DeLaSalle Education Center

Report to the Finance Committee and Board of Directors

December 19, 2017

Results of the 2017 consolidated financial statement audit, selected ratios and other required communications.

BKD LLP
CPAs & Advisors

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BKD LLP
CPAs & Advisors

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December 19, 2017

Finance Committee and Board of Directors
DeLaSalle Education Center
Kansas City, Missouri

Dear Finance Committee and Board of Directors:

We have completed our audit of the consolidated financial statements of DeLaSalle Education Center (Center) as of and for the year ended June 30, 2017. This report includes communication required under auditing standards generally accepted in the United States of America as well as other matters.

Our audit plan represented an approach responsive to the assessment of risk of material misstatement in financial reporting for DeLaSalle Education Center. Specifically, auditing standards require us to:

- Express an opinion on the June 30, 2017 consolidated financial statements and supplementary information of DeLaSalle Education Center.
- Report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Report on the administration's assertions about compliance with specified requirements of Missouri laws and regulations.
- Issue communications required under auditing standards generally accepted in the United States of America to assist the board in overseeing management's financial reporting and disclosure process.

This report also presents an overview of areas of audit emphasis, as well as future accounting standards and industry developments for the not-for-profit environment.

This communication is intended solely for the information and use of management, the Finance Committee, the Board of Directors and others within DeLaSalle Education Center, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Tondeé L. Lutterman
Partner

Stephanie Whitacre
Senior Manager

Summary of Our Audit Approach & Results

Our Approach

BKD's audit approach focuses on areas of higher risk—the unique characteristics of the Center's operating environment, the design effectiveness of your internal controls and your consolidated financial statement amounts and disclosures. The objective is to express an opinion on the conformity of your consolidated financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

Areas of Audit Emphasis

The principal areas of audit emphasis and results were as follows:

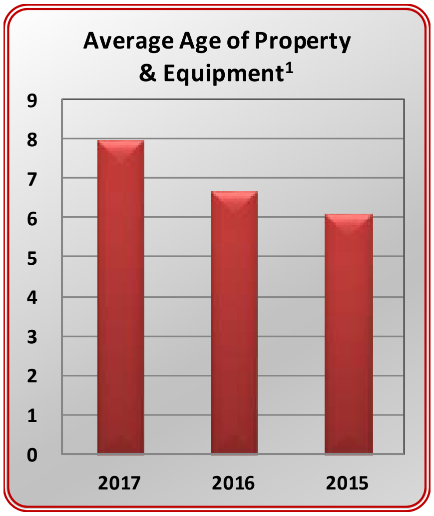
Risk Area	Results
• *Management override of controls* – The risk that management may override existing and functioning accounting controls is an inherent risk to the Center.	➲ No matters are reportable.
• *Existence and valuation of contributions receivable* – The risk that receivables do not exist or are not recorded at the net collectible value.	➲ See *Page 6* for proposed audit adjustment not recorded.
• *Proper recording of revenue* – The risk that revenue is improperly categorized or recorded in the wrong period.	➲ No matters are reportable.
• *Net asset classification* – The risk that net assets are not appropriately classified in accordance with donor restrictions and/or releases from restrictions are not properly recorded.	➲ No matters are reportable.
• *Going concern analysis* – The risk that the Center will no longer operate within the next year.	➲ See *Footnote 13* of the audit report for management's consideration.

