EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.

(A Texas Nonprofit Corporation)

Independent Auditor's Report and Financial Statements

Year Ended December 31, 2015

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
(A Texas Nonprofit Corporation)

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December 31, 2015

MJ McConnell & Jones LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Educational Programs Inspiring Communities, Inc.

We have audited the accompanying financial statements of the Educational Programs Inspiring Communities, Inc. (the "Organization"), a Texas nonprofit corporation, which comprise the statement of financial position as of December 31, 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 Organization'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 Organization'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McConnell & Jones LLP

Houston, Texas
November 16, 2016

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
(A Texas Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

ASSETS		
Current assets:		
Cash	$	699,687
Grants and other receivable		136,929
Prepayments and deposits		13,725
Total current assets		850,341
Noncurrent assets:		
Property and equiment, net		1,144,898
Total noncurrent assets		1,144,898
Total assets	$	1,995,239
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$	40,783
Total current liabilities		40,783
Total liabilities		40,783
Net assets:		
Unrestricted		1,954,456
Total net assets		1,954,456
Total liabilities and net assets	$	1,995,239

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

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
(A Texas Nonprofit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

UNRESTRICTED REVENUES AND OTHER SUPPORT	
Grants	$ 603,707
Contributions	219,343
Vending sales	206,197
Concession services fees	61,699
Special events income and fundraisers	194,903
Program fees	11,445
Interest and other income	687
Total unrestricted revenues and other support	1,297,981
EXPENSES	
Program services	688,790
Total program services	688,790
Support services:	
Fundraising	114,858
Management and general	104,372
Total support services	219,230
Total expenses	908,020
CHANGE IN NET ASSETS	389,961
NET ASSETS, BEGINNING OF YEAR	1,564,495
NET ASSETS, END OF YEAR	$ 1,954,456

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

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
(A Texas Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services						Support Services			
	H.E.A.R.T.	Vending	Concessions	Technology	Transportation	Total program services	Management and general	Fund-raising	Total support services	Total expenditures
Payroll & related costs	$ 245,005	$ 60,097	$ 57,197	$ 40,674	$ 3,930	$ 406,903	$ 75,402	$ 55,271	$ 130,673	$ 537,576
Vending products	-	120,905	824	-	-	121,729	40	942	982	122,711
Transportaton	3,596	1,323	210	-	3,127	8,256	-	49	49	8,305
Supplies	2,500	4,319	495	1,776	132	9,222	900	968	1,868	11,090
Telephone	3,854	-	-	6,505	721	11,080	1,034	-	1,034	12,114
Postage and delivery	-	2	24	-	-	26	8	2,078	2,086	2,112
Printing and reproduction	-	-	-	-	-	-	-	2,658	2,658	2,658
Facility rent	15,501	13,424	-	-	-	28,925	-	-	-	28,925
Marketing	-	-	820	-	80	900	260	8,015	8,275	9,175
Insurance	4,132	4,404	-	-	5,169	13,705	2,183	410	2,593	16,298
Utilities	5,395	816	-	-	1,606	7,817	723	-	723	8,540
Staff training and development	-	424	471	-	-	895	1,115	252	1,367	2,262
Sales taxes	-	11,085	35	-	-	11,120	-	-	-	11,120
Repairs and maintenance	-	513	-	-	285	798	3,757	-	3,757	4,555
IT Expense	-	-	-	46,770	-	46,770	-	3,596	3,596	50,366
Bank service charges	-	-	-	-	-	-	4,560	-	4,560	4,560
Depreciation and amortization	-	16,710	-	2,766	-	19,476	2,396	-	2,396	21,872
Background checks	278	-	-	-	-	278	79	-	79	357
Catering expense	-	-	92	-	-	92	1,330	16,119	17,449	17,541
Professional fees	-	-	-	-	-	-	10,500	24,500	35,000	35,000
Travel	-	563	-	-	-	563	-	-	-	563
Miscelleanous	-	235	-	-	-	235	85	-	85	320
Total Expenses	$ 280,261	$ 234,820	$ 60,168	$ 98,491	$ 15,050	$ 688,790	$ 104,372	$ 114,858	$ 219,230	$ 908,020

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

EDUCATIONAL PROGRAMS INSPIRING COMMUNITIES, INC.
(A Texas Nonprofit Corporation)

