CRISTOSAL, INC.

FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2018

CRISTOSAL, INC.

YEAR ENDED DECEMBER 31, 2018

I N D E X

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cristosal, Inc.
Syracuse, New York

Report on the Financial Statements

We have audited the accompanying financial statements of CRISTOSAL, INC. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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 previously present fairly, in all material respects, the financial position of Cristosal, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (*CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of Cristosal, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cristosal, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cristosal, Inc.'s internal control over financial reporting and compliance.

Klatzkin & Company LLP

KLATZKIN & COMPANY LLP

Newtown, Pennsylvania
November 22, 2019

CRISTOSAL, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 282,957
Accounts Receivable (Less Allowance for Doubtful Accounts of $-0-)	41,029
Cash Advances - Employees	5,400
Prepaid Expenses	12,203
Total Current Assets	341,589
Property and Equipment Net of Accumulated Depreciation of $27,472	57,413
TOTAL ASSETS	$ 399,002
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 60,948
Payroll Taxes Payable	12,029
Other Taxes Payable	6,393
Pension Fund Payable	9,903
Deferred Revenue - USAID	17,421
Deferred Revenue - Global School	11,954
Total Current Liabilities	118,648
Net Assets	
Without Donor Restrictions:	
Board Designated	16,170
Operating	263,584
Total Without Donor Restrictions	279,754
With Donor Restrictions	600
Total Net Assets	280,354
TOTAL LIABILITIES AND NET ASSETS	$ 399,002

The accompanying notes are an integral part of these financial statements.

CRISTOSAL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
USAID Grant	$ 840,715	$ -	$ 840,715
Grants and Contributions	1,031,357	-	1,031,357
Global School	55,169	-	55,169
Special Programs	22,982	-	22,982
Fundraising	3,155	-	3,155
Net Investment Return	15	-	15
Consulting	8,147	-	8,147
Miscellaneous	11,615	-	11,615
Total Support and Revenues	1,973,155	-	1,973,155
Net Assets Released from Restrictions	-	-	-
Total Support, Revenues, and Net Assets Released from Restrictions	1,973,155	-	1,973,155
Expenses:			
Program Services	1,587,227	-	1,587,227
Support Services:			
Management and General	218,602	-	218,602
Fundraising	26,735	-	26,735
Total Expenses	1,832,564	-	1,832,564
Change in Net Assets	140,591	-	140,591
Net Assets, Beginning of Year, as Restated	139,163	600	139,763
Net Assets, End of Year	$ 279,754	$ 600	$ 280,354

The accompanying notes are an integral part of these financial statements.

CRISTOSAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	$ 903,434	$ 30,875	$ 23,204	$ 957,513
Payroll Taxes	7,048	241	182	7,471
Employee Benefits	130,333	4,453	3,349	138,135
Total Compensation and Related Expenses	1,040,815	35,569	26,735	1,103,119
Advertising	391	-	-	391
Bank Fees	-	5,400	-	5,400
Depreciation	16,977	-	-	16,977
Family and Individual Support	122,940	-	-	122,940
Gasoline	247	-	-	247
Human Rights and Legal Assistance	29,077	-	-	29,077
Medical Assistance	10,090	-	-	10,090
Miscellaneous	-	41,844	-	41,844
Office Expense	-	42,651	-	42,651
Professional Fees	-	34,532	-	34,532
Program Consultants	102,172	-	-	102,172
Promotional Materials	23,470	-	-	23,470
Rent	28,956	28,956	-	57,912
Repairs and Maintenance	8,969	8,968	-	17,937
Research	5,090	-	-	5,090
Small Office Equipment	15,991	15,991	-	31,982
Software	606	606	-	1,212
Special Projects Expense	20,142	-	-	20,142
Telephone	4,084	4,085	-	8,169
Travel	126,499	-	-	126,499
Workshops and Seminars	30,711	-	-	30,711
Total Expenses	$ 1,587,227	$ 218,602	$ 26,735	$ 1,832,564

The accompanying notes are an integral part of these financial statements.

CRISTOSAL, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Collected from Grantors and Donors	$ 1,932,111
Cash Paid to Vendors and Employees	(1,864,023)
Interest Income Received	15
Interest Expense Paid	-
Income Taxes Paid	-
Net Cash Provided by (Used in) Operating Activities	68,103
Cash Flows from Investing Activities:	
Repayment of Cash Advances to Employees	4,177
Net Cash Provided by (Used in) Investing Activities	4,177
Net Increase in Cash and Cash Equivalents	72,280
Cash and Cash Equivalents at Beginning of Year	210,677
Cash and Cash Equivalents at End of Year	$ 282,957

The accompanying notes are an integral part of these financial statements.

