

November 15, 2019 ^{1 2 3}

CliftonLarsonAllen LLP
220 South Sixth Street, Suite 300
Minneapolis, MN 55402

This representation letter is provided in connection with your audit of the financial statements of Bluffview Montessori School, which comprise the respective financial position of the governmental activities and each major fund as of June 30, 2019, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).⁴

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of November 15, 2019⁵, the following representations made to you during your audit of the financial statements as of and for the year ended June 30, 2019.

Financial Statements

¹ The date of this letter, the date of the auditors' report, and the date disclosed in the financial statements through which management evaluated subsequent events should be the same to provide adequate documentation of management's acceptance of responsibility for the financial statements. The auditor cannot date the report before obtaining sufficient evidence, which includes (1) evidence provided by the management representation letter that management has taken responsibility for the financial statements, including evaluating subsequent events, (2) and evidence that subsequent events have been reviewed through the report date.

² AU-C Section 560, Subsequent Events and Subsequently Discovered Facts, addresses circumstances when the auditor includes an additional date on the auditors' report (that is, dual-dates the auditors' report for a revision relating to a subsequent event). In such circumstances, the auditor may determine that obtaining additional representations relating to the subsequent event is appropriate. (AU-C 580.A17)

³ This is linked to the "Charge code" in the binder properties.

⁴ Modify if the applicable reporting framework is not U.S. GAAP.

⁵ This is linked to the "Charge code" in the binder properties.

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 31, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.⁶
2. We acknowledge and have fulfilled our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.^{7 8}

⁶ Modify if the applicable reporting framework is not U.S. GAAP.

⁷ According to AU-C 540.A126, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures, audit evidence can include obtaining representations from management about whether it believes that the significant assumptions used in making accounting estimates are reasonable. Additionally, according to AU-C 580.A13, such written representations might address the following:

- The appropriateness and consistency of the measurement processes used by management in determining accounting estimates.
- That the assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
- That the disclosures related to accounting estimates are complete and appropriate.
- That no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.

⁸ AU-580.A14 states that for those accounting estimates not recognized or disclosed in the financial statements, written representations also may include representations about the following:

- The appropriateness of the basis used by management for determining that the criteria of the applicable financial reporting framework for recognition or disclosure have not been met.

5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
6. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.⁹
7. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements or in the schedule of findings and questioned costs.¹⁰
1. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. One uncorrected misstatement relates to the General Fund as follows:

▪ DR TRA Pension Expense	\$5,080
▪ CR Revenue from other State Agencies	\$5,080
8. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, or which would affect federal award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.
9. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.

-
- The appropriateness of the basis used by management to overcome a presumption relating to the use of fair value set forth under the entity's applicable financial reporting framework for those accounting estimates not measured or disclosed at fair value

⁹ Modify if the applicable reporting framework is not U.S. GAAP.

¹⁰ AU-C 560, Subsequent Events and Subsequently Discovered Facts, addresses circumstances when the auditor includes an additional date on the auditors' report (that is, dual-dates the auditors' report for a revision relating to a subsequent event). In such circumstances, the auditor may determine that obtaining additional representations relating to the subsequent event is appropriate. (AU-C 560.13)

If a subsequent event has been disclosed in the financial statements, this item may be modified to begin, "Except as disclosed in Note X to the financial statements, . . ."

10. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
11. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Complete minutes of the meetings of the board of education and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices. Omit if no such communications.
 - f. All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements. Omit if no such communications.
 - g. Access to all audit or relevant monitoring reports, if any, received from funding sources.
2. All transactions have been recorded in the accounting records and are reflected in the financial statements.¹¹
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

¹¹ Management's representations may be limited to matters that are considered either individually or collectively material to the financial statements, provided management and the auditor have reached an understanding on materiality for this purpose. (AU-C 580.A22)

4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:¹²
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.¹³
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse whose effects should be considered when preparing financial statements.
7. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, or which would affect federal award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.
8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.¹⁴

¹² The wording of this representation may need to change, when necessary, to say "Except as disclosed to you, . . ."

¹³ The wording of this representation may need to change, when necessary, to say "Except as disclosed to you, . . ."

The item could be modified as follows: "Except for the allegation discussed in the minutes of the November 16, 20X1 meeting of the board of directors (or disclosed to you at our meeting on November 16, 20X1), we have no knowledge of any allegations of fraud, or suspected fraud affecting, the entity's financial statements received in communications from employees, former employees, grantors, regulators, or others.."

