

# Project MEND

## Financial Statements

September 30, 2015 and 2014



# Project MEND

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## **Independent Auditor's Report**

To the Board of Directors of  
Project MEND

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Project MEND (the Organization) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, 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.

### ***Auditor's 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 Project MEND as of September 30, 2015, 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.

## Independent Auditor's Report (Continued)

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### Report on Summarized Comparative Information

We have previously audited Project MEND's 2014 financial statements, and our report dated January 21, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2016, on our consideration of Project MEND'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 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 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 Project MEND's internal control over financial reporting and compliance.



Schrive, Carmona & Company, PLLC

San Antonio, Texas

January 25, 2016

## **Financial Statements**

## Project MEND

### Statements of Financial Position September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash	\$ 144,236	\$ 184,957
Grants Receivable	75,463	55,808
Insurance Receivable	79,524	-
Prepaid Expenses	2,000	2,000
Security Deposits	1,500	1,500
Donated Medical Equipment Inventory	90,783	64,558
Property and Equipment, net of accumulated depreciation	<u>163,274</u>	<u>179,262</u>
<b>Total Assets</b>	<b><u>\$ 556,780</u></b>	<b><u>\$ 488,085</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts Payable	\$ 18,497	\$ 20,084
Payroll Liabilities	8,532	4,207
Deferred Revenue - Medical Equipment Inventory	<u>90,783</u>	<u>64,558</u>
Total Liabilities	<u>117,812</u>	<u>88,849</u>
Net Assets:		
Unrestricted		
Undesignated	388,968	399,236
Board Designated	<u>50,000</u>	<u>-</u>
Total Unrestricted	<u>438,968</u>	<u>399,236</u>
Temporarily Restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>438,968</u>	<u>399,236</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 556,780</u></b>	<b><u>\$ 488,085</u></b>

The Accompanying Notes are an Integral Part of These Financial Statements.

## Project MEND

### Statement of Activities

Year Ended September 30, 2015 (with Comparative Totals for the Year Ended September 30, 2014)

	2015			2014 Totals
	Unrestricted	Temporarily Restricted	Totals	
<b>Support and Revenues</b>				
Local Government Grants	\$ 150,375	\$ -	\$ 150,375	\$ 167,025
State Government Grants	271,524	-	271,524	185,528
Donations and Other Grants	533,108	-	533,108	363,323
In-kind Donations - Medical Equipment	739,211	-	739,211	558,448
Program Income	47,435	-	47,435	23,837
Special Events, net of expenses of \$42,305 and \$24,698 in 2015 and 2014, respectively	50,490	-	50,490	54,752
Other Income	30,323	-	30,323	3,338
Net Assets Released from Restrictions	-	-	-	-
<b>Total Support and Revenues</b>	<b>1,822,466</b>	<b>-</b>	<b>1,822,466</b>	<b>1,356,251</b>
<b>Expenses</b>				
Program Services	1,689,206	-	1,689,206	1,305,894
Support Services:				
Management and General	65,784	-	65,784	57,187
Fundraising	27,744	-	27,744	34,834
<b>Total Expenses</b>	<b>1,782,734</b>	<b>-</b>	<b>1,782,734</b>	<b>1,397,915</b>
<b>Changes in Net Assets</b>	<b>39,732</b>	<b>-</b>	<b>39,732</b>	<b>(41,664)</b>
<b>Net Assets at Beginning of Year</b>	<b>399,236</b>	<b>-</b>	<b>399,236</b>	<b>440,900</b>
<b>Net Assets at End of Year</b>	<b>\$ 438,968</b>	<b>\$ -</b>	<b>\$ 438,968</b>	<b>\$ 399,236</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

## Project MEND

### Statement of Functional Expenses

Year Ended September 30, 2015 (with Comparative Totals for the Year Ended September 30, 2014)