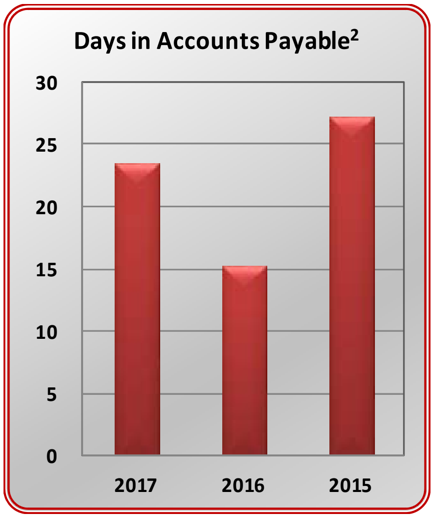
Opinion

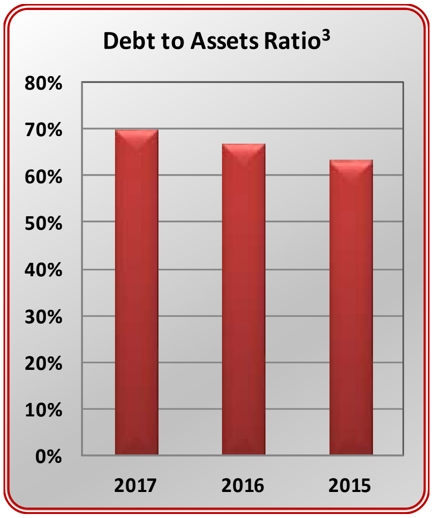
We have issued an unmodified, or "clean" opinion as to whether the consolidated financial statements of DeLaSalle Education Center, as of and for the year ended June 30, 2017, are fairly presented, in all material respects.

Condensed Consolidated Statements of Financial Position & Selected Ratios

	2017	2016	2015
Assets			
Cash	$ 282,432	$ 725,306	$ 361,649
Cash, donor restricted	-	-	920
Receivables	375,263	312,008	364,695
Prepaid expenses	27,948	117,193	69,037
Investments	45,344	128,541	1,325,962
Notes receivable	8,725,000	8,725,000	8,725,000
Property and equipment, net	8,135,858	8,335,963	8,577,996
Total assets	$ 17,591,845	$ 18,344,011	$ 19,425,259
Liabilities			
Accounts payable	$ 119,056	$ 48,990	$ 69,480
Accrued expenses	472,867	530,121	441,941
Deferred revenue	24,593	11,180	14,631
Line of credit	-	-	50,000
Long-term debt	11,735,000	11,685,000	11,685,000
Total liabilities	12,351,516	12,275,291	12,261,052
Net Assets			
Unrestricted	4,864,120	5,733,562	6,201,785
Temporarily restricted	334,209	243,158	470,422
Permanently restricted	42,000	92,000	492,000
Total net assets	5,240,329	6,068,720	7,164,207
Total liabilities and net assets	$ 17,591,845	$ 18,344,011	$ 19,425,259



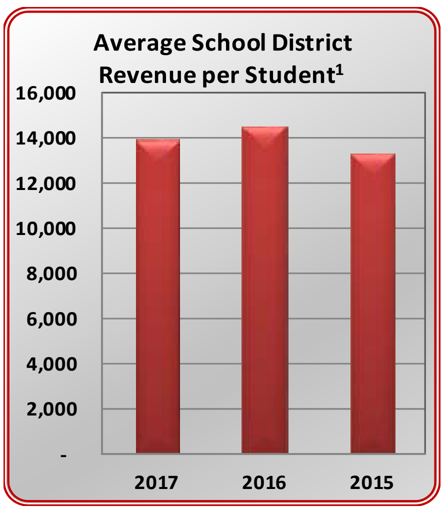


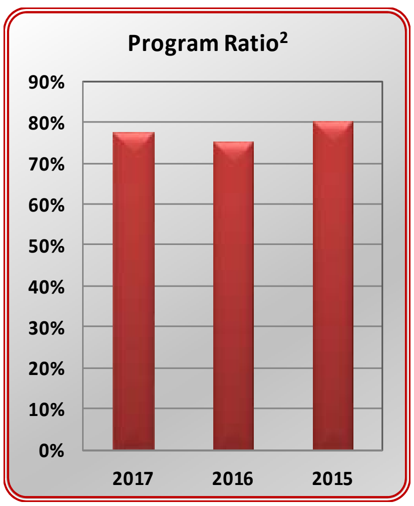


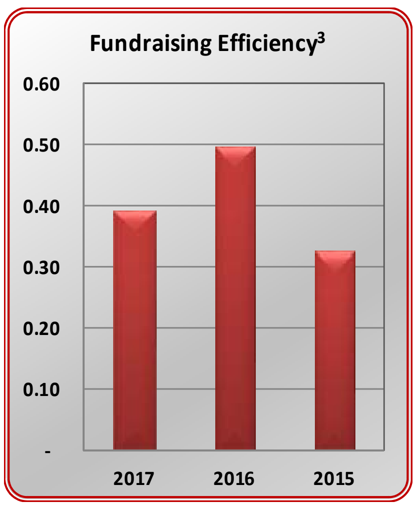
[1] Accumulated depreciation divided by depreciation expense
[2] Average accounts payable divided by purchases
[3] Total liabilities divided by total assets