CRISTOSAL, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities

Change in Net Assets	$ 140,591
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	16,977
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(41,029)
Prepaid Expenses	16,569
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	56,756
Pension Fund Payable	4,453
Payroll Taxes Payable	(26,395)
Other Taxes Payable	6,393
Deferred Revenue	(106,212)
Total Adjustments	(72,488)
Net Cash Provided by (Used in) Operating Activities	$ 68,103

The accompanying notes are an integral part of these financial statements.

Note 1. Summary of Significant Accounting Policies

Nature of Organization:

Cristosal, Inc. (Cristosal) was incorporated in 2000 under the laws of the State of Vermont. Cristosal is a nongovernmental organization based in El Salvador advancing human rights in Central America through rights-based programming, research, and learning.

In October 2017, Cristosal amended its articles of incorporation to change its name from Foundation Cristosal, Inc. to Cristosal, Inc.

Basis of Financial Statement Presentation:

The financial statements of Cristosal have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require Cristosal to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Cristosal. These net assets may be used at the discretion of Cristosal's management and Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Cristosal or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities.

Management's Use of Estimates and Assumptions:

Management uses estimates and assumptions in preparing its financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Note 1. Summary of Significant Accounting Policies (Cont'd)

Cash and Cash Equivalents:

Cristosal's cash and cash equivalent accounts and interest bearing deposits in banks and other financial institutions may at times exceed the federally insured limits. Cristosal has not experienced any losses in these accounts. Management believes that Cristosal is not exposed to any significant risk on these deposits.

For purposes of the Statement of Cash Flows, Cristosal considers all highly liquid debt instruments purchased with a maturity of three months or less, except bank certificates of deposit and treasury obligations, to be cash equivalents. Bank CD's and treasury obligations are considered to be temporary investments, not cash equivalents.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance account and a credit to accounts receivable. The receivables are expected to be collected in full.

Property, Equipment and Depreciation:

Property and equipment are stated at cost. The cost of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Deferred Revenue:

Deferred revenue consists of grant money received from USAID that has not yet been used. It will be recognized as revenue during the period in which the funds are used, or returned to USAID if unused. Deferred revenue also consists of Global School tuition for classes in the next year and is recognized over the period to which the income relates.

Compensated Absences:

Certain employees are entitled to paid vacation and paid sick days. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. Cristosal's policy is to recognize the cost of compensated absences when actually paid to employees.

Note 1. Summary of Significant Accounting Policies (Cont'd)

Donated Services:

During the year ended December 31, 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist Cristosal with special projects.

Revenue and Support Recognition:

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Revenue from fundraising events is recognized when the event occurs.

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort; and rent, repairs and maintenance, office equipment, software, and telephone expense, which are allocated based on estimated usage.

Federal Income Tax:

Cristosal has received a determination letter from the Internal Revenue Service concluding that it is exempt from federal corporate income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

As of and during the year ended December 31, 2018, Cristosal did not have a liability for any unrecognized tax benefits. Cristosal's policy is to classify income tax related interest and penalties, if any, in interest expense and miscellaneous expense, respectively.

Cristosal is subject to routine audits by taxing jurisdictions. There are currently no such audits for any tax periods in progress. Cristosal is no longer subject to income tax examinations for years prior to the fiscal year ended December 31, 2015.

Note 1. Summary of Significant Accounting Policies (Cont'd)

Advertising Costs:

Cristosal expenses the cost of advertising as incurred. Advertising costs charged to operations amounted to $391 for the year ended December 31, 2018.

Adoption of New Accounting Pronouncement:

For the year ended December 31, 2018, Cristosal adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Cristosal has adjusted the presentation of these financial statements accordingly. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

New Accounting Pronouncements:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard outlines a single comprehensive model for organizations to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. Cristosal will also need to apply the new guidance to determine whether revenue should be recognized over time or at a point in time. The standard will be effective for annual reporting periods beginning after December 15, 2018.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to address questions stemming from ASU 2014-09 regarding its implications on the grants and contracts of not-for-profit organizations. ASU 2018-08 provides guidance to determine if a grant or contract is a contribution or exchange transaction. The standard also provides guidance to help in determining if a contribution is conditional. ASU 2018-08 is effective for fiscal years that start after December 15, 2018. Cristosal is currently evaluating the impact of the pending adoption of ASU 2014-09 and ASU 2018-08 on its financial statements.

