

Board of Directors
California Association for Bilingual Education

Ladies and Gentlemen:

We have audited the financial statements of California Association for Bilingual Education (CABE) as of June 30, 2015 and for the year then ended, and have issued our report thereon dated February 26, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of CABE solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

During our audit, we became aware of other matter that is opportunity to strengthen your internal control and improve the efficiency of your operations. We have provided our comment regarding this other matter noted during our audit in Schedule 1. CABE's written response to the other matter identified in our audit has not been subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing CABE's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope, except in i3 grant related disbursement sample size, and timing we previously communicated to you in our engagement letter. The principal areas of audit emphasis were as follows:

- Cash, certificate of deposits, investments and related investment income
- Grants receivable and accounts receivable
- Property and depreciation
- Note payable and related interest expense
- Net assets and restrictions
- Program income and membership dues
- Payroll and payroll related expenses

There were no changes to our planned approach or audit areas of emphasis.

In our audit of the financial statements, we obtained an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of CABE's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

In planning the audit, the materiality limit is viewed as the maximum aggregate amount of pretax misstatements, which if not detected and not corrected, would cause us to modify our opinion on the financials statements. The materiality limit is an allowance not only for misstatements that will be detected and not corrected but also for misstatements that may not be detected by the audit. Our assessment of materiality throughout the audit was based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements of future periods.

Audit field work was performed in the month of November 2015.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

Our independence policies and procedures are designed to provide reasonable assurance that our firm personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence.

Qualitative Aspects of CABE's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by CABE is included in the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain

accounting estimates can be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The accounting estimates affecting the financial statements are as follows:

- Fair value of investments
- Accounts receivable allowance
- Useful life of capital assets and depreciation
- Functional expense allocation

Management's estimate of the fair value of Level 1 financial assets such as mutual funds are stated at net asset value (NAV) as reported by fund managers and securities based on quoted market prices. Allowance for accounts receivable is estimated by management based on factors such as prior collection history and probability of collection. Management's estimate of depreciation is based on useful life of each asset class. Management's estimate of functional expenses is based on expense account groupings and department use of facilities. We evaluated the key factors and assumptions used to develop the estimates and determined that they were reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting CABE's financial statements are:

- Contributions receivable
- Net assets and restrictions, including endowment
- Schedule of functional expenses

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to CABE's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with CABE, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting CABE, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the CABE's auditors.

This report is intended solely for the information and use of the Board of Directors and management of CABE and is not intended to be and should not be used by anyone other than these specified parties. Future accounting pronouncements and regulatory matters are included in Schedule 2 for your information and reference.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".**CliftonLarsonAllen LLP**

Pasadena, California
February 26, 2016

Schedule 1

Other Matter

1. Policies

2015 Finding: CABE does not have the following policies:

- a. Gift acceptance policy
- b. Endowment investment and spending policy

2015 Recommendation: We suggest that CABE formalize the policies above. CABE should consider the Board's interpretation of the Uniform Prudent Management of Institutional Funds Act when formulating an investment and spending policy for the endowment.

2015 Management Response: Management has drafted gift acceptance and endowment investment and spending policies and procedures. These policies will be brought to the next Board of Director meeting on March 22, 2016 for review and approval.

Schedule 2

Future Accounting Pronouncements and Regulatory Matters

1. Accounting and Auditing

On the Horizon – Accounting Pipeline

a. **FASB Issues Proposed Amendments for Not-For-Profit Entity Financial Reporting**

In April 2015, the FASB issued the proposed Accounting Standards Update (ASU), *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities*. The comment period closed on August 20, 2015.

