

# **Pittsburg State University**

## **KRPS-FM Radio**

### **Independent Auditors' Report & Financial Statements**

**For the Fiscal Year Ended  
June 30, 2015**



**Monica R. Kellogg**  
CPA, LLC

620.235.0920 | f: 620.263.3330  
214 East McKay | Frontenac, KS 66763

# KRPS-FM RADIO STATION at PITTSBURG STATE UNIVERSITY

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Management Discussion and Analysis

and

Audited Financial Statements

June 30, 2015 and 2014

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# **KRPS-FM RADIO STATION AT PITTSBURG STATE UNIVERSITY**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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*June 30, 2015 and 2014*

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### **Introduction and Reporting Entity**

The following Management Discussion and Analysis provides an overview of the financial performance of KRPS-FM Radio Station at Pittsburg State University for the years ended June 30, 2015 and 2014. Management of KRPS-FM Radio Station and Pittsburg State University have prepared the following discussion based on currently known facts, decisions, and conditions and should be read in conjunction with the financial statements and footnotes which follow this section. These financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP), as prescribed by the Financial Accounting Standards Board (FASB), and the Corporation for Public Broadcasting (CPB) guidance.

KRPS-FM Radio Station at Pittsburg State University (KRPS-FM Radio Station), a not-for-profit broadcasting entity, is licensed to Pittsburg State University (the University), a public university chartered under the laws of the State of Kansas. The Pittsburg State University Foundation, Inc. (the Foundation) has been established as the gift-receiving arm of the University and also serves as the investment custodian for KRPS-FM Radio Station. As such, the accompanying statements reflect the assets owned by the University and the Foundation, designated for use by KRPS-FM Radio Station. KRPS-FM Radio Station is administered by the Vice President of University Advancement and is professionally staffed. It is funded mainly by grants given by the CPB and the State of Kansas, appropriations from the University, community fundraising, and underwriting contributions. Approximately 25% of the current year's funding is budgeted to come from listener support.

KRPS-FM Radio Station, a non-commercial, public radio service, began broadcasting April 29, 1988 with 100,000 watts of power. It serves portions of southeast Kansas, southwest Missouri, northeast Oklahoma and northwest Arkansas; covering approximately 100-mile radius from the tower site, located in Weir, Kansas. KRPS-FM Radio Station broadcasts 24 hours a day, seven days a week with programming that includes National Public Radio News, classical music, and jazz.

### **Overview of the Financial Statements**

The following financial statements consist of the Statements of Financial Position, the Statements of Activities, and the Statements of Cash Flows (indirect method). The notes to the financial statements present additional information to support the financial statements. Their purpose is to clarify and expand on the information presented in the financial statements.

### **Statements of Financial Position**

The Statements of Financial Position present the assets, liabilities, and net assets of KRPS-FM Radio Station at a moment in time (the end of the fiscal years June 30, 2015 and 2014).

The Statements of Financial Position includes all assets and liabilities using the accrual basis of accounting, which accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

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## KRPS-FM RADIO STATION AT PITTSBURG STATE UNIVERSITY

### MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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*June 30, 2015 and 2014*

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Within the Statements of Financial Position, assets and liabilities are further classified as current or non-current. Current classification distinguishes those assets that are highly liquid and available for immediate and unrestricted use by KRPS-FM Radio Station and those liabilities likely to be settled in the next 12 months.

As defined by Statement of Financial Accounting Standards No. 117, *Financial Statements for Non-Profit Organizations* Net position is divided into three categories:

1. **Unrestricted Net Position** – Net position that is not subject to donor-imposed stipulations and are available to KRPS-FM Radio Station for any lawful purpose.
2. **Temporarily Restricted Net Position** – Net position subject to donor-imposed stipulations that will be met either by actions of KRPS-FM Radio Station and/or the passage of time. This category includes grants received by KRPS-FM Radio Station and endowment pledges.
3. **Permanently Restricted Net Position** – Net position subject to donor-imposed stipulations that they be maintained permanently by KRPS-FM Radio Station. The donors of these assets permit KRPS-FM Radio Station to use the income earned on related investments for general or specific purposes.

The majority of assets as of June 30, 2015 and 2014, were considered to be unrestricted net position as defined by Statement 117. One exception includes the Louis and Pauline Steele endowment gift totaling \$10,000. The endowment was given with donor restrictions therefore the original gift is classified as Permanently Restricted Net Position while the gains or losses on investment are classified as Unrestricted Net Position.

