

# FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA  
Michael L. Segale, CPA  
Sheila R. Valley, CPA  
Teresa H. Kajenski, CPA  
Donald J. Murray, CPA

December 7, 2018

To the Management of Karne Choling Shambhala Meditation Center,  
A division of Shambhala, USA, Inc.

We have audited the financial statements of Karne Choling Shambhala Meditation Center, a division of Shambhala, USA, Inc., as of and for the year ended December 31, 2017, and have issued our report thereon dated December 7, 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 May 18, 2018. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Karne Choling 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 the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciable lives of assets is based on history and common practice. We evaluated the key factors and assumptions used to develop the lives in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for bad debt, which is based on the historic collection rate and management's best judgement of whether fees are collectible. We evaluated the assumptions used to develop the estimate in relation to the financial statements taken as a whole.

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. 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 each opinion unit's financial statements taken as a whole. The uncorrected misstatements of the financial statements were due to the prepaid property taxes not being fully adjusted, the allowance being low, not booking the present value discounts on the future pledges, and compensated absences not being recorded.

Management has determined, and we agree, that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole.

We proposed 2 (two) adjustments to your financial statements which were accepted and recorded by management, which were to adjust the pledges receivable and deferred revenue to the correct amounts.

*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 December 7, 2018.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention. The following recommendations are suggestions to improve your controls. We do not believe any are material weaknesses or significant deficiencies in internal control.

**CASH HANDLING FOR FUNDRAISERS**

During the process of our audit, we reviewed the processes used to receive and deposit cash during fundraisers. Often these are done as an offering bowl in the room where the fundraising event is occurring. We recommend that at least one and preferable two staff members be present at all times, and two staff members remove the cash and count it together before it is deposited.

STORE RECONCILIATION

We recommend that when the store is closed out for the day, a report be generated from the cash register and that amount be compared to the cash in the drawer. Any discrepancies would then be investigated.

UNINSURED CASH

While conducting the audit of cash, we noted the Organization had cash on deposit in excess of the federally insured limit in a financial institution. This presents a potential for losses to the Organization in the event of bank or institutional failure. We strongly suggest that management work with the bank to see if there are products available which would decrease the potential for loss of monetary amounts in excess of the federally insured level.

This information is intended solely for the use of the management of Karne Choling Shambhala Meditation Center, a division of Shambhala, USA, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Fothergill Segale & Valley, CPAs*

FOTHERGILL SEGALE & VALLEY, CPAs  
Vermont Public Accountancy License #110