	Program Services	Supporting Services		2015 Totals	2014 Totals
		Management and General	Fundraising		
Salaries	\$ 389,017	\$ 24,818	\$ 20,353	\$ 434,188	\$ 381,778
Payroll Taxes	35,427	2,430	1,686	39,543	41,164
Total Salaries and Taxes	424,444	27,248	22,039	473,731	422,942
Advertising	5,040	1,608	-	6,648	4,722
Assistive Technology	227,880	-	-	227,880	149,794
Computer Services	13,979	6,515	-	20,494	26,065
Conferences and Meetings	4,898	505	-	5,403	3,631
Dues and Subscriptions	3,610	1,468	-	5,078	7,318
Fees and Fines	554	1,568	-	2,122	2,998
Fundraising Events (excluding Special Events)	-	-	5,695	5,695	5,567
In-Kind Medical Equipment	739,211	-	-	739,211	558,448
Insurance	77,077	7,635	-	84,712	51,689
Miscellaneous	4,187	557	-	4,744	5,306
Office Supplies	24,946	7,027	-	31,973	15,549
Other Expenses	4,215	-	-	4,215	-
Postage and Freight	1,203	208	-	1,411	1,942
Printing and Reproductions	6,441	1,571	10	8,022	7,755
Professional Fees	9,290	1,036	-	10,326	10,375
Purchased Inventory	31,535	-	-	31,535	19,441
Repairs and Maintenance	5,876	28	-	5,904	5,696
Rent	23,333	2,195	-	25,528	24,228
Staff Training	468	1,610	-	2,078	1,989
Telephone	13,249	-	-	13,249	12,594
Travel	13,018	1,159	-	14,177	5,807
Uniforms	4,324	-	-	4,324	3,334
Utilities	9,822	744	-	10,566	11,149
Vehicle Expenses	9,971	-	-	9,971	11,478
Warehouse Supplies	11,217	424	-	11,641	9,431
Total Expenses before Depreciation	1,669,788	63,106	27,744	1,760,638	1,379,248
Depreciation	19,418	2,678	-	22,096	18,667
<b>Total Expenses</b>	<b>\$ 1,689,206</b>	<b>\$ 65,784</b>	<b>\$ 27,744</b>	<b>\$ 1,782,734</b>	<b>\$ 1,397,915</b>

The Accompanying Notes are an Integral Part of These Financial Statements.



## Project MEND

### Statements of Cash Flows Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities:</b>		
Change in Net Assets	\$ 39,732	\$ (41,664)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	22,096	18,667
(Increase) Decrease in:		
Grants Receivable	(19,655)	93,350
Insurance Receivable	(79,524)	-
Prepaid Expenses	-	20,515
Donated Medical Equipment Inventory	(26,225)	18,554
Increase (Decrease) in:		
Accounts Payable	(1,587)	6,212
Payroll Liabilities	4,325	(5,098)
Deferred Revenue	26,225	(18,173)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(34,613)</u>	<u>92,363</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of Property and Equipment	(6,108)	(11,267)
<b>Net Cash Used by Investing Activities</b>	<u>(6,108)</u>	<u>(11,267)</u>
<b>Net Increase (Decrease) in Cash</b>	(40,721)	81,096
Cash, Beginning of Year	<u>184,957</u>	<u>103,861</u>
<b>Cash, End of Year</b>	<u>\$ 144,236</u>	<u>\$ 184,957</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

## **Project MEND**

Notes to Financial Statements  
September 30, 2015 and 2014

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### **Note A: Nature of Organization**

Project MEND (the Organization) is a non-profit agency dedicated to helping low-income people with disabilities obtain medical equipment and financial support for the purchase of specialized, fitted devices, prosthetic and orthotic devices, and diabetic shoes. The Organization accepts previously owned medical equipment from individuals, nursing homes, medical equipment companies, etc., and refurbishes, repairs, and sanitizes these items. Once the equipment has been processed, it is distributed to qualified, low-income persons with disabilities.

The Organization operates from two locations in San Antonio, Texas. The administrative building is located at 5727 IH-10 West where recipients meet with case management staff and the support staff operates. The warehouse building located at 1201 Austin Street is where the warehouse staff refurbishes and distributes medical equipment to qualifying recipients.

