



SOBELCO

LitWorld®

Report to Those Charged With Governance 2019 Audit Results

Presented by: Nonprofit and Social Services Practice
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June 1, 2020

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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 2019 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; Revenue Recognition standards adopted |
| 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 |
|--|--|
| 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 | None to report |
| Management representations | Included in Management Representation Letter dated same date as our auditors’ report |
| Responsibility for other information in documents containing audited financial statements and auditors’ report | 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. |



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, 2020

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, 2019, and we will issue our report thereon dated June XX, 2020. 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 10, 2019. 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. As described in Note 2, the Organization adopted Financial Accounting Standards Board Accounting Standards Update, *Revenue from Contracts with Customers*, and *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in 2019. Accordingly the accounting change has been modified retrospectively to the prior period presented as if the policy has always been used.

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, 2020**.

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 and Management 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, 2019

Tax Returns

- Prepare and electronically file Federal Form 990
- Prepare NY CHAR-500 – can now be filed electronically by the Organization



FASB – Revenue Accounting Standard

1. FASB pronouncement is effective for the year ended December 31, 2019.
2. Organization analyzed all material revenue streams including exchange and non-exchange transactions.
3. Applies to the Organization’s service income from Scholastic, Inc.
4. Disclosures were expanded for material exchange revenue transactions.
5. Adoption of the new standard did not impact the timing of revenue recognition or beginning net assets.



FASB – Lease Accounting Standard

Affects all companies and nonprofit organizations

Balance sheet recognition of the assets and liabilities of lease obligations

Impacts leases with terms of more than 12 months

Footnote disclosures enhancing the amount, timing and uncertainty of cash flows arising from leases

Takes effect for fiscal years beginning after December 15, 2020

FASB approves delaying Lease Standard. A one-year deferral of the effective date was approved



Financial Statement Discussion

| Review of 2019 Financial Statements and Report | |
|---|---|
| Audit report expresses an unmodified opinion | Open discussion regarding 2019 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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