Note 1. Summary of Significant Accounting Policies (Cont'd)

New Accounting Pronouncements (Cont'd):

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the Statement of Financial Position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Statement of Activities. The new standard is effective for fiscal years beginning after December 15, 2020. Cristosal is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Date of Management Evaluation of Subsequent Events:

Management has evaluated subsequent events through November 22, 2019, the date on which the financial statements were available to be issued.

Note 2. Available Resources and Liquidity

The following represents Cristosal's financial assets at December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	$282,957
Accounts receivable	41,029
Cash advances - employees	5,400
Total financial assets	329,386
Less amounts not available to be used within one year:	
Board-designated for various projects	(16,170)
Donor-restricted funds for scholarships	(600)
Financial assets available to meet cash needs for general expenditures within one year	$312,616

Cristosal's funding is primarily from restricted federal grants. Cristosal considers grants restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Cristosal manages its liquidity and reserves to maintain adequate liquid assets to fund near-term operating needs and to maintain sufficient reserves to provide reasonable assurance that long-term obligations will be met. This goal is achieved through Cristosal's budgeting process and expenditure policies.

Note 3. Cash Advances - Employees

Cristosal has advanced cash to its employees to cover the costs of work-related incidentals, such as refreshments for various meetings with people participating in Cristosal's activities. The advances are unsecured, have no stated maturity date, and bear no interest. The advances are zeroed out once the employee submits the receipts to Cristosal.

Note 4. Property and Equipment

The following is a summary of property and equipment at December 31, 2018:

	Estimated useful lives in years	
Vehicles	5	$ 55,980
Furniture and equipment	5	3,747
Computer equipment	5	25,158
		84,885
Accumulated depreciation		27,472
		$ 57,413

Depreciation expense for the year ended December 31, 2018 was $16,977.

Note 5. Net Assets

Designation of Net Assets Without Donor Restrictions:

The Board of Directors of Cristosal has chosen to designate a portion of net assets without donor restrictions for various programs.

Following is a summary of board designation of net assets without donor restrictions at December 31, 2018:

R. Bower Fund	$ 10,000
El Mozote Trial	3,120
Relocation Fund	1,250
Bishop's Discretionary Fund	1,800
	$ 16,170

Net Assets With Donor Restrictions:

Net assets with donor restrictions are restricted for the following at December 31, 2018:

Subject to expenditure for a specific purpose:	
Scholarships	$ 600

Note 6. Concentration of Support and Revenues

Cristosal derived approximately 52% of its support and revenues from contributions for the year ended December 31, 2018. Cristosal also derived approximately 43% of its support and revenues from USAID for the year ended December 31, 2018. A significant reduction in the level of this support would have a significant impact on Cristosal's program and activities. The USAID grant runs through November 2019 and was subsequently not renewed.

Note 7. Pension Plan

Cristosal participates in a defined contribution retirement plan under Internal Revenue Code Section 403(b). The Plan is administered by the Episcopal Church Lay Employees' Defined Contribution Plan (Plan). The Plan allows for Cristosal to make an employer contribution equaling 5% of the eligible employee's annual base salary. In addition, Cristosal will match up to an additional 4% of the eligible e9mployee's annual base salary provided that the employee contributes at least 4% on his or her own. Additional discretionary contributions, as determined by management, can also be made to the Plan. Total pension plan expense for the year ended December 31, 2018 was $8,350, which is included in employee benefits on the Statement of Functional Expenses.

Note 8. Leases

Cristosal leases its office facilities on a year-to-year basis. Rent expense was $57,912 for the year ended December 31, 2018.

Note 9. Prior Period Adjustment

Certain errors in the previous year were discovered during the current year. Upon further review, it was determined that refundable advances in the amount of $63,908 were erroneously recognized as income. It was also discovered that inter-fund receivables were erroneously offsetting expenses, instead of an inter-fund liability, causing expenses to be understated by $83,311. The errors impacted net assets as of December 31, 2017 and the financial statements for 2017. Accordingly, the 2018 beginning net assets have been restated to correct the errors. The corrections have no effect on the results of the current year's activities.

