

HuaXia Bergen Chinese School

Internal Review Report

For the School Fiscal Year Ending

June 30, 2015

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, 2015, 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. Ms. Shi took over the book keeping responsibility from Ms. Doris Lam in September of 2014.

- 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 into incorrect expense categories, including school membership fee paid to Head Quarter (FY2015) booked as Insurance.
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 organization.

CONCLUSION

Based on the test work 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: J. Xie
(Auditor)

CPA
(Title)

April 26, 2016
(Date)

Huaxia at Bergen, Inc.
Balance Sheet
As of June 30, 2015

ASSETS

Current Assets

Checking/Savings

Checking - HSBC	20.00
Checking - TD	82,807.03
Money Market - TD	158,354.85
Paypal school account	0.00
Total Checking/Savings	<u>241,181.88</u>

Total Current Assets 241,181.88

Other Assets

Security Deposits Asset	5,200.00
Total Other Assets	<u>5,200.00</u>

TOTAL ASSETS 246,381.88

LIABILITIES & EQUITY

Liabilities

Current Liabilities

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

Other Current Liabilities

Payroll Liabilities	82.18
Unearned Tuition Income	95,000.00
Total Other Current Liabilities	<u>95,082.18</u>

Total Current Liabilities 95,082.18

Total Liabilities 95,082.18

Equity

Retained Earnings	143,781.02
Unrestricted Net Assets	34,647.03
Net Income	<u>-27,128.35</u>
Total Equity	<u>151,299.70</u>

TOTAL LIABILITIES & EQUITY 246,381.88

Huaxia at Bergen, Inc.
Profit & Loss
July 2014 through June 2015

Ordinary Income/Expense

Income

Book Sales	289.00
Donation	250.00
Interest Income	104.22
Other Income	0.00
Other Types of Income	
Miscellaneous Revenue	3,436.00
Total Other Types of Income	3,436.00

Text book Sales	2,118.00
Tuition	297,882.00
Tuition Refund	-18,783.00
Total Income	285,296.22

Expense

Advertising	0.00
Award	
Award for AP Exam	0.00
Honor Student Award	1,300.00
Award - Other	0.00
Total Award	1,300.00

Bank Fee (PayPal Fee)	209.31
Board Meeting	815.27
Class Supplies	0.00
Contract Services	
Accounting Fees	0.00
Independant Teacher	14,485.00
Outside Contract Services	6,668.00
Total Contract Services	21,153.00

Copying Service	0.00
Miscellaneous	0.00
Office Supplies	0.00

Operations

Books, Subscriptions, Reference	7,632.00
Postage, Mailing Service	315.19
Printing and Copying	0.00
Supplies	52.28
Telephone, Telecommunications	394.25
Total Operations	8,393.72

Other Types of Expenses

Insurance - General Liability	742.00
Insurance - Liability, D and O	5,670.00

Huaxia at Bergen, Inc.
Profit & Loss
July 2014 through June 2015

Other Costs-HQ membership fee	0.00
Total Other Types of Expenses	6,412.00
Payroll - Payroll	3.00
Payroll Expenses	1,939.50
Professional Fees	0.00
Rent	89,100.00
Salaries & Wages	
Bonus	30,797.85
Payroll Taxes	26,079.54
Salaries & Wages - Other	99,550.90
Total Salaries & Wages	156,428.29
School Activity	
AP Exam Processing Fee	0.00
Chinese New Year Event	11,787.23
Class Activity	3,437.69
Class Room Fee	0.00
CLERC PD Workshop	0.00
Debate Contest	250.01
Graduation Party	1,534.35
Halloween	414.91
HSK Test	221.73
Huaxia Head Quarter meeting	800.00
Huaxia Star	350.00
HX Basketball Tournament	250.00
Meals & Entertainment	1,181.43
Mid-Autumn Festival	1,742.00
Registration Fee - Graduation E	
School Activity	0.00
Registration Fee - Graduation E - Other	0.00
Total Registration Fee - Graduation E	0.00
School General Meeting	67.40
Speech Contest	110.00
Sports	674.61
Spring Games	0.00
Student Performance	305.00
Teachers' Training	2,089.34
Track & Field Event	0.00
Writing Contest	505.00
School Activity - Other	0.00
Total School Activity	25,720.70
School Supplies	349.78
Taxes	0.00

Huaxia at Bergen, Inc.
Profit & Loss
July 2014 through June 2015

Test Book Order	0.00
Transportation Expenses	600.00
Travel and Meetings	
Conference, Convention, Meeting	0.00
Travel	0.00
Total Travel and Meetings	0.00
 Total Expense	 312,424.57
 Net Ordinary Income	 -27,128.35
 Net Income	 -27,128.35