Condensed Consolidated Statements of Activities & Selected Ratios

	2017	2016	2015
Revenues			
School district support	$ 1,957,283	$ 2,285,102	$ 2,707,002
Contributions and special events	1,109,033	1,067,656	1,244,917
Grants and contracts	181,759	343,255	349,547
Print shop and other	38,726	148,157	150,008
Investment return	87,417	48,680	163,023
Total revenues	3,374,218	3,892,850	4,614,497
Expenses and Losses			
Program services	3,263,805	3,748,451	4,416,677
Management and general	478,337	673,174	580,760
Fundraising	460,467	566,712	489,349
Total expenses and losses	4,202,609	4,988,337	5,486,786
Changes in Net Assets	(828,391)	(1,095,487)	(872,289)
Net Assets, Beginning of Year	6,068,720	7,164,207	8,036,496
Net Assets, End of Year	$ 5,240,329	$ 6,068,720	$ 7,164,207







[1] Total school district support divided by average daily attendance
[2] Program service expenses divided by total expenses
[3] Fundraising expenses divided by contribution revenue, excluding in-kind gifts

Required Communications

Generally accepted auditing standards require the auditor to provide to those charged with governance additional information regarding the scope and results of the audit that may assist you in overseeing management's financial reporting and disclosure process. Below, we summarize these required communications.

Auditor's Responsibility Under 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

An audit performed 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 is designed to obtain reasonable, rather than absolute, assurance about the consolidated financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the consolidated financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the consolidated financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this communication or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Area	Comments
Significant Accounting Policies	Significant accounting policies are described in *Note 1* of the consolidated financial statements.
Alternative Accounting Treatments	No matters are reportable.
Management Judgments & Accounting Estimates Accounting estimates are an integral part of financial statement preparation by management, based on its judgments.	The following involve significant management judgments and accounting estimates: • Functional expense allocation • Allowance for doubtful contributions receivable • Going concern analysis • Impairment analysis on property

Area	Comments
Financial Statement Disclosures	The following items involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures. • Management's consideration of going concern matters
Audit Adjustments During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the consolidated financial statements from being materially misstated.	<u>Proposed Audit Adjustments Recorded</u> • Entry to release permanently restricted net assets based on change in donor designation <u>Proposed Audit Adjustments Not Recorded</u> • Turnaround effect of prior years' entry to reduce pledge receivables for balances that did not have adequate support
Auditor's Judgments About the Quality of the Center's Accounting Policies	No matters are reportable.
Substantial Doubt About the Center's Ability to Continue as a Going Concern	The following events or conditions that, when considered in the aggregate, indicate there could be substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time. As a result, we have added an emphasis of a matter paragraph to the independent auditor's report and management has made disclosures describing this matter in *Note 13* of the audited consolidated financial statements. • Recurring operating losses • Negative cash flows from operations • Declining working capital ratio
Other Material Written Communications	Other material written communications between management and us related to the audit include: • Engagement letter • Management representation letter *(attached)* In addition, we observed matters that we consider to be deficiencies that we verbally communicated to management.

Other Matters

FASB Issues NFP Financial Reporting Standard

Accounting Standards Update (ASU) 2016-14 changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted and should be applied on a retrospective basis; however, NFPs have the option in the year adopted to omit certain disclosures shown in comparative financials.

For many NFPs, adoption of the ASU will result in significant changes to financial reporting and disclosures which likely will require significant hours to implement correctly. Management should examine the current reporting system to identify what changes are necessary to comply with the new standard for both its internal and external reporting requirements. Based on your financial statement reporting changes, BKD will need to spend additional time in formatting these changes within our audit reporting system if you outsource your annual report and disclosure preparation to BKD. Please contact your BKD Advisor if you would like assistance converting the Center's financial statements to the new model and preparing the new disclosures or adopting the standard early.

A summary of the changes by financial statement area is as follows:

Statement of financial position:

- The NFP statement of financial position will distinguish between two new classes of net assets — those with donor-imposed restrictions and those without. The ASU retains the current requirements to provide information on the nature and amount of different types of donor restrictions in the notes to the financial statements.
- Underwater donor-restricted endowment funds are to be shown within the donor-restricted fund class. This is a change from the previously required classification as unrestricted.