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 389,961
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	21,872
Non-cash contributions	(98,093)
Decrease in grants and other receivable	65,421
Increase in prepayments and deposits	(12,000)
Increase in accounts payable and accrued expenses	40,617
Total adjustments	17,817
Net cash provided by operating activities	407,778
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(196,059)
Net cash used in investing activities	(196,059)
NET INCREASE IN CASH	211,719
CASH, BEGINNING OF YEAR	487,968
CASH, END OF YEAR	$ 699,687
NON-CASH INVESTING ACTIVITIES:	
In-kind contribution of property and equipment	$ 98,093

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

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Educational Programs Inspiring Communities, Inc. (the "Organization") is a Texas nonprofit corporation established in May 2002 for the purpose of providing job placements and life training to low-income people, empowering them to be independent of governmental assistance and taking charge of their lives mentally and physically.

The Organization operates the Housing, Entrepreneurship, and Readiness Training (H.E.A.R.T) Program and H.E.A.R.T. Vending and Concessions along with transportation and technology programs. These programs provide vocational training and services to adults with developmental disabilities. Program participants are instructed in servicing vending machines and providing concessions service. Eligible participants are employed by H.E.A.R.T. Vending Concessions to work within the general community and in a supervised setting as appropriate, through the entrepreneurial venture.

The Organization is supported through funds received from federal, state and local governmental agencies, as well as from private donors including corporations and non-profit organizations. The proceeds from Vending and Concessions are used to purchase vending supplies and pay participant wages.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Financial Statement Presentation

The Organization's financial statements are presented in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities-Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, as defined below:

Unrestricted net assets – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization.

Temporarily restricted net assets – These are resources that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. The Organization did not have any temporarily restricted net assets as of December 31, 2015.

Permanently restricted net assets – These are resources that are subject to donor restrictions requiring that the principal be held in perpetuity and any income thereon be used by the Organization. The Organization did not have any permanently restricted net assets as of December 31, 2015.

In addition, the Organization is required by FASB ASC 958-205 to present statements of activities, functional expenses and cash flows.

Revenue Recognition

Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on passage of time. Program income, including revenue from vending and concession operations, and other income are recognized when received.

Contributions and Promises to Give

In accordance with FASB ASC 958-605, *Not-for-Profit Entities-Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give cash or other assets are not recognized as revenues until received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same fiscal year in which the contributions are recognized. All other donor-restricted contributions would be reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions and reported in the Statement of Activities as net assets released from restrictions. There were no donor-restricted contributions as of December 31, 2015.

The Organization uses the allowances method to determine uncollectible unconditional promises receivable. The allowance is based on management's analysis of specific promises made. There was no allowance as of December 31, 2015.

Contributed Services

Many individuals volunteer their time and perform a variety of tasks that assists the Organization in its operations. The Organization records the value of contributed services when there is an objective basis available to measure the value. During the year ended December 31, 2015, the Organization did not receive any contributed services meeting the criteria for recognition in the financial statements and, accordingly, no value was recorded.

Cash and Cash Equivalents

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The carrying values of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments. There were no cash equivalents at December 31, 2015.

Property and Equipment

Property and equipment are generally recorded at cost or, if donated, at their estimated fair value at the date of donation. Such donations are reported as an increase in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or maintain property and equipment are reported as restricted contributions. In 2015, the Organization received $98,093 in donated assets as part of the development of internal use software. The Organization does not presently have any assets which have donor-imposed restrictions.

The Organization follows the policy of capitalizing all expenditures for property and equipment in excess of $500. Property and equipment items are depreciated using the straight-line method based on their estimated useful lives ranging from five to twenty years except for leasehold improvements, which are amortized over the shorter of the useful life of the improvements or the remaining lease term of the related leases. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the life of the asset are capitalized.

Functional Allocation of Expenses

The costs of providing the Organization’s various programs and activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited by various reasonable bases. Fundraising expenses are expenses that do not support programs and are paid to raise funds for the Organization. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

<u>Income Taxes</u>

The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("Code") and comparable State of Texas law. Accordingly, contributions to the Organization are tax deductible within the limitations prescribed by the Code. The Organization has also been qualified for the charitable contribution deduction under Section 170(b)(1)(A)(iv) of the Code and has been classified as an *organization* that is not a private foundation under Section 509(a)(1) of the Code. Accordingly, income taxes are not provided for in the accompanying financial statements.

