

Atlas Service Corps, Inc.

Financial Statements
Including Uniform Guidance Reports
and Independent Auditors' Report

December 31, 2017 and 2016

Atlas Service Corps, Inc.

Financial Statements
December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Atlas Service Corps, Inc.

We have audited the accompanying financial statements of Atlas Service Corps, Inc. ("Atlas Corps"), which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities and cash flows for the years 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.

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 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 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.

Auditor's Responsibility (continued)

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 Atlas Corps as of December 31, 2017 and 2016, 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.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as of and for the years ended December 31, 2017 and 2016 included on pages 14-15 is presented for purposes of additional analysis and is not a required part of the financial statements. 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 are 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 September 17, 2018, on our consideration of Atlas Corps'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 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 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 Atlas Corps's internal control over financial reporting and compliance.



Vienna, Virginia
September 17, 2018

Atlas Service Corps, Inc.

Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 191,966	\$ 456,488
Accounts receivable	234,419	63,689
Grants receivable, net	374,526	219,113
Prepaid expenses and other assets	272,682	199,104
Property and equipment, net	<u>514</u>	<u>1,365</u>
Total assets	<u>\$ 1,074,107</u>	<u>\$ 939,759</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 133,047	\$ 65,867
Deferred program revenue	694,305	450,730
Refundable advances	50,238	174,846
Deferred rent	<u>6,571</u>	<u>7,103</u>
Total liabilities	<u>884,161</u>	<u>698,546</u>
Net Assets		
Unrestricted	38,946	81,213
Temporarily restricted	<u>151,000</u>	<u>160,000</u>
Total net assets	<u>189,946</u>	<u>241,213</u>
Total liabilities and net assets	<u>\$ 1,074,107</u>	<u>\$ 939,759</u>

Atlas Service Corps, Inc.

Statement of Activities
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Program revenue	\$ 2,232,830	\$ -	\$ 2,232,830
Government grants	865,694	-	865,694
Grants	109,000	150,000	259,000
Contributions	271,429	-	271,429
In-kind contributions	198,276	-	198,276
Other income	22,109	-	22,109
Net assets released from restrictions	159,000	(159,000)	-
	<u>3,858,338</u>	<u>(9,000)</u>	<u>3,849,338</u>
Expenses			
Program services:			
General fellowships	3,634,597	-	3,634,597
	<u>3,634,597</u>	<u>-</u>	<u>3,634,597</u>
Supporting services:			
Fundraising	204,987	-	204,987
Management and general	61,021	-	61,021
	<u>266,008</u>	<u>-</u>	<u>266,008</u>
Total expenses	<u>3,900,605</u>	<u>-</u>	<u>3,900,605</u>
Change in Net Assets	(42,267)	(9,000)	(51,267)
Net Assets, beginning of year	<u>81,213</u>	<u>160,000</u>	<u>241,213</u>
Net Assets, end of year	<u>\$ 38,946</u>	<u>\$ 151,000</u>	<u>\$ 189,946</u>

See accompanying notes.

Atlas Service Corps, Inc.

Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Program revenue	\$ 2,398,604	\$ -	\$ 2,398,604
Government grants	671,795	-	671,795
Grants	109,228	150,000	259,228
Contributions	260,524	-	260,524
In-kind contributions	6,451	-	6,451
Other income	23,401	-	23,401
Net assets released from restrictions	190,000	(190,000)	-
	<u>3,660,003</u>	<u>(40,000)</u>	<u>3,620,003</u>
Total revenue and support			
Expenses			
Program services:			
General fellowships	3,296,154	-	3,296,154
	<u>3,296,154</u>	<u>-</u>	<u>3,296,154</u>
Total program services			
Supporting services:			
Fundraising	194,383	-	194,383
Management and general	108,193	-	108,193
	<u>302,576</u>	<u>-</u>	<u>302,576</u>
Total supporting services			
Total expenses	<u>3,598,730</u>	<u>-</u>	<u>3,598,730</u>
Change in Net Assets	61,273	(40,000)	21,273
Net Assets, beginning of year	<u>19,940</u>	<u>200,000</u>	<u>219,940</u>
Net Assets, end of year	<u>\$ 81,213</u>	<u>\$ 160,000</u>	<u>\$ 241,213</u>

See accompanying notes.