The proposed amendments would change several of the requirements for financial statements and notes in Topic 958, *Not-for-Profit Entities*, as well as certain requirements in Topic 954, *Health Care Entities*. Certain amendments would add new requirements or replace existing requirements, and others would remove existing requirements or provide greater flexibility in complying with the requirements. The main provisions would require a not-for-profit entity to do the following:

- 1) Present on the face of the statement of financial position amounts for two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) at the end of the period, rather than for the currently required three classes.
- 2) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes.
- 3) Present on the face of the statement of activities two additional amounts (subtotals) of the operating activities that are associated with changes in net assets without donor restrictions: (1) operating revenues, support, expenses, gains, and losses that are without donor-imposed restrictions and is before internal transfers; and (2) the effects of internal transfers resulting from governing board designations, appropriations, and similar actions that place (or remove) self-imposed limits on the use of resources that make them unavailable (or available) for current-period operating activities.
- 4) Present on the face of the statement of cash flows the net amount for operating cash flows using the direct method of reporting.
- 5) Classify certain cash flows differently than how they are classified under current guidance, as follows: (a) classify as operating cash flows (rather than as investing cash flows) those cash flows resulting from (1) purchases of long-lived assets, (2) contributions restricted to acquire long-lived assets, and (3) sales of long-lived assets; (b) classify as financing cash flows (rather than as operating cash flows) those cash flows resulting from payments of interest on borrowings, including cash management activities; and (c) classify as investing cash flows (rather than as operating cash flows) those cash flows resulting from receipts of interest and dividends on loans and investments other than those made for programmatic purposes.

- 6) Provide enhanced disclosures.
- 7) Use the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.
- 8) Report investment income net of external and direct internal investment expenses.
- 9) The proposed amendments would be applied on a retrospective basis. The effective date, and whether it should be the same for all not-for-profit entities, as well as whether early adoption would be permitted, will be determined by the FASB after considering stakeholders' feedback on this proposal.

b. Financial Instruments

The purpose of this project is to significantly improve the decision usefulness of financial instrument reporting for users of financial statements. The project will replace FASB's and the IASB's respective financial instruments standards with a common standard. The boards believe that simplification of the accounting requirements for financial instruments should be an outcome of this improvement. The project comprises three subparts. The status of those is as follows:

Financial instruments classification and measurement. The objective is to improve financial reporting by providing a comprehensive measurement framework for classifying and measuring financial instruments. An initial exposure draft was issued in 2010. A proposed ASU was issued for re-exposure on February 14, 2013, with a comment deadline of May 15, 2013. The proposed standard is currently being re-deliberated by the FASB board.

Financial instruments hedging exposure draft issued in 2008. In 2011, FASB issued an Invitation to Comment with regard to the project. At this point, the board is deliberating the topic.

Financial instruments impairment. This discusses financial assets that are not accounted for at fair value through net income and are exposed to potential credit risk. Loans, debt securities, trade receivables, lease receivables, loan commitments, reinsurance receivables, and any other receivables that represent the contractual right to receive cash would generally be affected by the proposed amendments. The comment deadline was April 30, 2013. The proposed standard is currently being re-deliberated by the FASB board.

c. Leases

The purpose of this project is to develop a new approach to lease accounting that would ensure that assets and liabilities arising under leases are recognized in the statement of financial position. The proposed standard is currently being re-deliberated by the FASB board.

d. Accounting for Goodwill for Public Business Entities and Not-for-Profits

The objective of this project is to reduce the cost and complexity of the subsequent accounting for goodwill for public business entities and NFPs. On November 25, 2013, the board added accounting for goodwill for public business entities and NFPs to the agenda. No documents have been issued to date.

e. Disclosure Framework

The objective of this project is to improve the effectiveness of disclosures in notes to financial statements by clearly communicating the information that is most important to users of each entity's financial statements. The proposed standard is currently being re-deliberated by the FASB board.