The Organization's mission is: *Believing that mobility and independence are basic human rights, we enable people with disabilities to become active members of their communities through the reuse of medical equipment.*

### **Note B: Summary of Accounting Principles**

#### ***Basis of Accounting***

The financial statements are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). Net assets, support and revenue, and expenses are classified according to three classes of net assets:

- *Unrestricted net assets* – net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- *Permanently restricted net assets* – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

#### ***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated on the basis of estimates by management among the programs and supporting services, based primarily on the nature of the expense concerned and percentages of time allocated to these functions.

#### ***Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent 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.

#### ***Cash and Cash Equivalents***

For purposes of reporting cash flows, the Organization considers all certificates of deposit and money market funds purchases with an original maturity of three months or less to be cash equivalents.

## **Project MEND**

Notes to Financial Statements  
September 30, 2015 and 2014

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### **Note B: Summary of Accounting Principles (Continued)**

#### ***Inventory – Medical Equipment***

The Organization receives donated medical equipment, which is refurbished and then distributed back to qualified individuals. Upon receipt of donated medical equipment the Organization recognizes inventory and deferred revenue. When the refurbished equipment is distributed to a qualified individual the Organization recognizes in-kind revenue and in-kind expense, and relieves inventory and deferred revenue, thereby, satisfying the matching principle. Donated medical equipment has been valued at 50% of retail value, which approximates fair value.

#### ***Property and Equipment***

Property and equipment are stated at cost or at their estimated market value at the date of receipt from donors. Donated property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is computed for financial statement purposes on a straight-line basis over the estimated lives useful lives as follow:

Buildings and Improvements	5 to 40 years
Furniture and Equipment	3 to 7 years
Vehicles	5 years

#### ***Contributions and Grants***

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily restricted net assets or permanently restricted net assets, depending on the nature of the restriction. Temporarily restricted net assets are reclassified to unrestricted net assets upon expiration of the time restriction and are reported in the Statement of Activities as “net assets released from restrictions”. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

#### ***Donated Medical Equipment, Services and Materials***

The Organization receives donated medical equipment, services, and materials. The Organization distributed donated medical equipment (see note “*Inventory – Medical Equipment*”) with an estimated fair market value of \$739,211 and \$558,448 to qualified individuals for the years ended September 30, 2015 and 2014, respectively. The Organization also receives contributed services from a variety of unpaid volunteers assisting with answering phones, cleaning and repairing donated medical equipment and various other program related services. No amounts have been recognized in the accompanying statements of activities and changes in net assets because the criteria for recognition of such volunteer effort under GAAP have not been satisfied.

#### ***Fair Value of Financial Instruments***

The Organization’s financial instruments include cash, receivables and payables. The carrying amount of these financial instruments as reflected in the Statement of Financial Position approximates fair value.

## Project MEND

Notes to Financial Statements  
September 30, 2015 and 2014

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### Note B: Summary of Accounting Principles (Continued)

#### Federal Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) for the Internal Revenue Code. There was no unrelated business income for the years ended September 30, 2015 and 2014. The Organization is not subject to the Texas margin tax.

### Note C: Grants Receivable

Grants receivable is revenue earned by reimbursable expenses incurred and is deemed fully collectible; therefore, no allowance for doubtful accounts is deemed necessary as of September 30, 2015 and 2014. At September 30, 2015, grants receivable are scheduled to be collected within one year.

### Note D: Property and Equipment

Property and Equipment, net consist of the following at September 30:

	<u>2015</u>	<u>2014</u>
Buildings and Improvements	\$ 275,150	\$ 275,150
Furniture and Equipment	135,858	129,750
Vehicles	112,114	112,114
Less: Accumulated Depreciation	<u>(359,848)</u>	<u>(337,752)</u>
Total Property and Equipment, net of accumulated depreciation	<u>\$ 163,274</u>	<u>\$ 179,262</u>

Depreciation expense for the years ended September 30, 2015 and 2014 was \$22,096 and \$18,667, respectively.

### Note E: Deferred Revenue

Deferred revenue is related to the \$90,783 of donated medical equipment inventory, which has not been distributed to a qualified program participant as of September 30, 2015.

### Note F: Operating Lease

Total rental expense charged to operations for the years ended September 30, 2015 and 2014 was \$25,528 and \$24,228, respectively.

