

# **HuaXia Bergen Chinese School**

## **Internal Review Report**

**For the School Fiscal Year Ending**

**June 30, 2014**

**April 12, 2016**

**(CONFIDENTIAL)**

A review of accounting systems and procedures of Huaxia Bergen Chinese School, “the School”, was conducted during February and March 2016 for fiscal school year ended June 30, 2014, at the request of the Board of Directors of Huaxia Bergen Chinese School (“the Board”). The objective of the review was to evaluate the effectiveness of the internal control in accordance with established policies and procedures, and to determine the accuracy of general ledger reporting, compliance with financial reporting standards, and to inform management of the results of the review.

## **OBJECTIVES**

The review was conducted to achieve the following specific audit objectives:

1. Determine accounting function at the School is clearly defined, accounting personnel are familiar with their responsibilities;
2. Verify that the School adopts and adheres to generally accepted accounting principles in the United States in recording School transactions;
3. Determine that there exists a process to ensure all School financial information is accurately recorded in the general ledger;
4. Determine account balances are properly categorized;
5. Ensure transactions are recorded timely, accurately, and are authorized and approved;
6. Determine that entries to the general ledger are properly supported, approved, adequately explained, and posted timely;
7. Ascertain that account reconciliations are prepared and approved timely and that differences are investigated and resolved timely;
8. Review fixed assets accounting practices and related depreciations.

## **PROCEDURES**

Discussions were held with the school deputy principal and accountant Ms. Ruth Shi. Specifically, the following were performed:

- Discussed with Ms. Shi regarding the accounting procedures including revenue recognition, tuition refund, bank statement reconciliation, journal entry booking and year end book close. Based on discussion, there were no changes made to the School’s accounting policies. It’s informed that Ms. Zhang succeeded Ms. Mei Xue as the School’s accountant in June of 2013. Ms. Doris Lam was the accountant responsible for book keeping for school fiscal year 2012 and 2013.

- Quick Book software is used for School's accounting. Detailed transactions on the general ledgers were reviewed on sample basis to ensure all the bookkeeping were properly conducted.
- Reviewed the School's revenue collection on sample basis to ensure proper procedures and segregation of duties are followed. The school's main income was from tuition, donation, advertising and book selling. Most of the income received was in the form of checks. Some cash receipts occurred from book selling.
- Sample reviewed the School's expenses including rent, tuition refund, payroll to ensure proper authorization and approval procedures are in place.
- The School maintains an account with TD. Reconciliations were performed by the accountant. Sample reconciliation was selected for Checking Account balance as of June 30, 2015. Outstanding items were individually identified. There were no large stale reconciling items.
- Confirmed that the School currently does not have significant fixed assets on the books. The only fixed assets include two portable printers that due to size and cost of equipments, the School charged off one-time expenses.
- Based on our review, we found that the School adopts cash method for its accounting. Accrual method is usually preferable to reflect the accurate financial position of an entity.

### COMMENTS

1. We recommend for each refund, requestor should attach the supporting documents which show the original request date, registration record and cancelled check to ensure a proper refund. In addition, second level review needs to be performed before the refund is issued.
2. We noted certain sampled expenses were booked to incorrect expense categories. including school membership fee paid to Head Quarter (FY2014) booked as Rent, payroll tax for May and June of FY2014 booked as Taxes instead of Payroll tax in Salary & Wages category.
3. Based on our review, we noted that the School adopts cash method for its accounting. Accrual method is usually preferable to reflect the accurate financial position of an entity.

## CONCLUSION

Based on the testwork performed, we conclude that although some improvements are required to ensure a robust and effective internal control in place, overall the school's accounting system appears to be reliable, the controls over accounting functions at the School are adequate, segregation of duties on accounting personnel are followed, the accounting practice is in compliance with established policies, and supporting documentation are prepared and reviewed and approved by the School management.

