May 14, 2019

To the Board of Trustees of
Mission Metroplex, Inc.

We have audited the financial statements of Mission Metroplex, Inc. (Organization), for the year ended December 31, 2018, and have issued our report thereon dated May 14, 2019. 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 engagement letter dated November 29, 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 the Organization are described in Note 2 to the financial statements. As described in Note 2, the Organization adopted Accounting Standards Update No. 2016-14, “Presentation of Financial Statements for Not-for-Profit Entities”. Accordingly, the accounting changes have been retrospectively applied to prior periods presented as if the policies had always been used. No other 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 estimates affecting the financial statements were:

- Management’s estimate of depreciation expense is based on estimated useful lives of property and equipment on a straight-line basis.
- Management’s estimates of the fair values of donated property, goods, rent and services which are based on the market comparables.
• Management’s allocation of the cost of providing various programs and supporting services on a functional basis is based on direct and allocated costs.

• Management’s estimates of the fair value of investments which are based on the closing prices reported on the active markets on which the individual securities are traded and sales of comparable securities.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable 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 known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatement detected as a result of audit procedures was corrected by management:

• To correct an entry for a cash contribution received during the year for building purchases, resulting in an increase in revenue of $360,000.

**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 that could be significant to the financial statements or the auditors’ 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 May 14, 2019.

**Management Consultations with Other Independent Accountants**

In some cases, management decides to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations.
If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our 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 to our retention.

Other Matters

New Accounting Pronouncements and Other Developments

Please refer to Exhibit A for new accounting pronouncements from the Financial Accounting Standards Board (FASB) that should be considered for any potential impact on the Organization’s financial statements.

This information is intended solely for the use of the finance committee, board of directors and management of Mission Metroplex, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Sutton Brock Cary
A Limited Liability Partnership
Exhibit A

New Accounting Pronouncements

1. ASU 2016-02, Leases

Background

In February 2016, the FASB issued ASU 2016-02 Leases (ASC Topic 842). Under its core principle, a lessee will recognize lease assets and liabilities on the statement of financial position for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with existing U.S. generally accepted accounting principles (GAAP). The ASU is available on the FASB website.

Main Provisions

Lessee Accounting Model

The new standard applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. The lease term is the noncancelable period of the lease, and includes both periods covered by an option to extend the lease, if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease, if the lessee is reasonably certain not to exercise that termination option.

For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern.

At inception, lessees must classify all leases as either finance or operating. Statement of financial position recognition of finance and operating leases is similar, but the pattern of expense recognition in the statement of activities will differ depending on the lease classification. A finance lease is a lease arrangement in which the lessee effectively obtains control of the underlying asset. In an operating lease, the lessee does not effectively obtain control of the underlying asset. If any of the following criteria is met at commencement, a lessee effectively obtains control of an underlying asset and will account for the lease as a finance lease:

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
• The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

• The lease term is for the major part of the remaining economic life of the underlying asset.

• The sum of the present value of the lease payments and the present value of any residual value guaranteed by the lessee amounts to substantially all of the fair value of the underlying asset.

• The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

The following table compares lessee accounting for finance and operating leases:

<table>
<thead>
<tr>
<th>Financial Statement</th>
<th>Finance Lease</th>
<th>Operating Lease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Financial Position</td>
<td>Recognize an ROU asset and a lease liability, initially measured at the present value of the lease payments. Include initial direct costs in the initial measurement of the ROU asset.</td>
<td>Recognize an ROU asset and a lease liability, initially measured at the present value of the lease payments. Include initial direct costs in the initial measurement of the ROU asset.</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>Recognize interest on the lease liability separately from amortization of the ROU asset.</td>
<td>Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis.</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>Classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities.</td>
<td>Classify all cash payments for leases within operating activities.</td>
</tr>
</tbody>
</table>

After inception, the lessee’s ROU asset will be assessed for impairment under ASC Topic 360.

Other Considerations

Identification of a Lease

The new standard defines a lease as a contract that conveys the right to use an underlying asset for a period of time in exchange for consideration.
Components

Lessees and lessors are required to separate the lease components from the nonlease components (for example, maintenance services or other activities that transfer a good or service to the customer) in a contract, and account for the nonlease components according to other applicable guidance. However, a practical expedient is available whereby lessees may elect, by class of underlying asset, not to separate lease components from nonlease components, and to account for all components as a single lease component.