Future minimum lease payments at September 30, 2015 are as follows:

2016	\$ 26,381
2017	22,959
2018	<u>165</u>
Total	<u>\$ 49,505</u>

## Project MEND

Notes to Financial Statements  
September 30, 2015 and 2014

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### Note G: Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expenses for the years ended September 30, 2015 and 2014 were \$6,648 and \$4,722, respectively.

### Note H: Concentrations of Credit Risks

#### *Financial Instruments*

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of its cash balance at the bank if such balance exceeds the amount insured by Federal Deposit Insurance Corporation (FDIC). The cash balance at the bank did not exceed FDIC limit at September 30, 2015 and 2014.

#### *Revenues*

The Organization's support and revenues from state and local government grants was as follows for the years ended September 30:

Type of Grant	Original Source	2015		2014	
		Amount	Percent of Total Support and Revenue	Amount	Percent of Total Support and Revenue
University of Texas	State	\$ 100,000	5%	\$ 100,489	7%
Texas Veterans Commission	State	171,524	9%	85,039	6%
<b>Total State Government Grants</b>		<b>\$ 271,524</b>	<b>14%</b>	<b>\$ 185,528</b>	<b>13%</b>
Bexar County - CDBG	County	\$ -	- %	\$ 33,125	2%
Bexar County – General Fund	County	40,000	2%	20,000	1%
University Health System	County	25,000	1%	25,000	2%
City of San Antonio – General Fund	City	85,375	5%	85,500	6%
Bexar County – Prescription Card	County	-	- %	3,400	- %
<b>Total Local Government Grants</b>		<b>\$ 150,375</b>	<b>8%</b>	<b>\$ 167,025</b>	<b>11%</b>

These grants operate as cost reimbursement grants where the Organization submits qualified expenses to the grantor and is reimbursed when expenses are approved. A reduction in revenue by either grantor would coincide with a similar reduction of expenses for the Organization.

## **Project MEND**

Notes to Financial Statements  
September 30, 2015 and 2014

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### **Note I: Compensated Absences**

The Organization provides regular, full-time employees with paid time off (PTO) to be used for absences due to illness, injury, disability, or personal activities, including vacation time. Part-time and temporary employees are not eligible for this benefit. Regular, full-time employees will be credited 120 hours (15 days) of PTO per calendar year. Effective January 2013, regular, full-time employees who have been employed by the Organization 5 or more years will be credited 160 hours (20 days) of PTO per calendar year. Accrued PTO will not be carried over into the next calendar year; will be forfeited when an employee separates from the agency for any reason, and will not be paid out at the end of the calendar year. As of September 30, 2015 and 2014, the PTO liability totaled \$7,366 and \$2,034, respectively.

### **Note J: Board Designated Funds**

In August 2015 the board agreed to transfer \$50,000 to a separate bank account and designate the funds as board designated.

### **Note K: Insurance Claim**

During the year ended September 30, 2015 and 2014, the organization incurred a loss covered by its insurance carrier. As of September 30, 2015 a receivable of \$79,524 was recorded based on the pending recovery. The organization incurred total expense of approximately \$60,000 in 2015 and \$16,000 in 2014. The pending recovery has been netted against the 2015 expense and included in "Other Income" on the Statement of Activities for the year ended September 30, 2015.

### **Note L: Subsequent Events**

Subsequent events have been evaluated through the date of this report, which is the date the financial statements were available to be issued.

## **Compliance Report**

**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 Directors of  
Project MEND

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 Project MEND (the Organization) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Organization'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*.



**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* (Continued)**

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**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.

A handwritten signature in cursive script, appearing to read "Schriver Carmona".

Schrive, Carmona & Company, PLLC

San Antonio, Texas

January 25, 2016

**Project MEND**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2015

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified? No

Significant deficiencies identified that are not considered  
to be material weakness(es)? No

Noncompliance material to the financial statements? No

**SECTION II - FINANCIAL STATEMENT FINDINGS** None

**Project MEND**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

    Material weakness(es) identified? No

    Significant deficiencies identified that are not considered  
    to be material weakness(es)? No

Noncompliance material to the financial statements? No

**SECTION II - FINANCIAL STATEMENT FINDINGS** None