March 21, 2023

The Board of Directors and Management
Eno Center for Transportation
Washington, D.C.

Management Letter

In planning and performing our audit of the financial statements of Eno Center for Transportation (the Foundation) as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis.

There were no material weaknesses identified during the audit.

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.

There were no significant deficiencies identified during the audit.

Other Recommendations and Observations

Status of Books and Records

Based on our audit procedures, we did not note any material weaknesses or significant deficiencies in internal control, including segregation of duties. We believe that the Foundation has appropriate policies and procedures and has instituted practical segregation of duties. Oftentimes, with smaller nonprofits, achieving appropriate segregation of duties is challenging, but we are comfortable with the Foundation's accounting structure.

7625 Wisconsin Avenue, Suite 317 | Bethesda, Maryland 20814

202.770.6371 | www.mullinspc.com | john@mullinspc.com

We found that the Foundation's staff was organized, available and prepared during the audit process. Based on our work, it was evident that the Foundation's staff was knowledgeable about the areas that make nonprofit GAAP challenging and had implemented procedures to ensure compliance with GAAP. We believe that the accounting operations are producing reliable financial information that the Foundation's leadership can rely on.

Current Year Comments:

Revenue recognition is a challenging and unique audit area for nonprofit organizations. Nonprofit organizations have two types of revenue recognition methods. The first type is revenue recognition is an exchange transaction whereby the resource provider (funder) receives commensurate value for the funds provided. Revenue is recognized when earned for exchange transactions. The other revenue recognition method is for contributions whereby the resource provider does not receive commensurate value in return for their contribution. Contributions are recognized when promised or paid. The distinction is recording revenue when earned or when paid / promised.

The Foundation has many contracts, agreements and grants with a variety of funders. Each of these arrangements needs to be analyzed to determine if the transaction is an exchange transaction or a contribution. This analysis focuses on the amount of commensurate value received by the resource provider.

During the audit, we increased contribution revenue by $30,000 for a contribution that was originally determined to be an exchange transaction and recorded as a deferred revenue liability.

It is important to analyze each agreement separately to identify each transaction as an exchange transaction or a contribution. Once that determination is made, the Foundation can properly record the revenue on a prospective basis.

Prior Year Comments:

Receivables

The Foundation has two types of receivables reported on its statement of financial position. The first type of receivable is accounts receivable generated from exchange transactions. Accounts receivable are recorded as revenue is earned through meeting contract milestones or incurring costs. The other type of receivable is grant and contribution receivables which are recorded as revenue when the grant or contribution is promised.

The Foundation recorded accounts receivable and grants and contributions receivable in the same receivable account within QuickBooks.

We recommend that the Foundation consider separating the accounts receivable and grants and contributions receivable in separate accounts to ensure that the revenue recognition criteria is clear. Using separate receivable accounts will assist the Foundation in ensuring that the revenue recognition criteria is clear for all funding types.

It is important to note that there were no audit findings related to revenue recognition during the audit.

Current Year Status:

The Foundation created new accounts for contributions receivable and resolved the issue.

Endowment Net Assets with Donor Restrictions

The year-end balance in the endowment net assets with donor restrictions was $552,008. The investment statements that hold the endowment net assets with donor restrictions totaled $563,842.

The difference with the endowment net assets with donor restrictions fund balance and the investment balance was $11,834.

The Foundation manages the endowment net assets with donor restrictions to reflect the investment statement balance. It appears that in a prior year a transfer from the investment accounts was not done which caused the fund balance to be misaligned with the investment statement balance. Having a variance between the fund balance and the investment statement is common and can be corrected by transferring the funds from the investment accounts that was missed in a prior year.

We recommend that the Foundation investigate the difference and transfer the funds from the investment accounts so that the fund balance agrees to the investment statements. Additionally, we recommend that the Foundation reconcile the fund balance to the investment statements on an annual basis.

Current Year Status:

The difference between the fund balance and the investment balance remains a difference of $11,834.

***

Mullin PC