2. Accounting Issues and Developments

a. Revenue Recognition

In May 2014, FASB and International Accounting Standards Board (IASB) issued their converged standard on revenue recognition (ASU 2014-09). ASU No. 2014-09 is based on the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

Impact on nonprofits: a) Contributions are excluded from the standard because a donor is not considered a customer, b) Certain transactions that have an element of an exchange and contribution (e.g., special events like golf), may require bifurcation between an exchange transaction and a contribution, c) under the terms of some government grants, the government may not be considered a customer. Non public entities must adopt the new guidance effective for annual reporting periods beginning after December 15, 2018.

b. Pushdown Accounting

ASU No. 2014-17, *Business Combinations (Topic 805): Pushdown Accounting*, was issued in November 2014. This ASU permits an acquired entity (this term includes a not-for-profit activity or business that an NFP acquirer obtains control of in an acquisition) to elect to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. An acquired entity electing to apply pushdown accounting would reflect in its separate financial statements the new basis of accounting established by the acquirer for the individual assets and liabilities of the acquired entity. ASU No. 2014-17 is effective as of its issuance date, November 18, 2014.

c. Going Concern

FASB issued ASU No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, to address management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU No. 2014-15 is effective for the annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted.

d. Reporting on Discontinued Operations

During 2014, FASB issued ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The ASU amends existing guidance relating to the definition of discontinued operations and the disclosures required for discontinued operations. The guidance also adds new disclosure for disposals of significant components that don't meet the new definition of discontinued operations. The current definition of discontinued operations is changed by the amendments in ASU No. 2014-08 so that only disposals of

components that represent major strategic shifts qualify for discontinued operations reporting. Non public entities should apply the amendments in this ASU prospectively to both of the following:

- All disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015.
- All businesses or not-for-profit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015

e. Extraordinary Items

In January 2015, FASB issued ASU No. 2015-01, *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*, as a portion of its simplification initiative. This ASU eliminates from GAAP the concept of extraordinary items previously contained in FASB ASC 225-20, *Income Statement—Extraordinary and Unusual Items*. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015.

3. OMB A-133 Single Audits

The Office of Management and Budget (OMB) issued the long-awaited grant reform rules on December 26, 2013. This guidance, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (final rule), streamlines and consolidates into one document the guidance from a number of circulars, including Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (A-133). The final rule is effective for audits of fiscal years ending on or after December 31, 2015.

Significant changes in relation to OMB Circular A-133 requirements are as follows:

- The threshold for a single audit increases from \$500,000 to \$750,000 or more of federal awards in a fiscal year.
- The type A/B Major Program determination threshold increases from \$300,000 to \$750,000 or more of federal awards expended (minimum).
- Revisions to the steps taken in the determination of major programs to be tested and the percentage of coverage required for low and high risk auditees.
- An increase in the questioned costs reporting threshold from \$10,000 to \$25,000.
- Consolidation of guidance and requirements, which resulted in additional terminology and changes to the descriptions for certain requirements.

4. Tax and Regulatory

Exempt Organizations Update

The Exempt Organization (EO) Division of the Internal Revenue Service has posted their work plan at www.irs.gov (EO Implementing Guidelines and Work Plan). Below are some of the 2013 projects and initiatives that EO has identified that can affect nonprofit organizations.

National Research Program (NRP)

FY 2013 is the third and final year of this IRS-wide research project on employment tax compliance.

Using Form 990 Information in Compliance Efforts

In 2008, the IRS released a new version of the Form 990 designed to promote transparency and improve compliance. The form requires filing organizations to supply more in-depth information than previous versions. The IRS is using this information to develop potential indicators of noncompliance for use in the examination process. Once developed, these potential indicators must be tested, and the IRS is in the early stages of that process. The following are compliance projects worked in FY 2012 that drew on data from the Form 990 and tested the indicators of potential noncompliance:

- a. ***Charitable spending initiative*** - The IRS used data from Form 990 to focus on the sources and uses of funds in the charitable sector and their relationship to charitable accomplishments (for example, relatively large fundraising amounts when compared with the expenditures for the NFP's charitable programs). They also will focus on NFPs reporting substantial income from fundraising but with little or no fundraising expenses.
- b. ***Compensation transparency*** - The IRS has now focused on NFPs reporting high annual gross receipts with very low total compensation to all officers, directors, trustees, and key employees. The IRS's concern is whether some organizations may be circumventing the goal of transparency by improperly reporting compensation levels.
- c. ***Political activity*** - The IRS developed indicators of potential noncompliance in this area. These indicators are now being tested and applied.
- d. ***Form 990-T and UBI*** - The IRS's concern is whether organizations are accurately reporting their sources of UBI and correctly allocating and deducting expenses associated with it.