The Organization applies the provisions of FASB ASC 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management of the Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are significant to the financial statements. The Organization's Federal income tax returns for years 2012 through 2014 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

<u>Use of Estimates</u>

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements are depreciation and amortization expense, which is based on the estimated useful lives of the underlying depreciable assets, and the functional allocation of expenses.

<u>New Accounting Pronouncement</u>

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14 – Not-for-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*, which will result in significant changes to financial reporting and disclosures for not-for-profit entities. This update will improve not-for-profit financial statements and provide more useful information to donors, grantors, creditors, and other financial statements users. This update will be effective for the Organization's 2018 annual financial statements. Management is evaluating the effect of this update on the Organization's financial statements.

2. PROGRAMS AND SUPPORTING SERVICES

The following programs and supporting services are included in the accompanying financial statements:

(a) H.E.A.R.T. Program: The program provides occupational skills training to low-income developmentally disabled adults residing within the city limits of Houston, Texas. The purpose of the program is to prepare participants for gainful employment through an innovative client-managed entrepreneurial venture.

(b) H.E.A.R.T. Vending and Concessions Program: Program participants, who are low-income developmentally disabled adults, are instructed in servicing vending machines and providing concessions service. Eligible participants are employed by H.E.A.R.T Vending Concessions to work within the general community and in a supervised setting as appropriate, through the entrepreneurial venture.

(c) Transportation Program: The purpose of this program is to meet the transportation requirements of special-needs adults who rely upon non-traditional transportation in order to access educational programs, job training, and employment opportunities.

(d) Technology Program: The purpose of this program is to develop innovative technology that will adapt education, job training, and employment opportunities for individuals with intellectual and developmental disabilities in a customized manner.

3. CONCENTRATION OF CREDIT RISKS

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Organization will not be able to recover its deposits. Although the Organization does not have a deposit policy for custodial credit risk, it maintains deposits at federally insured banks and strives to minimize its exposure to custodial credit risk by maintaining deposits at institutions with demonstrated financial strength. The Federal Deposit Insurance Corporation (FDIC) insures up to $250,000 per bank. As of December 31, 2015, the cash deposits at the Organization’s banks were $723,497 which exceeded the FDIC limit per bank by $223,497, and were not otherwise insured. Management reviews balances frequently and maintains cash balances necessary to meet short term requirements.

Credit risk associated with grants receivable is minimal due to the credit worthiness of the awarding federal, state and local agencies.

Revenue from grants approximates 47% of the total revenues and support of the Organization for the year ended December 31, 2015.

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, less accumulated depreciation, as of December 31, 2015:

	Amount
Leasehold improvements	$ 39,130
Furniture and equipment	161,151
Software	986,659
Vehicles	95,340
	1,282,280
Less: Accumulated depreciation and amortization	137,382
Property and equipment, net	$ 1,144,898

Depreciation and amortization expense for the year ended December 31, 2015 was $21,872.

5. LINES OF CREDIT

The Organization maintains a business credit card from a local bank, which is used to pay operating expenses. This business card has a credit limit of $5,000. Balances outstanding on the credit card bear interest at the bank's prime rate plus 11.99% per annum; the effective interest rate at December 31, 2015 was 15.24% per annum. The outstanding balance on the credit card as of December 31, 2015 was $2,038. Total interest incurred and charged to expense during 2015 was $0.

In October 2013, the Organization opened an unsecured line of credit with a local financial institution in the amount of $62,500, which matures in October 2016. Amounts borrowed under this agreement bear interest at 5.5%. The purpose of the line of credit is to provide start-up capital for new projects of the Organization. There were no drawdowns on the line of credit during the year ended December 31, 2015.

6. NET ASSETS

Unrestricted net assets amounted to $1,954,456 as of December 31, 2015 and are available to support the programs and activities of the Organization.

7. LEASE COMMITMENTS

The Organization has entered into a non-cancellable lease agreement for use of office space for administrative and program operation purposes. The lease agreement expires on January 31, 2018.

