

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

July 6, 2016

Board of Directors  
La Isla Foundation  
Ada, Michigan

We have audited the financial statements of *La Isla Foundation* (the “Foundation”) as of and for the year ended December 31, 2015 and have issued our report thereon dated July 6, 2016. Professional standards require that we advise you of the following matters related to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated May 6, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Foundation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding material weaknesses and a significant deficiency noted during our audit in Attachment A to this letter.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Foundation's Significant Accounting Practices**

### *Significant Accounting Practices*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Foundation is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgment. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's estimate of the allocation of functional expenses and management's estimate of the fair value of in-kind contributions.

We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

### **Significant Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, 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. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Attachment B lists the material misstatements that we identified as a result of our audit procedures, which were brought to the attention of, and recorded by, management.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Foundation's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain representations from management, which are included in the attached letter dated July 6, 2016.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings or Issues**

In the normal course of our professional association with the Foundation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Foundation, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Foundation's auditors.

This report is intended solely for the information and use of the governing body and management of ***La Isla Foundation*** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

**Attachment A - Consideration of Internal Control Over Financial Reporting**  
**For the December 31, 2015 Audit**

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of *La Isla Foundation* (the "Foundation"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated July 6, 2016.

In planning and performing our audit of the financial statements, we considered the Foundation'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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 the entity'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 preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

#### **MATERIAL WEAKNESSES**

We consider the following deficiencies in internal control to be *material weaknesses*:

##### **Segregation of Duties**

Within certain transaction cycles and processes, segregation of duties does not appear to be in place as it relates to the accounting function. Ideally, no single individual should have the ability to authorize a transaction, record the transaction in the accounting records, maintain custody of the assets resulting from the transaction and be responsible for the reconciliation of the associated transaction. Proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Based on the review of internal controls, our observations and discussions with management, the following areas were noted to have less than complete segregation of duties:

- The same individual processes cash receipts and cash disbursements;
- Signing of checks and approval of invoices to be paid can be performed by the same individual;
- Bank account activity was not independently reviewed

The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of the Foundation's internal control systems carry with them a risk of fraud and abuse.

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of Foundation assets. In establishing appropriate internal controls, we understand that management must consider the costs associated with a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the Foundation's staffing limitations.

#### **Financial Statement Preparation**

The Foundation is responsible for maintaining its internal accounting records and annual preparation of its external financial statements in accordance with generally accepted accounting principles (GAAP). As is the case with many smaller and medium-sized entities, the Foundation relies on its independent external auditors to assist in the calculation of various year end balances, as well as drafting of the financial statements and footnotes as part of its external financial reporting process. As a result, prior to the involvement of the external auditors, the Foundation's internal accounting records were not maintained in a manner conducive to preparing financial statements under GAAP.

#### **Timely/Accurate Completion and Independent Review of Account Reconciliations**

During the performance of the audit we noted several instances in which balance sheet account reconciliations were not completed in a timely manner and not subject to the independent review of a responsible member of management. Timely completion and independent review of account reconciliations is intended to reduce the risk that misstatements, whether caused by error or fraud, could occur and not be detected by management in a timely manner.

While there are no easy answers to the challenge of balancing the costs and benefits of internal control and segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring independent review, reconciliation and approval of accounting functions by qualified members of management.

### **SIGNIFICANT DEFICIENCY**

We consider the following deficiency in internal control to be *significant*:

#### **Lack of Credit Card Review and Support**

During the performance of our audit, it was noted that credit card charges, as reflected on the monthly statements, frequently lacked proper supporting documentation. Additionally, we noted there is no evidence of an independent review or approval for credit card transactions for any of the four card holders. To reduce the risk of fraud, misappropriation of assets or material misstatement, we recommend that credit card charges be supported by proper documentation (receipts, invoices, etc.), the monthly statements be subjected to an independent review, and that such review is evidenced by the reviewer's signature and date of the review.

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**LA ISLA FOUNDATION**  
**ATTACHMENT B - SUMMARY OF RECORDED AUDIT DIFFERENCES**  
**DECEMBER 31, 2015**

#	Account	Description	Debit (Credit)			
			Assets	Liabilities	Net Assets	Income Expense
1	312	Long-term debt - related party		10,000		
	501	Contributions				(10,000)
		To recognize forgiveness of related party debt and contribution revenue.				
2	400	Net assets - unrestricted			456	
	704	Interest expense				663
	301	Accrued interest		(1,119)		
		To record accrued interest and interest expense for related party loan.				
3	602	Office expense				1,989
	300	Accounts payable		(1,989)		
		To record Accounts Payable for items on Janaury 2016 CC related to 2015.				
4	701	In-kind salaries				487,237
	702	In-kind laboratory services				85,000
	703	In-kind miscellaneous				65,000
	502	In-kind contributions				(637,237)
		To record gift in-kind contributions and related expenses.				
5	400	Net assets - unrestricted			7,180	
	604	Miscellaneous expense				(7,180)
		To adjust beginning net assets for PY AP not recorded.				
6	202	Grants receivable	9,590			
	501	Contributions and grants				(9,590)
		To record Benevity grant revenue and AR.				
Total adjustments made by management			\$ 9,590	\$ 6,892	\$ 7,636	\$ (656,827) \$ 632,709



July 6, 2016

Rehmann Robson  
2330 East Paris Ave SE  
Grand Rapids, Michigan 49546

This representation letter is provided in connection with your audit of the financial statements of **La Isla Foundation** (the "Foundation"), which comprise the statements of financial position as of December 31, 2015 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of **July 6, 2016**:

#### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated **May 6, 2016**, for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework we have chosen, which is accounting principles generally accepted in the United States of America.
2. The financial statements are fairly presented in accordance with accounting principles generally accepted in the United States of America.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

For the purposes of this letter, related parties mean affiliated or financially interrelated Foundations; entities for which investments are accounted for by the equity method by the Foundation; trusts for the benefit of employees, such as pension trusts that are managed by or under the trusteeship of management or the governing board; members of the Foundation's management and governing board and their immediate families; and other parties with which





the Foundation may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests, such as significant contributors. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests. Additional related parties may include certain national and local affiliates and a separate entity with officers or directors also on the nonprofit Foundation's governing board.

7. There were no events subsequent to the date of the financial statements for which accounting principles generally accepted in the United States of America require adjustment to or disclosure in the financial statements.
8. We have complied with all contractual agreements, grants, and donor restrictions.
9. We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
10. We have accurately presented the Foundation's position regarding taxation and tax-exempt status.
11. The bases used for allocation of functional expenses are reasonable and appropriate.
12. We have included in the financial statements all assets and liabilities under the Foundation's control.
13. We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
14. The governing board's interpretations concerning whether laws place restrictions on net appreciation of donor-restricted endowments are reasonable and have been disclosed to you.
15. Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.

#### Information Provided

16. We have provided you with:
  - a. Access to all information that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the Foundation from whom you determined it necessary to obtain audit evidence.
17. All transactions have been recorded in the accounting records and are reflected in the financial statements.





18. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
19. We have no knowledge of any fraud or suspected fraud that affects the Foundation and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others when the fraud could have a material effect on the financial statements.
20. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Foundation's financial statements communicated by employees, former employees, analysts, regulators or others.
21. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
22. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
23. We have disclosed to you the identity of the Foundation's related parties and all the related party relationships and transactions of which we are aware.

  
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Jason Glaser, President/Chief Executive Officer  
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Linda Glaser, Treasurer