Atlas Service Corps, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ (51,267)	\$ 21,273
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	851	1,239
Change in allowance for bad debt	(21,500)	38,000
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(170,730)	5,991
Grants receivable	(133,913)	(120,084)
Prepaid expenses and other assets	(73,578)	79,904
Increase (decrease) in:		
Accounts payable and accrued expenses	67,180	23,250
Deferred program revenue	243,575	5,841
Refundable advances	(124,608)	13,344
Deferred rent	(532)	1,822
	(264,522)	70,580
Net cash (used in) provided by operating activities		
	(264,522)	70,580
Net (Decrease) Increase in Cash		
	(264,522)	70,580
Cash, beginning of year	456,488	385,908
Cash, end of year	\$ 191,966	\$ 456,488

See accompanying notes.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

1. Nature of Operations

Atlas Service Corps, Inc. (“Atlas Corps”) was incorporated in 2006 in the state of Delaware and is governed by a diverse Board of Directors. Our mission is to address critical social issues by developing leaders, strengthening organizations, and promoting innovation through an overseas fellowship of skilled nonprofit professionals. Profiled as a “best practice” in international exchange by the Brookings Institute and featured in the Washington Post as a model social entrepreneurship program, Atlas Corps engages leaders committed to the nonprofit sector in twelve- to eighteen-month professional fellowships at organizations to learn best practices, build organizational capacity, and return home to create a network of global changemakers.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

Atlas Corps’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of Atlas Corps’s operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of Atlas Corps or through the passage of time.

Accounts Receivable

Accounts receivable consists primarily of amounts due from host organizations for the general fellowship program. All accounts receivables are reflected at net realizable value as all amounts are expected to be collected within one year. Atlas Corps’s policy is to charge-off uncollectible receivables when management determines the receivables will not be collected. No allowance for doubtful accounts has been recorded as management believes that all remaining accounts are deemed to be fully collectible.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Grants Receivable

Grants receivable are recorded at net realizable value and represents unconditional promises to give and grant expenses incurred before the grant revenue is received. No discount on grants receivable has been recorded at December 31, 2017 and 2016, as they are all due within one year. Grants receivable are evaluated periodically for collectability based upon evaluation of past loss experience, known or inherent risks, and other factors that could affect collectability. The allowance for uncollectible grants receivable was recorded at \$16,500 and \$38,000 at December 31, 2017 and 2016, respectively.

Property and Equipment

Property and equipment with a cost greater than \$5,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to five years. Expenditures for maintenance and repairs are expensed as incurred.

Revenue Recognition

Program revenue consists of host fees and program service fees. Program revenue is received from host organizations to recruit, train, and place a host for individuals from overseas to participate in fellowships. Revenue for programs is recognized over the life of the program. The portion of the revenue that is related to the next calendar year is recorded as deferred program revenue in the accompanying statements of financial position.

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Atlas Corps reports grants and contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, restrictions met in the same accounting period in which the related contribution was received are treated as unrestricted.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenues from federal and other funding sources are recognized when the related expenses are incurred. Expenses charged to federal grants, including allocable indirect costs and fringe benefits, are subject to audit and adjustment. Grant expenses incurred before the grant revenue is received are reported as grants receivable in the accompanying statements of financial position. Funds received in advance of the period in which they will be recognized are reported as refundable advances in the accompanying statements of financial position.

Revenue from all other sources is recognized when earned.

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset and are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying statements of activities as in-kind contributions. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used.

For the year ended December 31, 2017, in-kind contributions consisted of \$178,401 for legal services and \$19,875 for accounting services. For the year ended December 31, 2016, in-kind contributions consisted of \$6,451 for legal services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation. These reclassifications had no effect on the change in net assets previously reported.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in 2018.

