



Certified Public Accountants

IRIDESCENT

Financial Statements
Year Ended December 31, 2018
Together with Independent Auditor's Report

IRIDESCENT
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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Iridescent

Report on Financial Statements

We have audited the accompanying financial statements of Iridescent, a California nonprofit corporation, which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, cash flows and functional expenses for the year 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 the 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 of 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 auditors' 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 Iridescent'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 Iridescent'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 Iridescent as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2019 on our consideration of Iridescent'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 Iridescent's internal control over financial reporting and compliance.



Los Angeles, California
July 10, 2019

**IRIDESCENT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	2,190,626
Prepaid expenses		23,031

TOTAL CURRENT ASSETS		2,213,657
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Property and equipment, net		52,520
Security deposits		2,890

TOTAL ASSETS	\$	2,269,067
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$	63,794
Accrued liability		11,250
Deferred revenue		625,000

TOTAL CURRENT LIABILITIES		700,044
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COMMITMENT

NET ASSETS

Without donor restrictions		1,339,690
With donor restrictions		229,333

TOTAL NET ASSETS		1,569,023
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TOTAL LIABILITIES AND NET ASSETS	\$	2,269,067
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The accompanying notes are an integral part of these financial statements.

**IRIDESCENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES			
Grants	\$ 3,223,502	\$ 229,333	\$ 3,452,835
Contributions	397,873	-	397,873
Program revenue	137,151	-	137,151
Others	5,828	-	5,828
	<u>3,764,354</u>	<u>229,333</u>	<u>3,993,687</u>
Net assets released from restrictions	-	-	-
TOTAL REVENUE	3,764,354	229,333	3,993,687
EXPENSES			
Program services	3,213,457	-	3,213,457
Management and general	273,540	-	273,540
Fundraising	297,423	-	297,423
	<u>3,784,420</u>	<u>-</u>	<u>3,784,420</u>
CHANGE IN NET ASSETS	(20,066)	229,333	209,267
NET ASSETS AT BEGINNING OF YEAR	<u>1,359,756</u>	<u>-</u>	<u>1,359,756</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,339,690</u>	<u>\$ 229,333</u>	<u>\$ 1,569,023</u>

The accompanying notes are an integral part of these financial statements.

**IRIDESCENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

OPERATING ACTIVITIES

Change in net assets	\$	209,267
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization and depreciation		30,609
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Grants and accounts receivable		118,165
Prepaid expenses		(16,751)
Increase (Decrease) in:		
Accounts payable		5,943
Accrued expenses		11,250
Deferred revenue		(76,315)
		282,168
NET CASH PROVIDED BY OPERATING ACTIVITIES		282,168
 INVESTING ACTIVITIES		
Purchase of property and equipment		(3,463)
		(3,463)
NET CASH USED IN INVESTING ACTIVITIES		(3,463)
 CHANGE IN CASH AND CASH EQUIVALENTS		 278,705
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,911,921
		2,190,626
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	2,190,626

The accompanying notes are an integral part of these financial statements.

**IRIDESCENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Advertising costs	\$ -	\$ -	\$ 138,670	\$ 138,670
Contract services	208,312	1,248	624	210,184
Employee benefits	134,677	19,709	9,854	164,240
Equipment expense	11,764	5,035	5,034	21,833
Insurance	7,885	1,154	577	9,616
Office expenses	26,472	8,056	6,010	40,538
Printing and copying	2,062	302	151	2,515
Professional development	10,297	1,507	753	12,557
Professional fees	112,321	3,511	21,134	136,966
Program materials & other	126,086	-	-	126,086
Promotion	146,382	-	-	146,382
Rent	52,019	7,613	3,806	63,438
Repair and maintenance	-	2,300	-	2,300
Salaries	1,436,912	210,280	105,140	1,752,332
Sub-award/grants to partners	554,842	-	-	554,842
Taxes	20	520	-	540
Travel	337,848	9,012	4,506	351,366
Utilities	15,913	2,329	1,164	19,406
Total before amortization and depreciation	<u>3,183,812</u>	<u>272,576</u>	<u>297,423</u>	<u>3,753,811</u>
Amortization and depreciation	29,645	964	-	30,609
TOTAL EXPENSES	<u>\$ 3,213,457</u>	<u>\$ 273,540</u>	<u>\$ 297,423</u>	<u>\$ 3,784,420</u>

The accompanying notes are an integral part of these financial statements.

**IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1: NATURE OF ORGANIZATION

Iridescent was incorporated in the State of California in 2006, as a nonprofit public benefit corporation.

Iridescent is a science, engineering, and technology education organization, empowering underrepresented children to become self-motivated learners and inventors. Since 2006, more than 120,000 children, parents, mentors, and educators have participated in its two global programs: Technovation Challenge program, the world's largest global tech entrepreneurship program for girls, and Curiosity Machine, also known as CM AI Family Challenge program. Iridescent has proudly trained more than 13,000 engineers and scientists to develop design challenges and/or mentor students and families. In recognition of its pioneering work for the collective impact in underserved communities, Iridescent received the prestigious 2015 Excellence in Mentoring award, a US2020 White House Initiative.

Iridescent conducts two programs – Technovation Challenge and CM AI Family Challenge:

- Through their Technovation Challenge program, Iridescent runs the world's largest global technology entrepreneurship program for middle and high school girls ages 10-18. Since 2009, over 30,000 girls from over 100 countries have created business plans and mobile apps to solve community problems.
- Iridescent's CM AI Family Challenge program is the first AI program for families where they identify a problem in their community and build an AI prototype. This is an extension of the Curiosity Machine program where families learn through hands-on open-ended science and engineering design challenges.

Iridescent has its office in Los Angeles and runs programs in other strategic locations around the U.S. and internationally through partnerships with other organizations and with the support of volunteers. In addition to grants and donations, the organization is also supported by volunteer mentors, coaches, educators and families around the world.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements of Iridescent have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

b. Basis of Presentation

Iridescent prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities, and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. The significant accounting and reporting policies used by Iridescent are described subsequently to enhance usefulness and understandability of the financial statements.

c. Cash and Cash Equivalents

Iridescent considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. Iridescent maintains its cash in bank and brokerage accounts with national financial institutions of high credit ratings. The balances in these accounts at times may exceed federally insured deposit limits. Iridescent has not experienced any losses in such accounts and believes it is not exposed to any significant risk on its cash.

**IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Receivables

Accounts receivables consist primarily of noninterest-bearing amounts due for services, educational and training programs. Iridescent determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

e. Property and Equipment, Depreciation and Amortization

Property, equipment and furniture are carried at cost or, if donated, at estimated fair value on the date of the gift. Depreciation is computed using the straight-line method over useful lives of three to ten years for equipment and furniture.

Iridescent capitalizes property and equipment with a cost of over \$1,000 and estimated life of three or more years. Iridescent capitalizes expenditures or betterments that materially increase asset lives and charge ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the related lease term.

Computer software and video library are amortized on a straight-line method over the estimated useful lives of three years for software and ten years for the video.

f. Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restriction, consistent with the nature of the restriction. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

h. Revenue and Revenue Recognition

Revenue is recognized when earned. Program service revenue is recognized when the qualifying costs are incurred for cost-reimbursement contracts or when a unit of service is provided. Therefore, Iridescent recognizes program income when services are performed and billed. Revenues collected in advance are deferred until earned. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

i. Donated Materials, Services and In-Kind Contributions

Donated materials and other non-cash contributions are recognized at their estimated market value at the date of receipt. Contributions of services are recognized when received if such services (a) enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not donated.