Statement of activities:

- The standard requires NFPs to report expenses by both nature and function, either on the face of the statement of activities, as a separate statement or within the notes.
- NFPs are required to use the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset, in the absence of explicit donor stipulations. This eliminates the option to release the donor-imposed restriction over the estimated useful life of the acquired asset.
- Investment income will be shown net of external and direct internal investment expenses. There is no longer a requirement to include a disclosure of those netted expenses.

Statement of cash flows:

- An NFP can continue to choose to either use the indirect or direct method of reporting to present operating cash flows. If the direct method is used, there is no longer a requirement to present or disclose cash flows using the indirect (reconciliation) method.

Notes to the financial statements:

- FASB requires enhanced quantitative and qualitative disclosures to provide additional information useful in assessing liquidity and cash flows, including a description of the time horizon used to manage its liquidity and near-term availability and demands for cash as of the reporting date.
- Provide disclosures on amounts and purposes of governing board or self-imposed designations and appropriations as of the end of the period.

FASB Issues New Revenue Recognition Standard

The model for revenue recognition is changing with the Financial Accounting Standards (FASB)'s release on May 28, 2014, of ASU 2014-09, *Revenue from Contracts with Customers* (the ASU). The goal of the final standard is to improve consistency of requirements, comparability of revenue recognition practices and usefulness of disclosures.

The standard is effective for annual reporting periods beginning after December 15, 2017 for public entities, including:

1. A public business entity
2. A not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market
3. An employee benefit plan that files or furnishes financial statements to the SEC

For all other entities, the standard is effective for annual reporting periods beginning on or after December 15, 2018, and interim periods after December 15, 2019.

The ASU applies to all contracts with customers, other than those within the scope of other standards, such as leases, insurance, financing arrangements, financial instruments and guarantees. For institutions of higher education, this means primarily housing and tuition; however, all ancillary income must be reviewed for inclusion under the new guidance. Contributions are specifically excluded from scope. The ASU does not apply to other parties to a contract who are not customers, *i.e.*, collaborative arrangements.

Sponsored research agreements and other grants (both government and private) may not be considered contracts with customers; a subsequent accounting standard update expected early in 2018 should provide additional clarity.

The core principle of the new model is that an entity would recognize revenue as it transfers goods or services to customers in an amount that reflects the consideration it expects to receive. In order to achieve that core principle, an entity would apply a five-step model.

The five-step application is as follows:

Step 1: Identify the contract with a customer
Step 2: Identify the separate performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the separate performance obligations in the contract
Step 5: Recognize revenue when (or as) performance obligations are satisfied

Because this is a principles-based standard, significant additional management judgement and estimates will be required at adoption and on an ongoing basis. These judgements and estimates include, but are not limited to, bifurcating bundled packages, the identification of separate performance obligations and determining the transaction price including any collectability issues. While revenue timing and presentation may not change materially, colleges and universities will have to evaluate and document its consideration of recognition of revenue under the new five-step model.

The standard requires extensive new qualitative and quantitative revenue disclosures to enable financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The standard may be adopted using a full retrospective approach or a modified, cumulative effect approach wherein the guidance is applied only to existing contracts as of the date of initial application, and to new contracts transacted after that date.

An entity choosing modified approach would not restate comparative years, but it would be required to provide additional disclosures in the initial year of adoption. The Center has not chosen to early adopt this standards as of June 30, 2017.

FASB Issues New lease Accounting Standard

On February 25, 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), the long-awaited new standard on lease accounting. For public business entities, the final leases standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other entities, the final leases standard will be effective for fiscal years beginning after December 15, 2019 and interim periods thereafter. Early application is permitted. As of June 30, 2017 the Center has not chosen to early adopt this standard.

Under the new ASU, lessees will recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months. The new lessee accounting model retains two types of leases, and is consistent with the lessee accounting model under existing GAAP. One type of lease (finance leases) will be accounted for in substantially the same manner as capital leases are accounted for today. The other type of lease (operating leases) will be accounted for (both in the income statement and statement of cash flows) in a manner consistent with today's operating leases. Lessor accounting under the new standard is fundamentally consistent with existing GAAP.

Lessees and lessors are required to provide additional qualitative and quantitative disclosures to help financial statement users assess the amount, timing and uncertainty of cash flows arising from leases. These disclosures are intended to supplement the amounts recorded in the consolidated financial statements so that users can understand more about the nature of an organization's leasing activities.

