THE ALASKA CENTER FOR THE
BLIND AND VISUALLY IMPAIRED

Letter to the Governing Board

Year Ended June 30, 2018

Altman, Rogers & Co.
CERTIFIED PUBLIC ACCOUNTANTS

THE ALASKA CENTER FOR THE BLIND AND VISUALLY IMPAIRED

Letter to the Governing Board

Year Ended June 30, 2018

Altman, Rogers & Co. CERTIFIED PUBLIC ACCOUNTANTS

November 26, 2018

To the Members of the Board
The Alaska Center for the Blind and Visually Impaired
Anchorage, Alaska

We have audited the financial statements of The Alaska Center for the Blind and Visually Impaired (the Center) for the year ended June 30, 2018, and have issued our report thereon dated November 26, 2018. 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 April 26, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies and Transactions

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Center are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Center 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.

Significant 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 estimates affecting the financial statements were:

> Management's estimate of the useful lives and depreciation expense is based on the estimated life of an asset. We evaluated the key factors and assumptions used to develop the estimated useful lives and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of functional expenses is based on an allocation of program expenses and general administration. We evaluated the key factors and assumptions used to develop the allocation of expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

425 G Street Suite 800 Anchorage, Alaska 99501 Phone 907-274-2992 Fax 907-274-2993
Offices in Juneau and Soldotna A Professional Corporation

> Management's estimate of the collectability of future pledges receivable and accounts receivable is based on a review of the prior experience with individuals. We evaluated the key factors and assumptions used to develop the collectability of future pledges receivable and accounts receivable in relation to the financial statements taken as a whole.
>
> Management's estimate of the value of goods donated and services is based on the estimated fair market value of goods and services. We evaluated the key factors and assumptions used in valuing donations and have determined that they are reasonably estimated.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

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. During the course of our audit, we noted the following misstatements corrected by management:

- The allowance for doubtful accounts related to pledges receivable was overstated by $2,180.
- Accumulated depreciation was overstated by $2,247.

Difficulties Encountered in Performing the Audit

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

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 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 26, 2018.

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 Center'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 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 Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Accounting Assistance

As a part of our engagement we drafted the financial statements of Alaska Center for the Blind and Visually Impaired from the Center's accounting records; however, management of the Center involved in the drafting process and retains responsibility for the basic financial statements.

Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Internal Control Matters

In planning and performing our audit of the financial statements of Alaska Center for the Blind and Visually Impaired as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Alaska Center for the Blind and Visually Impaired's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed below we identified a certain deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a 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. We consider the following deficiency in Alaska Center for the Blind and Visually Impaired's internal control to be a significant deficiency:

Internal Controls Over Journal Entries

During our testwork performed over material journal entries, it was noted that there was no review procedure in place for journal entries.

Recommendation:

We recommend that someone review and approve the journal entries made by the finance manager.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Subsequent Accounting Standard Updates

The Financial Accounting Standards Board (FASB) has passed several new accounting standards updates (ASU) with upcoming implementation dates covering several topics as follows:

- ASU 2014-09 – *Revenue from Contracts with Customers (Topic 606).* Effective for fiscal years beginning after December 15, 2018.
- ASU 2016-02 – *Leases (Topic 842).* Effective for fiscal years beginning after December 15, 2019.
- ASU 2016-14 – *Not-for-Profit Entities (Topic 958).* Effective for fiscal years beginning after December 15, 2017.
- ASU 2016-15 *Statement of Cash Flows (Topic 230).* Effective for fiscal years beginning after December 15, 2018.

ASU 2014-09 (*Topic 606*) addresses revenue recognition in three subsections: (1) General (2) Contributions Received and (3) Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Hold Contributions for Others. The General Subsections provide guidance on the presentation of exchange transaction in the statement of activities. They also provide implementation guidance for distinguishing contribution transactions from exchange transactions. The contributions Received Subsections establish standards of financial accounting and reporting for contributions received. They also establish standards for collection of works of art, historical treasures, and similar assets acquired by contribution. The Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others Subsections provide guidance for transfers of assets for which it may be unclear as to who should report a contribution because a donor uses a recipient entity as its intermediary, agent, or trustee to transfer assets to a third-party donee. Although the transaction between the donor and the donee may be a contribution, in many instances, the transfer of assets from the donor is not a contribution received by the recipient entity, and the transfer of assets to the donee is not a contribution made by the recipient entity.

ASU 2016-02 (*Topic 842*) the overall goal of this project is to ensure that all assets and liabilities arising from lease contracts are reported in the statement of financial position. Accordingly, the new guidance provides both lessee and lessor accounting requirements for all entities and it applies to all leases except leases of intangible and biological assets, inventory, assets under construction, and leases to explore or use mineral, natural gas and similar resources. The new update will require lessees to recognize the lease asset and lease liability associated with all leases (operating and financing), in the statement of financial position.

ASU 2016-14 *(Topic 958)* addresses FASB's project to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit (NFP) entity's liquidity, financial performance, and cash flows. This update requires NFP's to present two classes of net assets, rather than three classes currently required. The NFP would report net asset with donor restriction and net assets without donor restrictions. Additionally, this update would continue to allow NFP's to choose from the direct and indirect method of presenting their cash flows, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method. Finally, this update would require enhanced footnote disclosures.

ASU 2016-15 and 2016-18 *(Topic 230)* addresses presentation of certain cash receipts, cash payments and what should be included in cash and cash equivalents. ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. ASU 2016-18 requires the amounts described as restricted cash and cash equivalents to be included in the reconciliation of the beginning and ending cash and cash equivalents.

This information is intended solely for the use of Board of Directors and management of Alaska Center for the Blind and Visually Impaired and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Altman, Rogers & Co.

Anchorage, Alaska