Change in Net Position (net of revenues and expenses) from the Statements of Activities are reported as an increase or decrease in unrestricted net position unless use of the related asset is limited by donor-imposed restrictions.

Total current assets at June 30, 2015, were \$802,001, a \$35,181 or 4.2% decrease over the prior year of \$837,182. Cash with State Treasurer decreased \$15,141 to \$182,281 (see the accompanying Statements of Cash Flows). Receivables from the Foundation (77.3% of current assets) decreased \$20,040, from \$639,760 in 2014 to \$619,720 in 2015.

#### **Statements of Activities**

The Statements of Activities presents the total revenues earned and expenses incurred by KRPS-FM Radio Station for operating, non-operating and other related activities during a period of time.

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## KRPS-FM RADIO STATION AT PITTSBURG STATE UNIVERSITY

### MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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*June 30, 2015 and 2014*

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Operating revenues at KRPS-FM Radio Station for the fiscal year ended June 30, 2015, decreased 5% over the previous fiscal year. The following is a brief summary of the significant changes:

- Support from the Foundation decreased \$41,592, a 13.7% decrease from 2014.
- Corporation for Public Broadcasting grants increased from \$142,489 to \$146,358, a 2.7% increase over the prior fiscal year.
- State of Kansas grants decreased from \$24,499 in 2014 to \$18,080 in 2015, a decrease of 26.2%.

Operating expenses were \$708,311 for the 2015 fiscal year compared to \$726,484 for the 2014 fiscal year. This was a decrease of \$18,173 or 2.5%.

#### Statements of Cash Flows

The Statements of Cash Flows present the cash receipts and cash payments of KRPS-FM Radio Station during the fiscal years ended June 30, 2015 and 2014. Its purpose is to assess KRPS-FM Radio Station's ability to generate future net cash flows and meet its obligations as they come due. The following is a condensed statement of cash flows for the fiscal years ended June 30, 2015 and 2014:

	2015	2014
Net cash provided by (used in):		
Operating activities	\$ (2,776)	\$ (72,088)
Investing activities	(12,365)	(0)
Net increase in cash with State Treasurer	(15,141)	(72,088)
Beginning cash with State Treasurer	197,422	269,510
Ending cash with State Treasurer	\$ 182,281	\$ 197,422

Cash provided by operating activities includes changes in net assets, depreciation, the receivable from the Foundation, grant receivables and accrued payroll. Cash flows from investing activities include all uses of cash with State Treasurer to purchase investments or fixed assets.

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**Monica R. Kellogg**  
CPA, LLC

214 East McKay | Frontenac, KS

## **INDEPENDENT AUDITORS' REPORT**

KRPS-FM Radio Station  
Pittsburg State University  
Pittsburg, Kansas 66762

We have audited the accompanying financial statements of KRPS-FM Radio Station at Pittsburg State University as of June 30, 2015, as listed in the table of contents.

### **Management's responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statement 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the KRPS-FM Radio Station at Pittsburg State University and the related statements of activities and cash flows for the year then ended, in accordance with U.S. Generally Accepted Accounting Principles.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of KRPS-FM Radio Station at Pittsburg State University as of June 30, 2015. The Management and Discussion Analysis presented with the accompanying financial statements are presented for analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basis financial statements. This information has been subjected to the audit procedures applied in the audit of the basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements itself, and other additional procedures in accordance with audit standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Monica R. Kellogg, CPA, LLC

Frontenac, Kansas  
November 25, 2015

**KRPS-FM RADIO STATION AT PITTSBURG STATE UNIVERSITY****Statement of Financial Position**

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June 30, 2015 and 2014

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<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash with State Treasurer	\$ 182,281	\$ 197,422
Receivable from PSU Foundation	619,720	639,760
	<u>802,001</u>	<u>837,182</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	425,011	412,646
Tower	372,654	372,654
Transmitter and building	37,762	37,762
Radio station license and call letters	50,000	50,000
	<u>885,427</u>	<u>873,062</u>
Less: Accumulated Depreciation	<u>807,892</u>	<u>790,350</u>
	<u>77,535</u>	<u>82,712</u>
<b>TOTAL ASSETS</b>	<u>\$ 879,536</u>	<u>\$ 919,894</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accrued Payroll	\$ 17,316	\$ 17,264
	<u>17,316</u>	<u>17,264</u>
<b>NET ASSETS</b>		
Unrestricted	852,220	892,630
Permanently Restricted	10,000	10,000
	<u>862,220</u>	<u>902,630</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 879,536</u>	<u>\$ 919,894</u>

See the independent auditors' report and notes to financial statements.