For the year ended December 31, 2018, Iridescent recorded the free use of a Google office space in Redwood City, CA for engineering classes as a contribution in kind. Likewise, for the same period, Iridescent recorded pro bono legal services from Gibson, Dunn & Crutcher LLP as contributions in-kind.

j. Functional Allocation of Expenses

The cost of providing Iridescent's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated based on an allocation study which encompasses factors such as square footage. Salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance and others are allocated on the basis of estimated time and effort.

Accordingly, certain costs have been allocated to program services, management and general and fundraising. The functional classifications are defined as follows:

Program service expenses - consist of costs incurred in connection with providing services and conducting programs.

**IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Functional Allocation of Expenses (continued)

Management and general expenses - include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Iridescent.

Fundraising expenses - are expensed as incurred, even though they may result in contributions received in future years. Iridescent generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

k. Income Taxes

Iridescent is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170 (b)(1)(A)(vi) and (viii), and has been determined not to be private foundation under IRC Sections 509(a). The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Iridescent has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

l. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

NOTE 3: FINANCIAL INSTRUMENTS AND CREDIT RISK

Deposit concentration risk was managed by placing cash, money market accounts and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, Iridescent has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from large corporations with strong performance histories, governmental agencies, and foundations supportive of the mission.

Iridescent maintains its cash balances at a single financial institution. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At December 31, 2018, Iridescent's uninsured cash balance was \$1,944,697.

**IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4: GRANTS RECEIVABLE

Grants receivable consists of unconditional promises to give that are expected to be collected in future years and grants classified as exchange transactions to the extent that allowable expenditures have been incurred, but reimbursement from the grantor has not yet been received. Grants receivable is reviewed for collectability and reserves for uncollectible amounts are established when needed. Management believes that all grants receivable amounts are fully collectible and therefore no reserve is reflected in these financial statements.

At December 31, 2018, the amount of grant receivable was \$0.

NOTE 5: PREPAID EXPENSES

Prepaid expenses consist of amounts paid in advance for items that had not yet occurred as of the end of the fiscal year period. The amount of prepaid expenses at December 31, 2018 was \$23,031.

NOTE 6: PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2018 consisted of the following:

		<u>Amount</u>
Computer software	\$	872,108
Building Improvements		64,891
Computer equipment		27,430
Video Library		93,777
Furniture and Equipment		<u>20,622</u>
		1,078,828
Less accumulated amortization and depreciation		<u>(1,026,308)</u>
Property and Equipment, net	\$	<u>52,520</u>

		<u>Cost Basis</u>		<u>Acc Dep</u>
Beginning Balance as of Jan 1, 2018	\$	<u>1,078,927</u>	\$	<u>999,261</u>
New in current year		3,463		30,609
Disposal in current year		(3,562)		(3,562)
Ending Balance as of Dec 31, 2018	\$	<u>1,078,828</u>	\$	<u>1,026,308</u>

Amortization and depreciation expense for the year ended December 31, 2018 amounted to \$30,609.

NOTE 7: SECURITY DEPOSIT

A security deposit in the amount of \$2,890 was paid by Iridescent for their studio lease and utilities. The security deposit will be refunded to Iridescent upon expiration and termination of the lease and services.

**IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8: ACCRUED LIABILITY

Accrued liability account pertains to expenses occurred but not paid as of December 31, 2018. The total accrued liability as of December 31, 2018 was \$11,250.

NOTE 9: DEFERRED REVENUE

Deferred revenue represents cash collected but not earned as of December 31, 2018. This is primarily comprised of revenues received in advance. If a program is conducted over more than one year, deferred revenue is recorded for all such revenue related to programs actually conducted in the next fiscal year.

As of December 31, 2018, the amount of deferred revenue of Iridescent was \$625,000.

NOTE 10: LEASE COMMITMENT AND RENT

Iridescent entered into a lease agreement to rent approximately 1,438 sq. ft. of rentable space for the Los Angeles (LA) Studio location.

The lease term is through May 31, 2019 at a rate of \$2,669.74 per month.