These corrections resulted in the following restatement to unrestricted net assets as previously reported:

Unrestricted net assets as of December 31, 2017, as previously reported	$286,382
Corrections to 2017 expenses and revenue	(147,219)
Net assets without donor restrictions as of January 1, 2018, as restated	$139,163

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Cristosal, Inc.
Syracuse, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cristosal, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cristosal, Inc.'s internal control over financial reporting (internal control) to determine the 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 Cristosal, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Cristosal, Inc.'s internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Cristosal, Inc.'s financial statements will not be prevented, or detected and corrected on a timely basis. 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.

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we considered to be material weaknesses [2018-1].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cristosal, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Cristosal, Inc.'s Response to Findings

Cristosal, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Cristosal, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cristosal, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cristosal, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Klatzkin & Company LLP

KLATZKIN & COMPANY LLP

Newtown, Pennsylvania
November 22, 2019

<u>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</u>

To the Board of Directors of
Cristosal, Inc.
Syracuse, New York

Report on Compliance for Each Major Government Program

We have audited CRISTOSAL, INC.'S compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cristosal, Inc.'s major government programs for the year ended December 31, 2018. Cristosal, Inc.'s major government programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of government statutes, regulations, and the terms and conditions of its government awards applicable to its government programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Cristosal, Inc.'s major government programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (*CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major government program occurred. An audit includes examining, on a test basis, evidence about Cristosal, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major government program. However, our audit does not provide a legal determination of Cristosal, Inc.'s compliance.

Opinion on Each Major Government Program

In our opinion, Cristosal, Inc. complied, in all material respects, with the types of compliance requirements referred to previously that could have a direct and material effect on each of its major government programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Cristosal, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cristosal, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major government program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major government program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cristosal, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a government program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a government program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a government program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Klatzkin & Company LLP

KLATZKIN & COMPANY LLP

Newtown, Pennsylvania
November 22, 2019

CRISTOSAL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-Through Grantor/ Department Project Title	Federal CFDA Number	Grant Period	Award Amount	Fiscal Year Federal Expenditures
U.S. Agency for International Development:				
Social Science Research - Regional Citizen Security Improved	98.007	11/14/16 to 11/13/19	$ 2,500,000	$ 840,715
TOTAL FEDERAL AWARDS				$ 840,715

Note: There were no federal awards passed through to subrecipients by Cristosal.

See independent auditors' report and notes to schedule of expenditures of federal awards.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Cristosal, Inc. under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (*CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Cristosal, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cristosal, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Cristosal has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CRISTOSAL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2018

A. Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Cristosal, Inc. were prepared in accordance with GAAP.

2. One material weakness disclosed during the audit of the financial statements is reported in this schedule.

3. No instances of noncompliance material to the financial statements of Cristosal, Inc. were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major awards program are reported in this schedule.

5. The auditors' report on compliance for the major awards program of Cristosal, Inc. expresses an unmodified opinion.

6. There are no audit findings relative to the major awards program for Cristosal, Inc. that are required to be reported in accordance with 2 CFR section 200.516(a).

7. The program tested as a major program included:

   U.S. Agency for International Development - Social Science Research -
   Regional Citizen Security Improved (CFDA 98.007)

8. The threshold for distinguishing types A and B programs was $750,000.

9. Cristosal, Inc. did not qualify as a low-risk auditee.

B. Findings - Financial Statement Audit

Material Weaknesses

Finding 2018-1

Condition:

A significant amount of time was necessary to correct/clean up the accounting records for accounts receivables (transfers between banks) and expense accounts. Several material entries had to be made to correct balances.

Criteria:

An organization's internal controls include processes in place to detect, prevent, or correct misstatements. Individuals on staff should have sufficient expertise to properly record transactions, and accurately record income and expenses.

Cause:

Cristosal, Inc. is an organization operating on a strict budget. Cost constraints make it difficult to have the necessary resources available to achieve effective controls to detect, prevent, and correct misstatements.

Effect:

In addition to the resulting control deficiencies, Cristosal, Inc.'s internal financial reports may be misstated, resulting in inaccurate information presented to management and the Board of Directors.

Recommendation:

Cristosal, Inc. should consider having an individual with accounting expertise and knowledge of reporting requirements periodically review the accounting records to ensure that there are no material misstatements.

Management Response:

Management hired an individual with accounting expertise and has entrusted this person with the overall review of the accounting records and reporting requirements.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

CRISTOSAL, INC.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2018

A single audit was not required for the year ended December 31, 2017.