FASB Proposes Guidance on Accounting for Contributions

The FASB is proposing to clarify existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The proposed guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional.

The proposed standard has the same effective dates as Topic 606—effective for calendar year 2018 for public companies or a not-for-profit organization that has issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market; effective for calendar year 2019 for all other entities. Early adoption would be permitted irrespective of early adoption of Topic 606. Comments on the exposure draft are due by November 1, 2017.

If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The exposure draft clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the improved guidance could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance.

Fraud Hotline Implementation

In its “2014 Report to the Nation on Occupational Fraud and Abuse,” the Association of Certified Fraud Examiners estimates that 5 percent of revenue is lost to fraud and abuse. One of the most cost-effective strategies in combating fraud is the implementation of a third-party hotline. We recommend management consider implementing a third-party hotline this year.

Independent studies have shown that a significant amount of fraudulent activity is discovered by way of anonymous tips; the third-party hotlines can play a key role in the facilitation of this important information. In our own experience, we also have found that third-party hotlines can be an important strategy in accelerating the discovery of inappropriate activity in the organization and thereby reducing losses relating to such activity.

In addition, the implementation of such a hotline can add to the overall control environment and “tone at the top” of the Center and thereby serve as an important deterrent to fraud within the organization.

* * * * * * * *

This communication is intended solely for the information and use of management, the Finance Committee, the Board of Directors and others within the Center and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Kansas City, Missouri
December 19, 2017

DeLaSalle Education Center
3737 Troost
Kansas City, Missouri 64109

December 19, 2017

BKD, LLP
Certified Public Accountants
1201 Walnut Street, Suite 1700
Kansas City, Missouri 64106-2246

We are providing this letter in connection with your audits of our consolidated financial statements as of and for the years ended June 30, 2017 and 2016. We confirm that we are responsible for the fair presentation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated June 30, 2017 for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. We have reviewed and approved a draft of the consolidated financial statements and related notes referred to above, which you prepared in connection with your audit of our consolidated financial statements. We acknowledge that we are responsible for the fair presentation of the consolidated financial statements and related notes.

5. We have provided you with:

   (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the consolidated financial statements such as records, documentation and other matters.

   (b) Additional information that you have requested from us for the purpose of the audit.

   (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

   (d) All minutes of directors' meetings held through the date of this letter.

   (e) All significant contracts and grants.

6. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by the Center's procedures with respect to:

   (a) Misappropriation of assets.

   (b) Misrepresented or misstated assets, liabilities or net assets.

8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

9. We understand the potential penalties for failure to disclose reportable tax transactions to the taxing authorities and have fully disclosed to BKD any and all known reportable tax transactions.

10. We have no knowledge of any known or suspected:

   (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.

   (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the consolidated financial statements.

11. We have no knowledge of any allegations of fraud or suspected fraud affecting the Center received in communications from employees, customers, regulators, suppliers or others.

12. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, subsidiaries accounted for by the equity method; and any other party with which the Center may deal if the Center can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the Center.

13. Except as reflected in the consolidated financial statements, there are no:

    (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

    (b) Material transactions omitted or improperly recorded in the financial records.

    (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    (d) Events occurring subsequent to the statement of financial position date through the date of this letter requiring adjustment or disclosure in the consolidated financial statements.

    (e) Agreements to purchase assets previously sold.

    (f) Restrictions on cash balances or compensating balance agreements.

    (g) Guarantees, whether written or oral, under which the Center is contingently liable.

14. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing consolidated financial statements.

15. We have no reason to believe the Center owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

16. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the consolidated financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.

17. Adequate provisions and allowances have been accrued for any material losses from:

    (a) Uncollectible receivables, including pledges.

    (b) Purchase commitments in excess of normal requirements or above prevailing market prices.

18. Except as disclosed in the consolidated financial statements, the Center has:

    (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.

    (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the consolidated financial statements.

19. The consolidated financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of financial position date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

20. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the consolidated financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

21. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

22. With respect to any nonattest services you have provided us during the year, including preparation of the consolidated financial statements:

    (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

    (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.

    (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

    (d) We have evaluated the adequacy of the services performed and any findings that resulted.