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**KRPS-FM RADIO STATION AT PITTSBURG STATE UNIVERSITY****Statement of Activities**

For the fiscal years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues		
Administrative support from Pittsburg State University	\$ 120,208	\$ 103,068
Support from the Pittsburg State University Foundation	262,904	304,496
State of Kansas Grants	18,080	24,499
Grants from the Corporation for Public Broadcasting	146,358	142,489
Indirect administrative support from Pittsburg State	98,348	108,785
Miscellaneous	21,720	21,364
In-Kind contributions	283	222
	<u>667,901</u>	<u>704,923</u>
Program service expenses:		
Programming and production	260,537	260,903
Broadcasting	138,992	158,559
Program information	-	-
Supporting service expenses:		
Management and general	294,980	294,999
Fundraising and membership	9,604	7,644
Underwriting and grant solicitation	4,198	4,379
	<u>708,311</u>	<u>726,484</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(40,410)</u>	<u>(21,561)</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Revenues		
Support from the Pittsburg State University Foundation	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(40,410)</u>	<u>(21,561)</u>
Net assets, beginning of year	<u>902,630</u>	<u>924,191</u>
Net assets, end of year	<u>\$ 862,220</u>	<u>\$ 902,630</u>

See the independent auditors' report and notes to financial statements.

**KRPS-FM RADIO STATION AT PITTSBURG STATE UNIVERSITY****Statement of Cash Flows**

For the fiscal years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (40,410)	\$ (21,561)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,542	19,903
Changes in:		
Receivable from PSU Foundation	20,040	(71,608)
Grant receivable	-	-
Accrued payroll	52	1,178
Net cash provided by operating activities	<u>(2,776)</u>	<u>(72,088)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(12,365)	-
Disposal of Capital Assets	-	-
Net cash used in investing activities	<u>(12,365)</u>	<u>-</u>
 Net increase in Cash with State Treasurer	(15,141)	(72,088)
 Cash with State Treasurer at beginning of year	<u>197,422</u>	<u>269,510</u>
 Cash with State Treasurer at end of year	<u>\$ 182,281</u>	<u>\$ 197,422</u>

See the independent auditors' report and notes to financial statements.

# KRPS-FM RADIO STATION AT PITTSBURG STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS

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*June 30, 2015 and 2014*

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### 1. ORGANIZATION AND OPERATIONS

In July of 1987, Pittsburg State University was granted the operating license for KRPS-FM Radio Station, a listener supported public radio station. The radio station was financed in part by means of a U.S. Department of Commerce grant originally totaling \$603,918, of which thirty percent was to be paid by KRPS-FM Radio Station. KRPS-FM Radio Station is a function of Pittsburg State University, which is exempt from Federal Income taxes under section 501(c)(3) of the IRS code.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The accompanying financial statements are prepared on the accrual basis in conformity with generally accepted accounting principles, which includes Statement of Financial Accounting Standards No. 117, *Financial Statements for Non-Profit Organizations* (Statement 117) and Governmental Accounting Standards Board Statement No. 63. Statement 117 prescribes the format of financial statements of not-for-profit organizations. Statement 117 also requires that changes in net assets be disclosed in the statements of activities for each period presented and that statements of cash flows be presented for each period. Among the requirements of Statement 63 is the use of the term "net position" (formerly described as "net assets").

Membership contributions and underwriting fees are collected by the Pittsburg State University Foundation, Inc. and remitted to KRPS-FM Radio Station operating accounts.

Cash and Cash Equivalents – For purposes of the statement of cash flows, KRPS-FM Radio Station considers cash to include cash with State Treasurer.

Use of Estimates – Management of KRPS-FM Radio Station has made estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

Property and Equipment – Property and equipment is stated at cost less accumulated depreciation. Donated property and equipment is valued at estimated fair market value on the date of donation. Maintenance and repairs are charged to expense as incurred, whereas major renewals and improvements are capitalized. Depreciation is computed using the straight-line method over an estimated eight year life. Total depreciation expense for the fiscal years ended June 30, 2015 and 2014, was \$17,542 and \$19,903 respectively.

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# KRPS-FM RADIO STATION AT PITTSBURG STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (continued)

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*June 30, 2015 and 2014*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Lived Assets – Long-lived assets are reviewed for impairment whenever events and changes in circumstances indicate that the book amount of the assets may not be recoverable.