Subsequent Events

In preparing these financial statements, Atlas Corps has evaluated events and transactions for potential recognition or disclosure through September 17, 2018, the date the financial statements were available to be issued.

3. Concentration of Credit Risk

Financial instruments that potentially subject Atlas Corps to significant concentrations of credit risk consist of cash. Atlas Corps maintains cash deposit and transaction accounts with financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). Atlas Corps has not experienced any credit losses on its cash to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

4. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 17,921	\$ 17,921
Accumulated depreciation	<u>(17,407)</u>	<u>(16,556)</u>
Property and equipment, net	<u>\$ 514</u>	<u>\$ 1,365</u>

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Summit Conference	\$ 150,000	\$ 150,000
Muslim Engagement Fund	<u>1,000</u>	<u>10,000</u>
Total temporarily restricted net assets	<u>\$ 151,000</u>	<u>\$ 160,000</u>

6. Commitments and Contingencies

Operating Leases

During 2014, Atlas Corps entered into an operating lease agreement for office space that commenced on October 4, 2014 and was set to expire on September 30, 2019. The terms of the lease called for fixed monthly payments with a provision for a 3% increase in rental payments each year. Atlas Corps was responsible for the payment of its proportionate share of increases in the building's annual operating expenses and real estate taxes as passed through from the landlord in the amount of 8.5%. The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent is reflected as deferent rent in the accompanying statements of financial position. Subsequent to year end, on March 16, 2018, Atlas Corps signed an amendment to this office lease agreement for a new expiration date of June 18, 2018.

Atlas Corps was subleasing a portion of its office space that expired in December 2017. The terms of the sublease called for fixed monthly payments of \$985 and included access to various office supplies and equipment in the shared office space. Income from the sublease is recorded as revenue in the accompanying statements of activities.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

6. Commitments and Contingencies (continued)

Operating Leases (continued)

Rent expense for office space for the years ended December 31, 2017 and 2016 was \$79,780 and \$80,381, respectively.

Atlas Corps maintains seven group homes where the Fellows live. The group homes are leased under annual and month-to-month lease agreements that are renewed at various times during the year, excepting two properties with multi-year leases set to expire on March 31, 2019. The combined annual rent expense for the group homes was \$277,326 and \$288,451 for the years ended December 31, 2017 and 2016, respectively.

Licensing Agreement

Subsequent to year end, on June 14, 2018, Atlas Corps entered into a licensing agreement to use new office space, commencing on June 16, 2018 and expiring on June 30, 2020.

Future minimum payments under the licensing agreement are as follows for the years ending December 31:

2018	\$	86,757
2019		90,800
2020		<u>45,400</u>
Future minimum payments	\$	<u><u>222,957</u></u>

Government Cooperative and Grant Agreements

Funds received from the federal government agencies are subject to audit under the provisions of these cooperative and grant agreements. The ultimate determination of amounts received under these cooperative and grant agreements is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such cooperative and grant agreements are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

7. Related Party Transactions

Atlas Corps receives unrestricted support in the form of contributions from its Board members and employees. For the years ended December 31, 2017 and 2016, Atlas Corps received \$74,808 and \$53,312, respectively, which are included in grants and contributions in the accompanying statements of activities.

In late 2008, Atlas Corps established its first overseas office in Bogota, Colombia, creating a separate legal entity, Atlas Service Corps, Inc. (Colombia) (“Atlas Colombia”), which is incorporated under Colombia’s charitable organization laws. Atlas Colombia is independent of Atlas Corps and receives financial support from the Colombian government as well as Colombian nonprofit organizations where Atlas Corps Fellows are placed. Atlas Corps does not maintain the ability to appoint Atlas Colombia Board members and, thus, does not control Atlas Colombia. Atlas Corps’s Chief Executive Officer is the only individual who serves on both Boards. During the years ended December 31, 2017 and 2016, there was no activity with Atlas Colombia.