Future annual minimum lease payments are as follows:

2019	\$	13,349
Total	\$	<u>13,349</u>

The rent expense for this office space for the year ended December 31, 2018 is \$31,648.

Iridescent also leases co-working spaces in San Francisco. It is on a month-to-month basis, varies according to number of employees and there is no lease commitment for the organization.

The total rent expense, including the month-to-month rent, for the year ended December 31, 2018 is \$63,438.

NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions are restricted for the following purposes or period.

	December 31, 2018
Subject to both the passage of time and expenditure for permitted purpose:	
Technovation Project from Samsung Sponsorship	\$ 129,333
Curiosity Machine AI Family Challenge from McGovern Foundation	100,000
Total	\$ 229,333

NOTE 12: ADVERTISING COSTS

Advertising costs are expensed as incurred and included in the statement of functional expenses. For the year ended December 31, 2018, advertising costs amounted to \$138,670.

**IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 13: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>Amount</u>
Cash and cash equivalents	\$ <u>2,190,626</u>
Total	\$ <u>2,190,626</u>

As part of Iridescent's liquidity management plan, cash is retained in excess of daily requirements in short-term instruments such as, CDs, and money market funds. Occasionally, the Board may designate a portion of any operating surplus (if any) to its investments. As of December 31, 2018, the financial assets available for general expenditures totaled \$2,190,626.

NOTE 14: NEW ACCOUNTING PRONOUNCEMENTS

ASU 2016-14

In August 2016, the FASB issued ASU 2016-14. *Not-for-Profit Entities* (Topic 958). The main provisions of this update, which amend the requirements for financial statements and notes in topic 958, Not-for-Profit Entities, which are anticipated to impact Iridescent require a not-for-profit to:

- 1) Present net assets and the changes in net assets for two classes of net assets, net assets with restrictions and net assets without restrictions, rather than for the currently required three classes.
- 2) Provide enhanced disclosures regarding: the amounts and purposes of governing board designations that result in self-imposed limits on the use of resources, the composition of net assets with restrictions and how the restrictions affect the use of resources, qualitative information that communicates how the not-for-profit manages its liquid resources available to meet cash needs within one year of the statement of financial position date, and the methods used to allocate costs among program and support functions.

This amendment is effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early application of the amendments in this update is permitted. The amendments in this update should be applied on a retrospective basis in the year that the update is first applied. Iridescent is currently evaluating the impact of this new accounting standard on the financial statements.

NOTE 15: RELATED PARTY TRANSACTIONS

There were no related party transactions for the year ended December 31, 2018.

NOTE 16: RETIREMENT PLAN

Effective September, 2016, Iridescent provided a 401(k) and Roth plan to all eligible full-time exempt employees who have completed one (1) year of service and at least 21 years of age. Iridescent will make a matching contribution after two (2) years of services equal to 100% of the first 5% of compensation deferred with immediate vesting starting from May, 2019. The 401(K) plan expenses and relative administrative fee for the year ended December 31, 2018 were \$0 and \$753, respectively.

IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17: SUBSEQUENT EVENT

In accordance with ASC 855, subsequent events through July 10, 2019, the date of these financial statements were evaluated.

On or about August 2019, Iridescent intends to change its formal corporate name to Technovation. The Technovation Challenge program will be renamed Technovation Girls and the CM AI Family Challenge program will be renamed Technovation Families.

There were no material subsequent events that required recognition or additional disclosure in these financial statements.



Certified Public Accountants

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INDEPENDENT AUDITOR'S 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
Iridescent

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 Iridescent, a California nonprofit corporation, which comprised the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Iridescent'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iridescent's internal control. Accordingly, we do not express an opinion on the effectiveness of Iridescent'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 Iridescent'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 Iridescent'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 Iridescent's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Iridescent's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of Iridescent's Board of Directors and management, federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than the specified parties.



Los Angeles, California
July 10, 2019