23. We are an organization exempt from income tax under Section 501(c) of the Internal Revenue Code and a similar provision of state law and, except as disclosed in the consolidated financial statements, there are no activities that would jeopardize our tax-exempt status or subject us to income tax on unrelated business income or excise tax on prohibited transactions and events.

24. We have identified to you any activities conducted having both fund raising and program or management and general components (joint activities) and have allocated the costs of any joint activities in accordance with the provisions of FASB ASC 958-720-45.

25. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.

26. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our consolidated financial statements or other financial data significant to the audit objectives.

27. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the consolidated financial statements or for your reporting on noncompliance.

28. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.

29. We have a process to track the status of audit findings and recommendations.

30. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.

31. We acknowledge that Federal Funds expended were below the required audit threshold; therefore, no audit under Uniform Guidance is required.

32. With regard to supplementary information:

    (a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

    (b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.

    (c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.

    (d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

    (e) If the supplementary information is not presented with the audited consolidated financial statements, we acknowledge we will make the audited consolidated financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

33. We have reviewed long-lived assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of such assets might not be recoverable and have determined that an adjustment was not considered necessary.

34. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does exist.

    (a) We have disclosed all the matters of which we are aware that are relevant to the Center's ability to continue as a going concern for at least one year from the date of this letter, including principal conditions or events raising substantial doubt and management's plans.

    (b) Management's plans that are intended to mitigate the adverse effects of conditions or events that indicate there is substantial doubt about the Center's ability to continue as a going concern for at least one year from the date of this letter have considered all applicable conditions that are known and reasonably knowable as of the date of this letter for the purposes of performing management's going concern assessment. Based on management's going concern assessment, we have identified and disclosed conditions or events that raise substantial doubt about the Center's ability to continue as a going concern. Management has identified and disclosed plans that will adequately mitigate the conditions or events that raised substantial doubt. Such plans are described in Note 13 to the consolidated financial statements and have been implemented in the subsequent period.

35. We acknowledge the current protracted economic decline continues to present difficult circumstances and challenges for not-for-profit organizations. Not-for-profit organizations are facing declines in the fair values of investments and other assets, declines in contributions, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for contributions receivable, etc. that could negatively impact the Center's ability to meet debt covenants or maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the Center's consolidated financial statements. Further, management and the Board are solely responsible for all aspects of managing the Center, including questioning the quality and valuation of investments and other assets, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

36. The Center has complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure by attendance records of average daily attendance, resident membership on the last Wednesday of September and the number of students eligible to receive free and reduced price lunches on the last Wednesday of January; and accurate disclosure by pupil transportation on records of the average daily transportation of pupils eligible and ineligible for state aid, the number of miles eligible and ineligible for state aid and the allowable costs for pupil transportation during the year ended June 30, 2017.

Gary Ballard, Chief Financial Officer

Darin Kamradt, Treasurer

DeLaSalle Education Center
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets	17,591,845	0	17,591,845	0.00%
Total Liabilities	(12,351,516)	0	(12,351,516)	0.00%
Net Assets	(5,240,329)	0	(5,240,329)	0.00%
Revenues, gains and other support	(3,425,133)	(27,000)	(3,452,133)	0.79%
Expenses	4,253,524	0	4,253,524	0.00%
Change in Net Assets	828,391	(27,000)	801,391	-3.26%

Client: DeLaSalle Education Center
Period Ending: June 30, 2017

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Location or Business Unit	Financial Line Item	Factual (F), Judgmental (J), or Projected (P)	Assets DR (CR)	Liabilities DR (CR)	(X) Non Tax	Revenues, gains and other support DR (CR)	Expenses DR (CR)	Net Assets DR (CR)	Net Effect on Following Year: Change in Net DR (CR)	Net Effect on Following Year: Net Assets DR (CR)
Prior year turnaround effect related to contributions receivable balances recorded without proper documentation	DSC		F	0	0		(27,000)	0	27,000	0	0
		Contributions					(27,000)				
		Net assets							27,000		
		Taxable passed adjustments					(27,000)	0	27,000	0	0
		Times (1 - effective tax rate of 00%)					100%	100%	100%		
		Taxable passed adjustments net of tax impact			0		(27,000)	0	27,000		
		Nontaxable passed adjustments		0	0		0	0	0		
		Total passed adjustments, net of tax impact (if any		0	0		(27,000)	0	27,000		

Impact on Change in Net Asset	**(27,000)**
Impact on Net Assets	**0**