¹⁴ AU 580.A15 identifies circumstances in which it may be appropriate to obtain written representations about related parties from those charged with governance in addition to management include the following:

- When they have approved specific related party transactions that (a) materially affect the financial statements or (b) involve management

10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. We have a process to track the status of audit findings and recommendations. [Representation required by Government Auditing Standards.]
12. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented. [Representation required by Government Auditing Standards.]
13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Bluffview Montessori School, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
14. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
15. The entity has complied with all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.
16. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
17. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

-
- When they have made specific oral representations to the auditor on details of certain related party transactions
 - When they have financial or other interests in the related parties or the related party transactions

In addition, AU 580.A16 states the auditor also may decide to obtain written representations regarding specific assertions that management may have made, such as a representation that specific related party transactions do not involve undisclosed side agreements.

18. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
19. The financial statements properly classify all funds and activities.
20. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
21. Components of net position (net investment in capital assets; restricted; and unrestricted), nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
22. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
23. Provisions for uncollectible receivables have been properly identified and recorded.
24. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
25. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
27. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
28. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
29. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
30. We have appropriately disclosed the entity's accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

31. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
32. We acknowledge our responsibility for presenting the supplementary information in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.¹⁵
33. As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
34. In regards to the financial statement drafting services performed by you, we have:¹⁶
 - a. Made all management judgments and decisions and assumed all management responsibilities.
 - b. Designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee the services.
 - c. Evaluated the adequacy and results of the services performed.

¹⁵ If CLA has been engaged to report on supplementary information, AU-C 725 requires written representations from management. If the supplementary information is prepared in conformity with criteria other than U.S. GAAP, replace the references to U.S. GAAP with the criteria used for preparation of the information.

If the methods of measurement or presentation have changed from those in the prior period, obtain representations for the reasons for such change.

If there is no supplementary information, or if CLA has not been engaged to report on the information, delete this item.

¹⁶ Ethics Interpretation 101-3, Performance of Nonattest Services, requires the client to assume all management responsibilities in connection with nonattest services. If applicable, consider including this representation. Modify as appropriate. Omit if not applicable.

- d. Accepted responsibility for the results of the services.

35. With respect to federal award programs, as applicable:

- a. We are responsible for understanding and complying with, and have complied with the requirements Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
- b. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, including expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance. The total federal awards expended for all programs is less than \$750,000. An audit in accordance with the Uniform Guidance is not required.
- c. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- e. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- f. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- g. We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
- h. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material

compliance requirements, including communications received from the end of the period covered by the audit to the date of the auditors' report.

- i. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- j. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and OMB Circular A-87, *Cost Principles State, Local, and Tribal Governments*. [Modify this item depending on which regulation(s) the organization's federal grants follow.].
- k. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- l. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- m. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- n. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- o. We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.
- p. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- q. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- r. We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance. [Omit this item if there are no subrecipients.]
- s. We have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of

- acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient. [Omit this item if there are no subrecipients.]
- t. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records. [Omit this item if there are no subrecipients.]
 - u. We have charged costs to federal awards in accordance with applicable cost principles.
 - v. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
 - w. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations. [Omit this item if there are no service organizations.]
36. The entity has complied with Minnesota statutes relating to depositories of charter schools and uniform financial accounting and reporting standards (UFARS) for school districts. [Use for charter schools. Omit if not applicable.]
37. We are responsible for the reconciliation of UFARS finance system data to the EDRS data entry system for the applicable state and federal entitlement programs and such amounts are materially in agreement between these two separate data systems for the fiscal year ended June 30, 2019.
38. Average daily membership is estimated as follows for the fiscal year ended June 30, 2019: applicable.]
- | | |
|-------------------|---------------|
| a. Elementary K-6 | 174.69 |
| b. Secondary 7-8 | <u>37.78</u> |
| Total ADM | <u>212.47</u> |

Signature:

Title:

17

¹⁷ The representation letter should be signed by members of management that have overall responsibility for financial and operating matters and knowledge of the matters covered by the representations. This normally

Signature:

Title:

Signature:

Title:

[INSERT ATTACHMENT RELATED TO SUMMARY OF UNCORRECTED MISSTATEMENTS IF APPLICABLE]

includes the executive director and chief financial officer or other equivalent persons for entities that do not use such titles. (AU-C 580.A2)

For small nonprofit organizations, the representation letter is generally signed by the current executive director. If the small nonprofit organization has a controller or chief financial officer, the auditor might consider having that person sign the letter also. Also, it is not unusual to obtain separate representations from board members on certain matters such as related party transactions.