LASPAU: Academic and Professional Programs for the Americas, Inc.

Financial Statements

Years Ended December 31, 2015 and 2014

LASPAU: Academic and Professional Programs for the Americas, Inc.

FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

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RSM

Independent Auditor's Report

RSM US LLP

Board of Trustees
LASPAU: Academic and Professional Programs for the Americas, Inc.
Cambridge, Massachusetts

Report on the Financial Statements
We have audited the accompanying financial statements of LASPAU: Academic and Professional Programs for the Americas, Inc. ("LASPAU") which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 auditor's 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 auditor considers 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 above present fairly, in all material respects, the financial position of LASPAU as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Boston, Massachusetts
September 28, 2016

LASPAU: Academic and Professional Programs for the Americas, Inc.

Statements of Financial Position

December 31, 2015 and 2014

		2015		2014
ASSETS				
Current assets:				
Cash and cash equivalents	**$**	**378,996**	$	378,735
Money market fund		**12,158,459**		8,702,611
Receivables from funding agencies		**930,731**		3,391,483
Pledges receivable		**5,024**		3,132
Prepaid expenses		**1,361,411**		1,568,228
Other current assets		**24,562**		27,262
Total current assets		**14,859,183**		14,071,451
Property and equipment, net		**377,272**		44,502
Total assets	**$**	**15,236,455**	$	14,115,953
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	**$**	**494,379**	$	1,080,666
Other short-term liabilities		**520,915**		273,479
Deferred revenue		**13,470,227**		12,005,576
Total current liabilities		**14,485,521**		13,359,721
Net assets:				
Unrestricted		**564,839**		572,937
Temporarily restricted		**186,095**		183,295
Total net assets		**750,934**		756,232
Total liabilities and net assets	**$**	**15,236,455**	$	14,115,953

LASPAU: Academic and Professional Programs for the Americas, Inc.

Statements of Activities

Years Ended December 31, 2015 and 2014

	2015			2014		
		Temporarily			Temporarily	
	Unrestricted	**Restricted**	**Total**	Unrestricted	Restricted	Total
Grants received	**$ 23,748,857**	**$ -**	**$ 23,748,857**	$ 19,297,788	$ -	$ 19,297,788
Less - amounts designated by funders						
for specific beneficiaries	**(20,357,368)**	**-**	**(20,357,368)**	(14,887,415)	-	(14,887,415)
Net grant revenue	**3,391,489**	**-**	**3,391,489**	4,410,373	-	4,410,373
Other income:						
Testing	**345,548**	**-**	**345,548**	329,714	-	329,714
Seminars	**620,479**	**-**	**620,479**	837,074	-	837,074
Fundraising	**2,718**	**-**	**2,718**	760	-	760
Interest income	**5,398**	**-**	**5,398**	409	-	409
Other	**626**	**-**	**626**	16,817	-	16,817
Contributions	**-**	**2,800**	**2,800**	5,600	-	5,600
Total revenue, gains and other support	**4,366,258**	**2,800**	**4,369,058**	5,600,747	-	5,600,747
Expenses:						
Seminars	**505,900**	**-**	**505,900**	602,708	-	602,708
U.S. Government funding agencies	**929,292**	**-**	**929,292**	997,797	-	997,797
Management and general	**1,454,783**	**-**	**1,454,783**	1,264,525	-	1,264,525
Other funding agencies	**1,234,759**	**-**	**1,234,759**	1,300,762	-	1,300,762
Organization of American States	**171,256**	**-**	**171,256**	156,562	-	156,562
Testing	**78,246**	**-**	**78,246**	86,158	-	86,158
Fundraising	**120**	**-**	**120**	422	-	422
Total expenses	**4,374,356**	**-**	**4,374,356**	4,408,934	-	4,408,934
Changes in net assets	**(8,098)**	**2,800**	**(5,298)**	1,191,813	-	1,191,813
Net assets:						
Beginning of year	**572,937**	**183,295**	**756,232**	(618,876)	183,295	(435,581)
End of year	**$ 564,839**	**$ 186,095**	**$ 750,934**	$ 572,937	$ 183,295	$ 756,232

LASPAU: Academic and Professional Programs for the Americas, Inc.

