



Report to Those Charged With Governance 2018 Audit Results

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June 17, 2019



Our Audit Engagement Process



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This report is intended solely for the information and use of the Board of Directors, Those Charged with Governance, and management and is not intended to be and should not be used by anyone other than these specified parties. This report may not be referred to or distributed to others without our prior expressed written consent.



SobelCo's Acknowledgement

Comments regarding the 2018 audit of LitWorld International, Inc. ("Organization") will assist you in overseeing the financial reporting and disclosure process for which management is responsible.



We are acting on appointment of the Organization's Board of Directors



Objective of the Audit

The formation and expression of an opinion based on Management's preparation and fair presentation of the financial statements.



Objective of the Audit

Our audit was conducted in accordance with:

- ✓ Auditing standards generally accepted in the United States of America

We would inform you of any:

- ✓ Significant matters
- ✓ Fraudulent financial reporting
- ✓ Misappropriation of assets
- ✓ Violations of laws or governmental regulations



Independence

- Our service provides an independent viewpoint which recognizes that our responsibilities are similar to those charged with governance and the Board in that they extend beyond service to management and include responsibilities to donors, grantors, the public and to others.
- SobelCo and its related entities are free from any relationships with the Organization which may present issues related to independence.
- We are independent with respect to the Organization within the meaning of independence as administered by the AICPA.



Required Communications with Those Charged with Governance

Required Communications	Disposition
SobelCo's responsibilities under generally accepted auditing standards	Included in Engagement Letter
Significant accounting policies/principles	Described in Note 2 to financial statements
Management judgments and accounting estimates	Included in notes to financial statements
Transactions lacking authoritative guidance or consensus	None to report
Audit adjustments	None noted
Uncorrected misstatements/passed audit adjustments	None noted
Auditors' view about significant matters that management has discussed with other auditors	Not aware of any such discussions
Auditors' judgments about quality of the Organization's accounting principles	Accounting policies appear reasonable
Major issues discussed with management prior to retention	None to report
Irregularities, illegal acts, or fraud	None to report
Difficulties encountered in performing the audit	None to report – Complete cooperation
Disagreements with management	None to report



Required Communications with Those Charged with Governance

Required Communications	Disposition
<p>Material weaknesses or significant deficiencies, defined as “a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that misstatements of the Organization’s financial statements will not be prevented, or detected and corrected on a timely basis by management or employees in the normal course of performing their assigned functions</p>	<p>None to report</p>
<p>Management representations</p>	<p>Included in Management Representation Letter dated same date as our auditors’ report</p>
<p>Responsibility for other information in documents containing audited financial statements and auditors’ report</p>	<p>Management is responsible for informing us on a timely basis. We are responsible for reading the document in its entirety and ensuring that there is no information contradictory to our knowledge gained during the conduct of our audit.</p>



Required Communications During Completion Phase of the Audit Engagement

Professional auditing standards “The Auditor’s Communication to Those Charged With Governance” issued by the AICPA require us to communicate the following matters to those individuals responsible for the oversight of the strategic direction of the Organization and obligations related to the accountability of the Organization, including the financial reporting process.

See Attached Letter



June XX, 2019

To the Board of Directors and Management
LitWorld International, Inc.
New York, New York

We have audited the financial statements of LitWorld International, Inc. (“Organization”) for the year ended December 31, 2018, and we will issue our report thereon dated June XX, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 4, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the financial statements. In 2018, the Organization adopted Financial Accounting Standards Board, *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived assets is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for Board-designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June XX, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

This information is intended solely for the use of the Board of Directors of LitWorld International, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

DRAFT

Certified Public Accountants

Scope of Services

Audit of Financial Statements

- LitWorld International, Inc. for the year ended December 31, 2018

Tax Returns

- Prepare and electronically file Federal Form 990
- Prepare NY CHAR-500



FASB – Not-for Profit Financial Statement Project

- **FASB pronouncement became effective for the year ended December 31, 2018. The following changes were made to the Organization’s financial statements:**

1. Classify Net Assets

- a. Net asset classes were consolidated and titles were changed
 - a. Unrestricted net assets = Net Assets without Donor Restrictions
 - b. Temporarily Restricted + Permanently Restricted Net Assets = Net Assets with Donor Restrictions
- b. Footnotes were modified enhanced



FASB – Not-for Profit Financial Statement Project

2. Functional Expenses

- a. Consolidation and simplification of expenses of statements of functional expenses
- b. Enhanced disclosure on allocation of expenses

3. Liquidity and Availability of Resources

- a. New footnote to assess how the Organization manages its available resources to meet needs for general expenditures within one year of the balance sheet date. Includes both quantitative and qualitative information.



FASB – Lease Accounting Standard

1. Affects all companies and nonprofit organizations.
2. Balance sheet recognition of the assets and liabilities of lease obligations.
3. Impacts leases with terms of more than 12 months.
4. Footnote disclosures enhancing the amount, timing and uncertainty of cash flows arising from leases.
5. Takes effect for fiscal years beginning after December 15, 2019.
(Effective for year ended December 31, 2020)



FASB – Revenue Accounting Standard

1. Applies to exchange transactions of not for profit organizations. Includes fee for service arrangements, membership dues, special events, tuition, grants, government contracts, or sale of goods.
2. At a minimum, organizations with exchange transactions will have to implement processes to accumulate information and analyze transaction terms and agreements.
3. Substantial new disclosure requirements.
4. Adoption of new standard may impact the timing of revenue recognition.
5. Takes effect for annual reporting periods beginning after December 15, 2018. (Effective for year ended December 31, 2019)



Other Matters for Discussion

UBIT - Parking

With the passage of the Tax Cuts and Jobs Act at the end of 2017, significant changes were made regarding how to determine the amount of employee parking expense with respect to qualified transportation fringes (QTFs) that is nondeductible for employers. December 10, 2018 the IRS published an interim notice offering guidance for calculating the amount that will be disallowed. This guidance will impact all Organizations that supply employees with a place to park.



Financial Statement Discussion

Review of 2018 Financial Statements and Report

**Audit report expresses an
unmodified opinion**

**Open discussion regarding 2018
financial statements and
auditors' report**



Executive Session

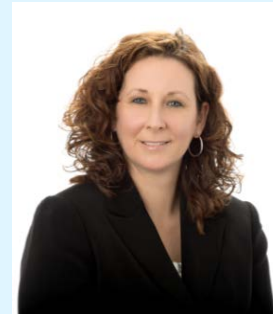
Evaluate the need for the Sobel team to meet with those charged with governance without Management present.



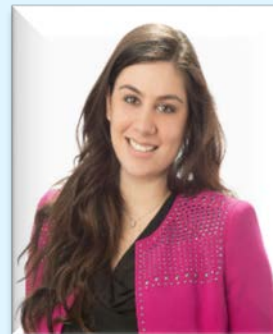
Contact Information

Any Governance Committee and Board Members have complete and direct access to:

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ANY
QUESTIONS
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