

# **HuaXia Chinese School at Bergen**

## **Internal Audit Report**

For the period from July 1, 2020 to June 30, 2021

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**Letter of Transmittal****HuaXia Chinese School at Bergen**

425 PARAMUS RD  
PARAMUS NJ 07652-1510

**January 5, 2021**

**Member of the Board of Directors,  
HuaXia Chinese School at Bergen**

Dear Board Members:

The Internal Audit Report of HuaXia Chinese School at Bergen (the “School”) for the fiscal year ended June 30, 2021, is hereby submitted for both accuracy of the data and completeness and fairness of the presentation, including disclosures, rests with the management of the Board of Directors (the “Board”). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in manner designed to present fairly the basic financial statements and results of operations of the School. All disclosures necessary to enable the reader to gain an understanding of the School’s financial activities have been included.

The management of the School is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the School are protected from loss, theft or misuse and to ensure that adequate data are compiled. The concept on reasonable assurance recognizes that: (1) the cost of control shall not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by managements.

We would like to express our appreciations to the members of the Board of Directors of HuaXia Chinese School at Bergen for their commitment to provide fiscal accountability to the parents and students of the School and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted

Management Team

**Organizational Chart****HuaXia Chinese School at Bergen****School Admin - Hua Xia Chinese School at Bergen**

<b>Position</b>	<b>Name</b>	<b>Email</b>
Principal (校长)	Mona Wang (王红)	<a href="mailto:monahongwang@yahoo.com">monahongwang@yahoo.com</a>
Vice Principal (副校长)	Lu Ma (马璐)	<a href="mailto:lu.ma04@gmail.com">lu.ma04@gmail.com</a>
Vice Principal and Curricular Director (副校长兼教务长)	Changhui Sun (孙长慧)	<a href="mailto:teachersun.hxbg@gmail.com">teachersun.hxbg@gmail.com</a>
Administrative Director (校务长)	Guodong Chen (陈国栋)	<a href="mailto:dantaochen@yahoo.com">dantaochen@yahoo.com</a>
Accountant Manager (会计主管)	Hongyan Mao (毛鸿雁)	<a href="mailto:maomao8@hotmail.com">maomao8@hotmail.com</a>
Financial Manager (财务主管)	Hongmei Du (杜红梅)	<a href="mailto:plumdhm@yahoo.com">plumdhm@yahoo.com</a>
Administrative Manager (行政主管)	Liqun Jiang (江丽群)	<a href="mailto:lqjiang02@outlook.com">lqjiang02@outlook.com</a>
Registration Manager (注册主管)	Jing Hang (杭静)	<a href="mailto:hxbg09@yahoo.com">hxbg09@yahoo.com</a>
Web Manager (网站主管)	Yonghe Zhang (张永和)	<a href="mailto:yonghezhang3@gmail.com">yonghezhang3@gmail.com</a>
Curricular Assistant (教务助理)	Zhi Li (李值)	<a href="mailto:hildapi@gmail.com">hildapi@gmail.com</a>

**School Board of Directors - Hua Xia Chinese School at Bergen**

<b>Position</b>	<b>Name</b>	<b>Email</b>
President (董事长)	Yifan Liu (刘一帆)	<a href="mailto:slu07652@yahoo.com">slu07652@yahoo.com</a>
Secretary (秘书)	Zhihong Wang (王志红)	<a href="mailto:Zwang7667@yahoo.com">Zwang7667@yahoo.com</a>
Treasurer (财务主管)	Zhihui Xu (徐智辉)	<a href="mailto:jeffzxu@outlook.com">jeffzxu@outlook.com</a>
Member (董事)	Hongmei Du (杜红梅)	<a href="mailto:plumdhm@yahoo.com">plumdhm@yahoo.com</a>
Member (董事)	Li Li (李丽)	<a href="mailto:lilululucy@gmail.com">lilululucy@gmail.com</a>
Member (董事)	Guodong Chen (陈国栋)	<a href="mailto:dantaochen@yahoo.com">dantaochen@yahoo.com</a>
Member (董事)	Xiaoping Zhang (张晓平)	<a href="mailto:xiaopingzhang214@gmail.com">xiaopingzhang214@gmail.com</a>
Member (董事)	Joyce Chen (陈敏)	<a href="mailto:joycechen0109@gmail.com">joycechen0109@gmail.com</a>
Member (董事)	Weimin Zhang (张为民)	<a href="mailto:xc.weiminzhang@gmail.com">xc.weiminzhang@gmail.com</a>