8. Income Taxes

Atlas Corps is recognized as a tax-exempt organization under Internal Revenue Code (IRC) Section 501(c)(3), and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements, as there was no unrelated business taxable income. Contributions to Atlas Corps are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management evaluated Atlas Corps’s tax positions and concluded that Atlas Corps’s financial statements do not include any uncertain tax positions.

SUPPLEMENTARY INFORMATION

Atlas Service Corps, Inc.

Schedule of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Supporting Services		Total Expenses
	General Fellowships	Fundraising	Management and General	
Salaries	\$ 483,264	\$ 107,766	\$ 11,890	\$ 602,920
Payroll taxes	42,874	9,561	1,055	53,490
Fringe benefits	92,131	19,644	2,643	114,418
Fellow stipends	1,719,337	-	-	1,719,337
Fellow travel	215,415	-	-	215,415
Fellow living expenses	305,518	-	-	305,518
Fellow training	302,781	-	-	302,781
Fellow insurance	116,778	-	-	116,778
Professional fees	231,037	17,671	29,069	277,777
Advertising	16,169	329	125	16,623
Staff travel and meetings	16,898	2,391	665	19,954
Conferences and events	-	17,011	-	17,011
Supplies and equipment	18,510	13,831	2,718	35,059
Insurance	2,204	492	439	3,135
Office rent	56,097	12,509	11,174	79,780
Depreciation	599	134	118	851
Communications	2,717	217	194	3,128
Program subgrant	3,000	-	-	3,000
Miscellaneous	9,268	3,431	931	13,630
Total Expenses	\$ 3,634,597	\$ 204,987	\$ 61,021	\$ 3,900,605

Atlas Service Corps, Inc.

Schedule of Functional Expenses For the Year Ended December 31, 2016

	Program Services	Supporting Services		Total Expenses
	General Fellowships	Fundraising	Management and General	
Salaries	\$ 404,452	\$ 63,274	\$ 17,617	\$ 485,343
Payroll taxes	35,758	5,594	1,558	42,910
Fringe benefits	76,696	11,640	3,241	91,577
Fellow stipends	1,667,220	-	-	1,667,220
Fellow travel	195,507	-	-	195,507
Fellow living expenses	314,544	-	-	314,544
Fellow training	200,301	-	-	200,301
Fellow insurance	138,304	-	-	138,304
Professional fees	60,726	7,407	20,390	88,523
Advertising	1,741	501	209	2,451
Staff travel and meetings	9,332	1,857	1,068	12,257
Conferences and events	-	72,610	-	72,610
Supplies and equipment	14,921	15,572	4,662	35,155
Insurance	1,139	178	376	1,693
Office rent	54,071	8,459	17,851	80,381
Colombia office	20,000	-	-	20,000
Depreciation	834	130	275	1,239
Communications	2,645	411	867	3,923
Program subgrant	86,148	-	-	86,148
Miscellaneous	11,815	6,750	2,079	20,644
Bad debt expense	-	-	38,000	38,000
Total Expenses	\$ 3,296,154	\$ 194,383	\$ 108,193	\$ 3,598,730

**SUPPLEMENTARY SCHEDULE AND REPORTS REQUIRED
BY THE UNIFORM GUIDANCE**

**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
Atlas Service Corps, Inc.

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 Atlas Service Corps, Inc. ("Atlas Corps"), which comprise the statement of financial position as of December 31, 2017, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Atlas Corps'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 Atlas Corps's internal control. Accordingly, we do not express an opinion on the effectiveness of Atlas Corps'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atlas Corps'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*.

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
September 17, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Atlas Service Corps, Inc.

Report on Compliance for Each Major Federal Program

We have audited Atlas Service Corps, Inc.'s ("Atlas Corps") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Atlas Corps's major federal programs for the year ended December 31, 2017. Atlas Corps's major federal 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Atlas Corps's major federal 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* 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 federal program occurred. An audit includes examining, on a test basis, evidence about Atlas Corps'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 federal program. However, our audit does not provide a legal determination of Atlas Corps's compliance.