By:

\_\_\_\_\_  
(Auditor)

*[Signature]*

\_\_\_\_\_  
(Title)

*CPA*

\_\_\_\_\_  
(Date)

*April 26, 2016*

**Huaxia at Bergen, Inc.**  
**Balance Sheet**  
**As of June 30, 2014**

**ASSETS**

**Current Assets**

**Checking/Savings**

Checking - HSBC	20.00
Checking - TD	15,039.60
Money Market - TD	158,250.63
Paypal school account	0.00

<b>Total Checking/Savings</b>	<u>173,310.23</u>
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<b>Total Current Assets</b>	173,310.23
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**Other Assets**

Security Deposits Asset	5,200.00
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<b>Total Other Assets</b>	<u>5,200.00</u>
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<b>TOTAL ASSETS</b>	<u><u>178,510.23</u></u>
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**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

Accounts Payable	
Grants Payable	0.00
<b>Total Accounts Payable</b>	<u>0.00</u>

**Other Current Liabilities**

Payroll Liabilities	82.18
Unearned Tuition income	0.00
<b>Total Other Current Liabilities</b>	<u>82.18</u>

<b>Total Current Liabilities</b>	<u>82.18</u>
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<b>Total Liabilities</b>	82.18
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**Equity**

Retained Earnings	143,781.02
Unrestricted Net Assets	19,549.73
Net Income	15,097.30

<b>Total Equity</b>	<u>178,428.05</u>
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<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>178,510.23</u></u>
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**Huaxia at Bergen, Inc.**  
**Profit & Loss**  
July 2013 through June 2014

Ordinary Income/Expense

Income

Book Sales	488.00
Donation	10.00
Interest Income	186.31
Other Income	180.00
Other Types of Income	
Miscellaneous Revenue	2,988.00
Total Other Types of Income	2,988.00

Text book Sales	1,650.00
Tuition	304,935.00
Tuition Refund	-8,030.99

Total Income	302,406.32
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Expense

Advertising	100.00
Award	
Award for AP Exam	600.00
Honor Student Award	1,594.93
Award - Other	70.00
Total Award	2,264.93

Bank Fee (PayPal Fee)	236.34
Board Meeting	590.02
Class Supplies	0.00
Contract Services	
Accounting Fees	800.00
Independant Teacher	18,145.00
Outside Contract Services	25,260.92
Total Contract Services	44,205.92

Copying Service	0.00
Miscellaneous	-760.00
Office Supplies	374.49
Operations	
Books, Subscriptions, Reference	9,570.83
Postage, Mailing Service	274.40
Printing and Copying	0.00
Supplies	965.68
Telephone, Telecommunications	0.00
Total Operations	10,810.91

Other Types of Expenses

Insurance - General Liability	624.00
Insurance - Liability, D and O	2,892.00

**Huaxia at Bergen, Inc.**  
**Profit & Loss**  
July 2013 through June 2014

Other Costs-HQ membership fee	0.00
Total Other Types of Expenses	3,516.00
Payroll - Payroll	0.00
Payroll Expenses	725.55
Professional Fees	0.00
Rent	88,785.00
Salaries & Wages	
Bonus	0.00
Payroll Taxes	19,008.40
Salaries & Wages - Other	93,962.70
Total Salaries & Wages	112,971.10
School Activity	
AP Exam Processing Fee	371.00
Chinese New Year Event	11,693.69
Class Activity	1,074.00
Class Room Fee	1,132.00
CLERC PD Workshop	100.00
Debate Contest	590.00
Graduation Party	1,027.75
Halloween	192.28
HSK Test	100.00
Huaxia Head Quarter meeting	100.00
Huaxia Star	350.00
HX Basketball Tournament	250.00
Meals & Entertainment	0.00
Mid-Autumn Festival	2,165.81
Registration Fee - Graduation E	
School Activity	-819.00
Registration Fee - Graduation E - Other	739.00
Total Registration Fee - Graduation E	-80.00
School General Meeting	17.78
Speech Contest	50.00
Sports	1,089.39
Spring Games	36.56
Student Performance	0.00
Teachers' Training	1,480.00
Track & Field Event	236.00
Writing Contest	378.69
School Activity - Other	140.00
Total School Activity	22,494.95
School Supplies	554.04
Taxes	253.93

**Huaxia at Bergen, Inc.**  
**Profit & Loss**  
July 2013 through June 2014

Test Book Order	<u>-134.16</u>
Transportation Expenses	320.00
Travel and Meetings	
Conference, Convention, Meeting	0.00
Travel	<u>0.00</u>
Total Travel and Meetings	<u>0.00</u>
 Total Expense	 <u>287,309.02</u>
 Net Ordinary Income	 <u>15,097.30</u>
 Net Income	 <u>15,097.30</u>