedes virtually all industry-specific revenue recognition guidance. The standard applies to any entity that enters into contracts with customers to transfer goods or services. For not-for-profit organizations, the standard may affect revenue recognition for items such as tuition, room and board, fee for service arrangements, membership dues, or special events. Because the standard affects only exchange transactions, accounting for items such as contributions and split-interest agreements will not change.

Government grants have been identified as one of the potentially biggest issues for not-for-profit organizations regarding application of this standard. Organizations have struggled to determine whether government grants should be accounted for as contributions or if they are considered exchange transactions, and ASU 2014-09 does not provide any immediate answers. The FASB has completed a new project and issued Accounting Standards Update 2018-08 to clarify the existing guidance on revenue recognition of grants by not-for-profit organizations.

Even for exchange transactions that are clearly within the scope of the new standard, it is not yet entirely clear how to apply the standard. Both the FASB and the American Institute of Certified Public Accountants have formed task forces to inform the FASB about potential implementation issues that could arise when organizations implement the new standard and to help resolve those issues.

Most not-for-profit organizations have not determined how the standard will affect them. At this time it could be unwise for not-for-profit organizations to launch a full-scale implementation effort. However, organizations that are primarily supported by exchange transactions should currently spend some time testing their existing recognition policies against the recognition process in ASU 2014-09 and determine if there are any revenues for which new information systems need to be designed to implement the standard. Then, Bayview will be ready when the clarification provided by additional new standards is available.

ASU 2016-02, Lease Accounting

ASU 2016-02 applies to any entity that enters into a lease (with a few exceptions that are unlikely to affect most not-for-profit organizations). Although the new standard applies to both lessees and lessors, the changes in this standard will have their greatest effects for entities that are lessees because the standard requires those entities to recognize right-to-use assets and lease obligations associated with all leases in the statement of financial position.

By requiring that essentially all leases be reported as assets and liabilities, the financial statements of many not-for-profit organizations will change dramatically. Although lessees are allowed to make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of twelve months or less, the relief afforded by that election is limited because it is not available if there is an option to extend the lease beyond twelve months and Bayview is reasonably certain to exercise that option. The election also is not available if the lease includes an option to purchase the underlying asset and Bayview is reasonably certain to exercise that option.

For most not-for-profit organizations determining the effort necessary to implement the standard requires locating all of its leases. Capital leases and their terms are probably tracked currently, but operating leases may require more effort because the current accounting standard does not require organizations to track the lease terms that are necessary to implement the new standard. Furthermore, capital leases of smaller dollar value items such as copiers, computers, and similar other equipment may have been dismissed in the past as immaterial, but the impact of those leases on financial statements will need to be reassessed under the new standard.

After the leases are located, the relevant terms from the leases have to be extracted in order to complete the present value calculations that determine the amounts to be recognized for the lease assets and liabilities.