创始人资深顾问 (Founder and Senior Consultant): Hong Wang (王红) - [monahongwang@yahoo.com](mailto:monahongwang@yahoo.com)

## HuaXia Chinese School at Bergen

At the request of the Board of Directors of HuaXia Chinese School at Bergen, the Audit Team conducted an internal audit of the school financial statements and operations for the school budget year of 2020-2021 covering the period of July 1, 2020 to June 30, 2021

### **The Audit Team Member (Member selection was approved by the Board of Directors)**

Weimin Zhang, Board Director

Zhihui Xu, Financial Advisor of HXBG

Tiantian Hou, Board Director

### **Consultants and Advisors (Member selection was approved by the Board of Directors)**

Cindie LLC, CPA Preparing the Report

\*Financial information and statements organized and provided: Hongmei Du (Financial Manager)

### **The Objective of the Audit**

According to the Regulations, the Board of Directors shall conduct Financial Audit annually and Compliance Audit at its discretion. The purpose of the Audit is defined by the Regulations. In addition, this Audit is to provide a fare base to assist the transition of school officers and staff of current and next term The objectives of this audit were defined as following:

1. Financial Audit – To attest whether the school’s financial statements were fairly reflected the school’s financial operation in accordance with the Regulations:
  - To obtain reasonable assurance to determine whether financial information was presented in accordance with regulations, and whether financial statements were free of material misstatement;
  - To access whether the school’s internal control procedures were in place to achieve financial objectives.
2. Compliance Audit – To review the school’s financial operation procedures to determine whether the procedures are in compliance with the regulations. We focused mainly on following areas:
  - To determine whether the school purchased and used its assets for school business purpose.
  - To determine whether internal control procedures over cash transaction were in accordance with established regulation and criteria.
  - To determine whether any other financial operation procedures were in accordance with those prescribed in the regulations.

## Scope of Audit

### 1. Planning.

An audit plan (the Plan) was based on previous audits and discussed within the Team. The Audit plan includes but not limited to:

#### A. Audit Balance Sheet:

- Cash balance sheet must be in agreement with the Bank Statements, and bank accounts should be reconciled on a periodic basis.
- Fixed Assets must be properly managed and used for school activities. An assets record must be established and maintained by the school officers and staff.

#### B. Audit Income Statement

- Total Revenue needs to match with the registration cash receipts records.
- Fund raising and donation schedule needs to match supporting documentation.

#### C. Audit Standard Expenditure

- School facility and parking lot rental fees, and staff salary/compensation
- Textbook and Exercise Booklets, school office supply
- Insurance and HuaXia Chinese School Headquarter fees
- School student activities and Teacher training programs

#### D. Audit Nonstandard Expense

- Bonus to teachers and school administration staffs
- Public relation and other non-educational school activities
- Food and supplies to the activities organized by School Administration Team and recreation teams

#### E. Compliance with Financial Regulation

- Budget
- Income and Receipts
- Cash Disbursements
- Banking and Checking
- Fund management
- Bookkeeping and reporting

The Plan provided reasonable assurance of detecting errors and irregularities that are material to financial statement. Professional skepticism was required in conducting the examinations. To minimize the risk that mistakes, falsifications, and omissions may cause the financial statements to contain material misstatements, every transaction above \$200.00 was tested.

### 2. Discussion and inquiry.

We made inquiries of the school board of directors, finance manager and financial consultant. Discussion and inquiry covered the structure of the control, the actual financial operation procedures, the procedure of preparation of budgets, the results of the financial operations, and the problems in financial operations.

### 3. Review and analysis.

During the audit, the financial statements, transaction detail reports and back up documents, including, but not limited to, original bank statements, bank reconciliation reports, receipts, invoices and signed

reports, were reviewed. The reports from accountant were compared with the documents from the original sources. The recorded amounts of major disbursements were compared with appropriate invoices or receipts as substantive test, which provided evidence concerning financial statement assertions. The following are the details of the audit procedures for the key items:

- 1) Cash balance. The original bank statements and bank reconciliation reports, and all the other cash accounts were reviewed, and recalculated.
- 2) Tuition income. The registration reports provided by the register system were used to compare with the deposit slips and detailed student registration report and the summary report.
- 3) Donation. Donation list was compared with the cash register.
- 4) Cash disbursements
  - (1) Payroll. The summary of each payroll report was compared with the summary in our accounting record and quarterly payroll tax filings. Random samples of each payroll periods (sample size of 10%) were selected and tested in details.
  - (2) Bonus/Gifts. The policy of the distribution of Bonus/gifts was inquired. The original gift distribution report and transactions in the book were reviewed.
  - (3) Meals, entertainment and other related expenses. The original signed reimbursement request forms and the issued checks were reviewed.
- 5) Fixed Assets. Fixed assets report and the actual fixed assets purchase backup documents were examined.