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	**$ (5,298)**	$ 1,191,813
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**59,130**	9,360
Changes in assets and liabilities:		
(Increase) decrease in:		
Money market fund	**(3,455,848)**	(1,850,714)
Accounts receivable	**2,460,752**	(319,238)
Pledges receivable	**(1,892)**	(756)
Prepaid expenses	**206,817**	(147,866)
Other current assets	**2,700**	(1,024)
Increase (decrease) in:		
Accounts payable	**(586,287)**	624,850
Other short-term liabilities	**247,436**	153,268
Deferred revenue	**1,464,651**	281,868
Net cash provided by (used in) operating activities	**392,161**	(58,439)
Cash flows from investing activities:		
Purchases of property and equipment, net	**(391,900)**	-
Net cash used in investing activities	**(391,900)**	-
Net increase in cash and cash equivalents	**261**	(58,439)
Cash and cash equivalents:		
Beginning of year	**378,735**	437,174
End of year	**$ 378,996**	$ 378,735

1. NATURE OF ORGANIZATION

LASPAU: Academic and Professional Programs for the Americas, Inc. ("LASPAU" or the "Organization") is a private, nonprofit corporation located in the Commonwealth of Massachusetts and is affiliated with Harvard University. LASPAU designs, develops and implements academic and professional exchange programs on behalf of individuals and institutions in order to contribute to the advancement of education in Latin America, Canada, the Caribbean, and the United States. Through a variety of specialized services, LASPAU carries out programs for several sponsors by cooperating with Latin American and Caribbean institutions seeking to assess and fulfill their educational and training needs. In support of its overall purpose, LASPAU offers these specialized educational services to institutions both inside and outside of the Americas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Classification and Reporting of Net Assets</u>

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to not-for-profit organizations under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, "Financial Statements of Not-For-Profit Organizations". These requirements require the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset classes follows:

- Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. There are no permanently restricted net assets.

<u>Cash and Cash Equivalents</u>

LASPAU considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents include the operating cash accounts available on a daily basis.

<u>Other Current Assets</u>

LASPAU's other current assets include test booklets purchased for resale to third parties which are recorded at the lower of cost, determined by the first-in, first-out method, or market value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Advertising

The Organization expenses advertising costs as incurred.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash and cash equivalents.

Property and Equipment

Property and equipment, consisting of furniture, equipment, and software, are recorded at cost and depreciated over their estimated useful lives, generally four to five years, using the straight-line method. Expenditures for maintenance and repairs, which do not critically extend useful life of the asset, are expensed as incurred.

When assets are sold or retired, the cost thereof and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss, if any, is credited to or charged against income.

Deferred Revenue and Revenue Recognition

LASPAU acts as an administrator for all of its funding agencies which include the United States Government, the Organization of American States, and other countries and private organizations. As an administrator, LASPAU receives grants from these organizations for the purpose of funding fellowships for students at educational institutions within the United States, Latin America, Canada, and the Caribbean. LASPAU records deferred revenue upon receipt of these grants equal to the value of funds received in advance of disbursements. Revenue from grants received is recognized as expenses designated for specific grantees are incurred. Deferred revenue is reduced as revenue from grants received is recorded.

Revenue from testing services, seminars and programs is recognized as they are performed or upon completion, in accordance with the terms of the contract.

Tax Status

The Organization is a not-for-profit organization which is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organization follows FASB ASC 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management believes that the Organization has no material uncertainties in income taxes.

The Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities prior to 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivables from Funding Agencies

LASPAU maintains allowances for doubtful accounts, when necessary, for losses resulting from the inability of their funders to make required payments. LASPAU reviews their receivables on a regular basis to determine if past due balances are likely to be collected. This review includes discussions with LASPAU's funders and their account representatives, the funders' payment history and other factors. Based on these reviews LASPAU may record or reduce an allowance for uncollectible accounts if they determine there is a change in the collectability of their receivables. There was no allowance for doubtful accounts as of December 31, 2015 and 2014.

Contributions

Contributions, including unconditional promises to give, are initially recognized at fair value as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at fair value.

Contributions to be received after one year are discounted using a rate commensurate with the risk involved once an appropriate allowance for doubtful collections has been determined. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fund-raising activity. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class. A reclassification from temporarily restricted net assets to unrestricted net assets is made to reflect the expiration of such restrictions.