The minimum future lease rental payments are as follows:

Year Ended December 31,	Amount
2016	$ 26,700
2017	26,700
2018	2,225
	$ 55,625

Annual lease rental expense for office space for the year ended December 31, 2015 was $28,925.

8. CONTINGENCIES

The Organization receives grant funds from federal, state, and local governmental agencies for certain programs, which are governed by various laws and regulations. Expenditures charged to these programs are reimbursed to the Organization after review and adjustment by the grantors. The Organization may become liable to refund money to funding agencies where it fails to comply with contract provisions. Also, the ability of the Organization to collect related receivables at December 31, 2015 is subject to the compliance approval process on the activities related to those reimbursable expenditures. Any liability for potential recoupment or reimbursement that could arise from such review is not considered material to the financial statements.

9. RELATED PARTY TRANSACTIONS

Certain members of the board of directors made total cash contributions of $21,609 in support of the Organization for the year ended December 31, 2015.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 16, 2016； the date financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements, as a result of this evaluation.

MJ McConnell & Jones LLP
Certified Public Accountants

November 16, 2016

To the Board of Directors of
Educational Programs Inspiring Communities, Inc.

We have audited the financial statements of Educational Programs Inspiring Communities, Inc. (the "Organization") for the year ended December 31, 2015, and have issued our report thereon dated November 16, 2016. 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 May 18, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2015. 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. Significant estimates included in the financial statements are depreciation expense, which is based on the estimated useful lives of the underlying depreciable assets, and the functional allocation of expenses. We evaluated the key factors and assumptions used to develop those accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements appear neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Misstatements that were detected as a result of audit procedures and corrected by management are summarized in the attached **Schedule "A".** Misstatements that were detected as a result of audit procedures and waived are summarized in the attached **Schedule "B"**.

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 auditor's 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 November 16, 2016. A copy of the management representation letter is attached to this letter.

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 auditor's 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.

Fraud Risk

We have performed the procedures required by Statement on Auditing Standards AU-C Section 240, *Consideration of Fraud in a Financial Statement Audit*, including discussion with management regarding the policies and procedures to prevent fraud. Management has represented to us that they have no knowledge of any significant fraud or suspected fraud affecting the Organization involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements. Management has further represented to us that they have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, or others.

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.

We noted a significant deficiency in the Organization's internal control over financial reporting process that was communicated to the board of directors and management in a separate letter dated November 16, 2016.

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

Very truly yours,

McConnell & Jones LLP

SCHEDULE "A"

SUMMARY OF AUDIT ADJUSTING ENTRIES

S. No.	GL A/C #	Account Description	Debit	Credit
1.	1000-003	Regions Bank New	$22,240	
	2000-001	Accounts Payable		$22,240
			$22,240	$22,240
	To accrue: payable.			
2.	1100-001	Accounts Receivable	$10,000	
	4200-004	Individual Gifts: Annual Fund: 10th Anniversary		$10,000
			$10,000	$10,000
	To accrue: grant revenue.			
3.	5000-041	IT Expense	$46,080	
	1200-009	Software for IPADS: Software for IPADS – Cost		$46,080
			$46,080	$46,080
	To expense: software development costs.			
4.	1100-003	Deposit	$11,500	
	5000-014	Marketing		$11,500
			$11,500	$11,500
	To record: prepaid event deposit.			
5.	5400-001	Payroll Expense	$2,414	
	5400-002	Payroll Expense: Personnel Fringe Benefits	6,779	
	5400-003	Payroll Expense: Personnel Wages and Salaries	7,169	
	2000-003	Accrued Salaries		$15,116
	2000-004	Payroll Liabilities		1,246
			$16,362	$16,362
	To accrue: payroll & IRS withholdings.			

SCHEDULE "B"

SUMMARY OF WAIVED ADJUSTING ENTRIES

S. No.	GL A/C #	Account Description	Debit	Credit
1.	4000-001	Earned Income: Concessions Service Fee: Levy Restaurants	$5,653	
	3100-000	Retained Earnings		$5,653
			$5,653	$5,653
	To record: revenue earned in prior period.			
2.	1300-001	Inventory Asset	$7,123	
	5200-005	Vending Products: Drinks: Drinks		$4,754
	5200-007	Vending Products: Fresh Food		27
	5200-008	Vending Products: Snacks		2,342
			$7,123	$7,123
	To record: year-end inventory.			