## Results of Audit

### 1. Financial Statement

According to our audit, the income statement and balance sheet fairly reflected the school's financial operations for the period of July 1, 2020 through June 30, 2021, in all material respects, in accordance with the Regulations. The internal control structure over financial operation is fairly well implemented, in all material respects, to achieve financial operation objectives.

After the adjustments made to the financial statement, the school incurred net loss in the Income Statement for the year ended June 30, 2021 was \$22,346.85. Our observation indicated that this was mainly due to decrease of net tuition income by \$250K during audited fiscal year while total program expenses decreased by \$66.6K and total operation expenses by \$82K at the same time mainly due to COVID-19 related school shutdown.

According to school management, the tuition refund was extremely high during school year 2019-2020 because some culture classes couldn't be held online due to the COVID-19. There was no rent expense and some school activities during the school year 2020-2021 were canceled because the entire school year was in virtual mode. CD in school year 2019-2020 was not renewed when it matured due to the lower interest rate during school year 2020-2021.

### 2. Compliance of Regulations

Compliance with the By-laws and the Regulations is a part of responsibilities of the school officers and staffs involved in financial regulation, and should be enforced by the school management team. With respect to the items tested, no material instance of noncompliance with established regulations was

discovered. With respect to items not tested, nothing came to our attention that caused us to believe that the school had not complied, in all material respects, with established regulations.

- 1) The School's assets were fairly and reasonably managed and used for the School's business. Expenses in salaries, rewards, activities, public relations, rental, and other major school expenditures were properly authorized, approved and documented;
- 2) Financial operations and procedures were in accordance with the Regulations in all material aspects;
  - We observed the school reconciled the class register with Paypal records, check and QuickBooks record. This is an extremely responsible procedure.
- 3) Cash Balance in Balance Sheet was accurately stated, bank accounts were reconciled monthly and any un reconciled items were investigated and cleared timely, In addition, cash transaction operations and procedures were in accordance with the School regulations in material aspects
- 4) Payroll taxes have been properly withheld and paid to IRS timely. The school purchased Worker's Comp insurance for the payroll for the school year.
- 5) The School's accounting book was well prepared in terms of recording, processing and documenting.
  - We noted there was a difference between tuition registry and tuition income in Quickbooks of \$6343.80 which was noted as Misc revenue. We were not able to identify the \$6343.80 on the income statements initially. School help to clearly explain how the \$6343.80 were recorded on the financial statements and how the information was netted out after all expenses.
- 6) All variance between budgeted income statements and actual income statements were explained clearly. The School management has very good financial discipline. We observed its budget was very close to the actual for the school year.
  - According to management, budget was done in two stages – After the registration, 1st budget was conducted. After spring semester, there was another revision.
- 7) We didn't see SBA PPP loan on the financial statements. According to management, it was because there was no rent payment and the payroll was low so it wasn't worth it.

### **Recommendation and Conclusion:**

We reviewed last year's audit recommendation and noted the recommendation on tuition revenue, tuition refund and paypal fees were followed and executed.

Overall, based on the works performed, the statements of Financial Position, Statement of Activities and Change in Net Assets are fairly reflected the School's financial position and operating results in all material aspects as of June 30, 2021 and for the school year then ended.

### **Notes**

This audit does not cover subsequent transactions made after June 30, 2021. Based on the information from the School Principal, there was no expense incurred in July for school year of 2020-2021.