Fair Value Measurements

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value Measurements…continued

Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, the inputs are based on the lowest level of input that is significant to the fair value measurement.

The Organization has various processes and controls in place to ensure that fair value is reasonably estimated.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended December 31, 2015 and 2014, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its balance sheets or results of operations.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Money Market Funds

Money market funds are open ended funds that generally have subscription and redemption activity at a $1.00 stable net asset value. On a daily basis a fund’s stable net asset value is calculated using the amortized cost (not market value) of the securities held in the fund. Money market funds are classified as level 1 within the fair value hierarchy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Updated ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)", requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 31, 2017, and annual and interim periods thereafter, with early adoption permitted. The adoption of ASU 2014-15 is not expected to have a material effect on the Organization's financial statements or disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. The adoption of ASU 2016-02 is not expected to have a material impact on the Organization's financial statements.

In August, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier applicable is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The adoption of ASU 2016-14 is not expected to have a material impact on the Organization's financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2015	2014
Furniture and equipment	$ 80,872	$ 80,872
Software	772,586	442,686
	853,458	523,558
Less - accumulated depreciation and amortization	(476,186)	(479,056)
Property and equipment, net	$ 377,272	$ 44,502

3. PROPERTY AND EQUIPMENT…continued

Depreciation and amortization expense on fixed assets was $59,130 and $9,360 for the years ended December 31, 2015 and 2014, respectively. Software costs incurred relate to the implementation of a customer relationship management (CRM) system, which is being placed into service in two phases. The second phase commenced during 2016 and was placed into service in April 2016. Costs to complete the second phase were approximately $133,000.

4. REIMBURSEMENT OF GRANTEE AND ADMINISTRATIVE EXPENSES

Arrangements with funding agencies normally provide for the recovery of both grantee and administrative expenses. For certain contracts administrative expenses are recovered based on an indirect cost rate which is subject to audit. LASPAU recognizes revenue related to grantee and administrative expenses as actual costs are incurred or as allowed by contract.

Amounts paid to grantees are net of withholding taxes which LASPAU remits on behalf of the grantees. These expenses are included in amounts designated by funders for specific beneficiaries.

5. COMMITMENTS AND CONTINGENCIES

LASPAU is committed to minimum annual rent payments under a long-term noncancelable operating lease for the use of office space and for certain office equipment until July 2020.

Rent expense for office space amounted to $234,525 and $242,231 during the years ended December 31, 2015 and 2014, respectively. The following is a schedule by year of future minimum rental payments required under the operating leases:

2016	$ 251,735
2017	275,814
2018	288,948
2019	293,326
2020	229,845
	$ 1,339,668

6. CONCENTRATIONS OF RECEIVABLE BALANCES

Receivables from funding agencies at December 31 consist of the following:

	2015		2014	
	Primary Funding Agency Receivable Balances	Percent of Total Receivable Balance	Primary Funding Agency Receivable Balances	Percent of Total Receivable Balance
Organization of American States	$ 160,840	17%	$ 48,618	1%
CAPES	450,634	48%	2,743,848	81%
Institute of International Education	200,000	21%	-	0%
Other funding agencies	119,257	14%	599,017	18%
	$ 930,731		$ 3,391,483	

7. RELATED PARTIES

LASPAU is an affiliate of Harvard University (the "University"). The University pays certain of LASPAU's costs that are subject to reimbursement by LASPAU. These reimbursable costs include salaries, employee fringe benefits and other expenses paid by the University on behalf of LASPAU. Disbursements for these costs aggregated $3,618,168 and $3,947,718 in 2015 and 2014, respectively. At December 31, 2015 and 2014, $423,623 and $398,622, respectively, was payable to the University and is included in accounts payable on the statements of financial position.

LASPAU utilizes the University's fringe benefit rate to recover employee fringe benefit costs from sponsors.

Employees of LASPAU are governed by the personnel plans and policies of the University, including those policies covering post-retirement benefits and vacation time earned and vested.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of purpose restricted contributions of $186,095 and $183,295 at 2015 and 2014, respectively.

9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 28, 2016, the date the financial statements were available to be issued.

Subsequent to year-end on March 16, 2016, the Organization legally changed their name from LASPAU: Academic and Professional Programs for the Americas, Inc. to Laspau Inc.