 Modifications

The new standard provides guidance for determining whether lease modifications should be accounted for as separate leases. It also specifies the modification accounting for both lessees and lessors.

Disclosures

Lessees are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Other

The new standard provides guidance on combining contracts, purchase options, reassessment of the lease term, and remeasurement of lease payments. It also contains comprehensive implementation guidance with practical examples.

2. ASU 2014-09, Revenue from Contracts with Customers

Background

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASC Topic 606). It establishes a comprehensive revenue recognition standard for virtually all industries utilizing U.S. generally accepted accounting principles (GAAP), including those that previously followed industry-specific guidance such as the real estate, construction and software industries. The new standard is the culmination of a joint project with the International Accounting Standards Board and therefore, entities reporting under International Financial Reporting Standards will apply a substantially converged model. The new ASU is available on the FASB website.
Main Provisions

The revenue standard’s core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps:

1. Identify the contract with the customer,
2. Identify the performance obligations in the contract,
3. Determine the transaction price,
4. Allocate the transaction price to the performance obligations in the contract, and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Entities will generally be required to make more estimates and use more judgment than under current guidance, which will be highlighted for users through increased disclosure requirements.

Effective Date

The majority of NFP entities will apply the new standard for annual periods beginning after December 15, 2018.

3. ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Made

Background

In 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Made, to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) Subject to Topic 958, Not-for-Profit Entities or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.
Main Provisions

The ASU clarifies and improves the scope and accounting guidance for both contributions received and made in order to assist entities in evaluating if those transactions should be accounted for as contributions under the scope of Topic 958, or as an exchange transaction subject to other guidance. For purposes of assessing potential contributions, examples of the transactions in question include contributions of cash and other assets, including promises to give, or reductions, settlements, or cancellation of liabilities. Examples of resource providers include a government agency, a foundation, a corporation, or other entity. However, the type of resource provider is not determinative of whether a transaction is reciprocal or nonreciprocal.

The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider receives comparable value in return for the assets transferred, based on consideration of the following:

1. The resource provider is not one and the same with the general public. That is, a benefit received by the public as a result of the assets transferred is not equivalent to comparable value received by the resource provider. Therefore, if the resource provider receives indirect value in exchange for the assets transferred or if the value received by the resource provider is incidental to the potential public benefit from using the assets transferred, the provider isn’t considered to have received comparable value in return.

2. Execution of the resource provider’s mission or the positive sentiment from acting as a donor doesn’t constitute comparable value received by the resource provider for purposes of determining whether the transfer of assets is a contribution or an exchange.

Determining Whether a Contribution is Conditional

The amendments require an entity to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisors’ obligation to transfer assets. If the agreement (or referenced document) includes both, the recipient is not entitled to the transferred assets (or future transfer of assets) until it has overcome the barriers in the agreement.

Paragraph 958-605-25-5D provides a list of indicators to consider in determining whether an agreement contains a barrier. The indicators include:

1. The inclusion of a measurable performance-related barrier or other measurable barrier.

2. The extent to which a stipulation limits discretion by the recipient on the conduct of an activity.
3. Whether a stipulation is related to the purpose of the agreement.

After a contribution has been deemed unconditional, an entity should consider whether the contribution is restricted on the basis of the existing definition of the term donor-imposed restriction, which includes a consideration of how broad or narrow the purpose of the agreement is, and whether the resources are available for use only after a specified date.

**Simultaneous Release Option**

The new ASU provides a not-for-profit entity with the ability to elect a policy to report donor-restricted contributions whose restrictions are met in the same reporting period as the revenue is recognized as support within net assets without donor restrictions so long as the entity has a similar policy for reporting investment gains and income, reports consistently from period to period, and discloses its accounting policy. An entity electing this policy for donor-restricted contributions that were initially conditional contributions (where the condition has been met) may do so without also having to elect it for other donor-restricted contributions or investment gains and income provided that the entity reports consistently from period to period and discloses its accounting policy.

**Effective Date and Transition**

Public entities should apply the amendments on contributions received to annual periods beginning after June 15, 2018, including interim periods within those annual periods. All other entities should apply the amendments on contributions received to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019.

Public entities should apply the amendments on contributions made to annual periods beginning after December 15, 2018, including interim periods within those annual periods. All other entities should apply the amendments on contributions made to annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020.