Concentrations of Credit Risk – KRPS-FM Radio Station receives significant support from Pittsburg State University, the Pittsburg State University Foundation, Inc. and Grants from the Corporation for Public Broadcasting. KRPS-FM Radio Station's continued operation is dependent upon continued support by these three entities.

Indirect Administrative Support from Pittsburg State University – Indirect administrative support from Pittsburg State University consists of allocated institutional and academic support and physical plant operations incurred by the entity, which benefits KRPS-FM Radio Station. Donated professional services are valued at their fair market value at the time of donation.

Pledges – Pledges are recorded as revenues when the funds are actually received for KRPS-FM Radio Station by the Pittsburg State University Foundation, Inc. Pledges receivable at June 30, 2015 and 2014, are not considered to be legally enforceable and therefore, have not be recognized in the accompanying financial statements.

Subsequent Events – Subsequent events have been evaluated through November 25, 2015, which is the date the financial statements were available to be issued.

### 3. RELATED PARTY TRANSACTIONS

See the "Basis of accounting", "Indirect administrative support from Pittsburg State University" and the "Pledges" section of the "Summary of significant accounting polices" above for discussion of related party transactions with Pittsburg State University and the Pittsburg State University Foundation, Inc.

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# KRPS-FM RADIO STATION AT PITTSBURG STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (continued)

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*June 30, 2015 and 2014*

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### 4. RETIREMENT PLAN

Substantially all full time employees participate in one of two separate retirement plans. Classified employees participate in the "Kansas Public Employees Retirement System" (KPERS). This defined benefit program is funded through contributions by KRPS and the individual employees. The Employees in this plan are required to contribute 4% or 6% of gross earnings depending on start of service date, whereas the employer contributes 8.17% of gross earnings. Participation is mandatory for any new classified employee at hire date. For the fiscal years ended June 30, 2015 and 2014, contributions to KPERS totaled \$4,552 and \$4,364, respectively. The unclassified employees participate in the Retirement Plan for Kansas Regents Institutions, which is a defined contribution plan. Employees are eligible to participate in the Plan after one year of employment. Employees are required to contribute 5.5% of gross earnings, whereas the employer contributes 8.5% of gross earnings. For the fiscal years ended June 30, 2015 and 2014, contributions to the Plan totaled \$19,473 and \$16,817, respectively.

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**Monica R. Kellogg**  
CPA, LLC

214 East McKay | Frontenac, KS

Board of Directors  
KRPS-FM Radio Station  
Pittsburg State University  
Pittsburg, Kansas

We have audited the financial statements of KRPS-FM Radio Station, Pittsburg State University, for the year ended June 30, 2015. Professional standards require that we provide you with the following information related to our audit.

#### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with Generally Accepted Accounting Principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of KRPS-FM Radio Station, Pittsburg State University. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the organization's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

#### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

The significant accounting policies used by KRPS-FM Radio Station, Pittsburg State University, are described in Note 1 to the financial statements. No new accounting policies were adopted during 2015 and the application of existing policies was not changed during 2013. We noted no transactions entered into by KRPS-FM Radio Station, Pittsburg State University, during 2013 that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

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 most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the straight-line method of depreciation. We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that is reasonable in relation to the financial statements taken as a whole.

### **Corrected 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. We have been informed that 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.

### **Disagreement with Management**

For purposes of this letter, professional standards define a disagreement with management as 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 25, 2015.

### **Consultation 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 governmental unit'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 me to determine that the consultant has all of the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Difficulties Encountered in Performing the Audit**

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

This communication is intended solely for the information and use of KRPS-FM Radio Station, Pittsburg State University, and should be not used by anyone other than these intended parties.

A handwritten signature in black ink that reads "Monica R. Kellogg, CPA, LLC". The signature is written in a cursive, flowing style.

Monica R. Kellogg, CPA, LLC  
November 25, 2015  
Frontenac, Kansas



Monica R. Kellogg  
CPA, LLC

214 East McKay | Frontenac, KS

KRPS-FM Radio Station  
Pittsburg State University  
Pittsburg, Kansas


In planning and performing our audit of the financial statements of KRPS-FM Radio Station, Pittsburg State University, as of and for the year ended June 30, 2015 in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting ( internal control) as a basis for designing our auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purposed described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies internal control that we consider to be material weaknesses, as defined above.

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

  
Monica R. Kellogg, CPA, LLC  
November 25, 2015