Opinion on Each Major Federal Program

In our opinion, Atlas Corps complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of Atlas Corps 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 Atlas Corps's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal 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 Atlas Corps'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 federal 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 federal 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 federal 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.



Vienna, Virginia
September 17, 2018

Atlas Service Corps, Inc.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass- Through Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
United States Department of State				
AEECA/ESF PD Programs	19.900	S-AL-600-16-GR-205	\$ -	\$ 95,992
AEECA/ESF PD Programs	19.900	S-RS500-16-GR-194	-	127,429
AEECA/ESF PD Programs	19.900	S-RS500-15-GR-194	-	38,860
Total AEECA/ESF PD Programs			-	262,281
Investing in People in The Middle East and North Africa	19.021	S-IS-400-16-CA0043	-	83,160
Investing in People in The Middle East and North Africa	19.021	S-TS-800-16-CA-089	-	217,565
Total Investing in People in The Middle East and North Africa			-	300,725
Public Diplomacy Programs for Afghanistan and Pakistan	19.501	SPK-330-17-GR-067	-	6,091
Public Diplomacy Programs for Afghanistan and Pakistan	19.501	SPK-330-15-GR-114	-	125,253
Total Public Diplomacy Programs for Afghanistan and Pakistan			-	131,344
Professional and Cultural Exchange Programs – Citizen Exchanges	19.415	S-JM370-14-GR-007	-	43,401
Public Diplomacy Programs	19.040	SN1014-16-GR-088	-	15,775
<i>Pass Through from Meridian International Center:</i>				
Professional and Cultural Exchange Programs – Citizen Exchanges	19.415	S-ECAGD-17-CA-1037	-	24,582
Professional and Cultural Exchange Programs – Citizen Exchanges	19.415	S-ECAGD-16-CA-1055	-	7,500
Total Professional and Cultural Exchange Programs – Citizen Exchanges			-	32,082
Total United States Department of State			-	785,608
United States Agency for International Development				
Towards Enduring Peace in Sudan	N/A	T-KRT-013	-	80,086
Total United States Agency for International Development			-	80,086
Total Expenditures of Federal Awards			\$ -	\$ 865,694

See accompanying notes to the schedule of expenditures of federal awards.

Atlas Service Corps, Inc.

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Atlas Corps under the programs of the federal government for the year ended December 31, 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of Atlas Corps, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Atlas Corps.

2. Summary of Significant Accounting Policies

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

For new awards or modifications of existing awards after December 26, 2014, the expenditures reported in the SEFA follow the cost principles contained in the Uniform Guidance. For existing awards prior to December 26, 2014, the expenditures follow the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*. The cost principles indicate that certain types of expenditures are not allowable or reimbursements of allowable costs are limited as to reimbursement.

3. Indirect Cost Rates

Atlas Corps has elected not to use the 10% *de minimis* indirect cost rate, which is allowed in accordance with the Uniform Guidance.

Atlas Service Corps, Inc.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over the major program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ Yes X No

Identification of the major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
19.900	AEECA/ESF PD Programs
19.021	Investing in People in The Middle East and North Africa

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Atlas Service Corps, Inc.

Schedule of Findings and Questioned Costs (continued)
For the Year Ended December 31, 2017

Findings – Financial Statement Audit

There were no financial statement findings reported during the 2017 audit.

Findings and Questioned Costs – Major Federal Award Programs Audit

There were no federal award findings or questioned costs reported during the 2017 audit.

Atlas Service Corps, Inc.

Corrective Action Plan
For the Year Ended December 31, 2017

There were no findings for the year ended December 31, 2017; therefore, a corrective action plan was not needed.

Atlas Service Corps, Inc.

Schedule of Prior Audit Findings
For the Year Ended December 31, 2017

Atlas Corps did not require a Uniform Guidance audit for the year ended December 31, 2016.