November 16, 2016

McConnell & Jones LLP
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This representation letter is provided in connection with your audit of the financial statements of the Educational Programs Inspiring Communities, Inc., (the "Organization"), which comprise the statement of financial position as of December 31, 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, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

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. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 16, 2016, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of our audit engagement letter dated March 23, 2016, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2) The financial statements referred to above are fairly presented in conformity with US GAAP.

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

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

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are complete, reasonable, appropriate and consistent with measurement processes used by management in determining accounting estimates. Such assumptions appropriately reflect management's intent and ability to carry out specific courses of action. Additionally, no

subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.

6) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

7) We are in agreement with the adjusting journal entries presented in **Schedule "A"** that you proposed during the course of your audit, and the entries have been posted to the Organization's accounts. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is summarized in the attached **Schedule "B".**

8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

9) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.

10) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed in accordance with U.S. GAAP.

11) The Organization's internal controls over contributions are adequate and contributed services are, or are not, recorded in accordance with U.S. GAAP.

12) Expenses have been appropriately classified in, or allocated to, functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

13) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

14) There are no guarantees, whether written or oral, under which the Organization is contingently liable, that would require recording or disclosure in accordance with U.S. GAAP.

15) We acknowledge that expenditures of federal awards were below the $750,000 threshold for the year ended December 31, 2015, and we were not required to have an audit in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Information Provided

15) 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 financial statements, such as records, documentation, and other matters.

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

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

d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

16) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

17) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

18) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:

    a) Management,

    b) Employees who have significant roles in internal control, or

    c) Others where the fraud could have a material effect on the financial statements.

19) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.

20) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

21) We have disclosed to you the identity of the Organization's related parties and all the related party relationships and transactions of which we are aware.

22) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

24) The Organization is exempt from federal income tax under Section §501(c)(3) of the Internal Revenue Code. To the best of our knowledge, there are no activities of which we are aware that would jeopardize the Organization's tax exempt status; and there were no activities subject to tax on unrelated business income or excise or other tax. All required filings with tax authorities are up-to-date. We believe that we have appropriate support for tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements.

25) We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements

in the event of noncompliance. This includes, when applicable, complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

26) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

Signed: _ Jane Cummins ___

Title: **Executive Director**

SCHEDULE "A"

SUMMARY OF AUDIT ADJUSTING ENTRIES

S. No.	GL A/C #	Account Description	Debit	Credit
1.	1000-003	Regions Bank New	$22,240	
	2000-001	Accounts Payable		$22,240
			$22,240	$22,240
	To accrue: payable.			
2.	1100-001	Accounts Receivable	$10,000	
	4200-004	Individual Gifts: Annual Fund: 10th Anniversary		$10,000
			$10,000	$10,000
	To accrue: grant revenue.			
3.	5000-041	IT Expense	$46,080	
	1200-009	Software for IPADS: Software for IPADS – Cost		$46,080
			$46,080	$46,080
	To expense: software development costs.			
4.	1100-003	Deposit	$11,500	
	5000-014	Marketing		$11,500
			$11,500	$11,500
	To record: prepaid event deposit.			
5.	5400-001	Payroll Expense	$2,414	
	5400-002	Payroll Expense: Personnel Fringe Benefits	6,779	
	5400-003	Payroll Expense: Personnel Wages and Salaries	7,169	
	2000-003	Accrued Salaries		$15,116
	2000-004	Payroll Liabilities		1,246
			$16,362	$16,362
	To accrue: payroll & IRS withholdings.			

SCHEDULE "B"

SUMMARY OF WAIVED ADJUSTING ENTRIES

S. No.	GL A/C #	Account Description	Debit	Credit
1.	4000-001	Earned Income: Concessions Service Fee: Levy Restaurants	$5,653	
	3100-000	Retained Earnings		$5,653
			$5,653	$5,653
	To record: revenue earned in prior period.			
2.	1300-001	Inventory Asset	$7,123	
	5200-005	Vending Products: Drinks: Drinks		$4,754
	5200-007	Vending Products: Fresh Food		27
	5200-008	Vending Products: Snacks		2,342
			$7,123	$7,123
	To record: year-end inventory.			