# **BASIC FINANCIAL STATEMENTS**

**HuaXia Chinese School at Bergen  
June 30, 2021**

**HuaXia Chinese School at Bergen, Inc.****Statement of Financial Position**

As of June 30, 2021

	<u>June 30, 2020</u>	<u>June 30, 2021</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
<b>Cash</b>		
Checking - TD	2,019.19	18,187.00
Fixed Term CD	20,537.42	0.00
Money Market - TD	120,444.83	71,370.29
Paypal school account	51,651.42	100,967.86
<b>Total Cash</b>	<b>\$ 194,652.86</b>	<b>\$ 190,525.15</b>
<b>Total Current Assets</b>	<b>\$ 194,652.86</b>	<b>\$ 190,525.15</b>
<b>Other Assets</b>		
Security Deposits Asset	5,200.00	5,200.00
<b>Total Other Assets</b>	<b>\$ 5,200.00</b>	<b>\$ 5,200.00</b>
<b>TOTAL ASSETS</b>	<b>\$ 199,852.86</b>	<b>\$ 195,725.15</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Accounts Payable</b>		
Grants Payable	2,807.00	0.00
<b>Total Accounts Payable</b>	<b>\$ 2,807.00</b>	<b>\$ 0.00</b>
<b>Other Current Liabilities</b>		
NJ Quarterly Taxes	1,272.50	993.82
<b>Total Payroll Liabilities</b>	<b>\$ 1,272.50</b>	<b>\$ 993.82</b>
Tuition Refund Payable	26,622.03	0.00
Unearned Tuition income	46,408.87	94,335.72
<b>Total Other Current Liabilities</b>	<b>\$ 74,303.40</b>	<b>\$ 95,329.54</b>
<b>Total Current Liabilities</b>	<b>\$ 77,110.40</b>	<b>\$ 95,329.54</b>
<b>Total Liabilities</b>	<b>\$ 77,110.40</b>	<b>\$ 95,329.54</b>
<b>Net Assets</b>		
Retained Earnings	143,781.02	143,781.02
Unrestricted Net Assets	-39,641.34	-21,038.56
Net Revenue	18,602.78	-22,346.85
<b>Total Net Assets</b>	<b>\$ 122,742.46</b>	<b>\$ 100,395.61</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 199,852.86</b>	<b>\$ 195,725.15</b>

**HuaXia Chinese School at Bergen, Inc.**  
**Statement of Activities and Change in Net Assets**  
**July 2019 - June 2021**

	<u>June 30, 2020</u>	<u>June 30, 2021</u>
<b>Revenue</b>		
<b>Donation</b>	1,926.16	423.93
<b>Interest Income</b>	3,599.47	388.04
<b>Other Types of Income</b>	2,143.50	1,952.15
<b>Summer Class Tuition</b>		18,597.35
<b>Summer Class Tuition -Refund</b>		-2,127.35
<b>Tuition</b>	419,977.10	169,566.20
<b>Tuition Refund</b>	-60,014.63	-10,835.00
<b>Total Revenue</b>	<b>\$ 367,631.60</b>	<b>\$ 177,965.32</b>
<b>Program Expenses</b>		
<b>Payroll and Taxes Expenses</b>	195,193.56	156,570.39
<b>School Activity</b>	29,550.47	9,985.66
<b>Independant Teacher</b>	10,932.00	4,764.00
<b>Outside Contract Services</b>		600.00
<b>Substitute Teachers</b>	1,264.00	
<b>Books, Subscriptions, Reference</b>	4,706.92	6,909.45
<b>Supplies</b>	4,796.00	983.98
<b>Total Program Expenses</b>	<b>\$ 246,442.95</b>	<b>\$ 179,813.48</b>
<b>Operation Expenses</b>		
<b>Bank Fee (PayPal Fee)</b>	11,180.14	5,706.41
<b>Accounting Fees</b>	3,845.00	3,752.50
<b>Other Costs-HQ membership fee</b>	3,210.00	1,650.00
<b>Postage, Mailing Service</b>	259.85	326.00
<b>Rent</b>	76,350.00	
<b>Telephone, Telecommunications</b>	263.40	175.30
<b>Insurance - General Liability</b>	1,689.48	1,789.48
<b>Insurance - Liability, D&amp;O, Workers Comp</b>	5,788.00	7,099.00
<b>Total Operation Expenses</b>	<b>\$ 102,585.87</b>	<b>\$ 20,498.69</b>
<b>Change in Net Assets</b>	<b>\$ 18,602.78</b>	<b>\$ (22,346.85)</b>
<b>Net Assets, Beignning</b>	<b>\$ 104,139.68</b>	<b>\$ 122,742.46</b>
<b>Net Assets, Ending</b>	<b>\$ 122,742.46</b>	<b>\$ 100,395.61</b>

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