The bottom line message from the IRS to NFPs and practitioners alike is that the IRS uses Form 990 responses to select returns for examination, so a complete and accurate return is in the best interest of the NFP. Additional information on these and other topics, as well as the complete EOD 2013 Work Plan, is available at http://www.irs.gov/pub/irs-tege/FY2012_EO_AnnualRpt_2013_Work_Plan.pdf.

2015-2016

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Garcia Hernández Sawhney, LLP

February 26, 2016

To CliftonLarsonAllen LLP:

This representation letter is provided in connection with your audits of the financial statements of California Association for Bilingual Education (CABE) which comprise the statements of financial position as of June 30, 2015 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion 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).

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 the 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 that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of February 26, 2016:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We acknowledge 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. In regards to nonaudit services performed by you, we acknowledge and our responsibility to:
 - a. Made all management judgements and decisions and assumed all management responsibilities;
 - b. Designated an individual who possesses suitable skill, knowledge, or experience to understand and oversee the services;
 - c. Evaluate the adequacy and results of the services performed; and
 - d. Accept responsibility for the results of the services.
5. Significant assumptions used by us in making accounting estimates are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. There have been no events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. We have not identified or been notified of any uncorrected financial statement misstatements.
9. 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.
10. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All assets and liabilities under CABE's control are included in the financial statements.
12. Net assets presented in the statements of financial position are appropriately classified, and reclassifications between net asset classes are appropriate.
13. We have maintained the composition of CABE's assets in amounts needed to comply with all donor restrictions.
14. CABE's disclosed tax exempt status is accurate.
15. The basis used for the allocation of functional expenses is reasonable.
16. Internal controls over the receipt and recording of contributions are adequate.

Information Provided

17. 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, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - 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 governing board and related committees;
 - e. All communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices;
 - f. Access to all audit or relevant monitoring reports, if any, received from funding sources;
18. All transactions have been recorded in the accounting records and are reflected in the financial statements.
19. 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.
20. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors, regulators, or others.
21. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.


22. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
23. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
24. We have a process to track the status of audit findings and recommendations.
25. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
26. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
27. We have no knowledge of any allegations of fraud, or suspected fraud, affecting CABE's financial statements communicated by employees, former employees, vendors, regulators, or others.
28. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
29. We have disclosed to you the identity of CABE's related parties and all the related party relationships and transactions of which we are aware.
30. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
31. CABE has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
32. We have disclosed to you all guarantees, whether written or oral, under which CABE is contingently liable.
33. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts.
34. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with FASB Accounting Standards Codification™ (ASC) 450, *Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC-450.
35. CABE has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
36. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

OMB Circular A-133

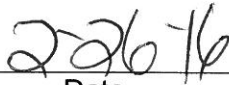
37. With respect to federal awards, we represent the following to you:
 - a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133.
 - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133.

- c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133.
- d. The methods of measurement or presentation have not changed from those used in the prior period.
- e. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
- f. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
- g. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- h. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
- i. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
- j. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
- k. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
- l. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- m. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- n. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the U.S. Office of Management and Budget Circular A-21, *Cost Principles Educational Institutions*, and the U.S. Office of Management and Budget's, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.

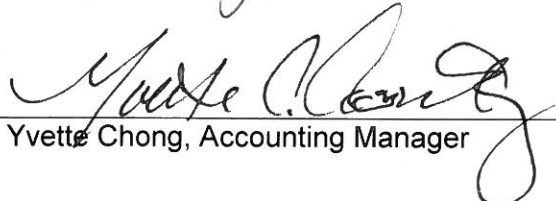
- o. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- p. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- 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 are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133, 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.
- s. 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 compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- t. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a correction action plan for each audit finding.
- u. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- v. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.



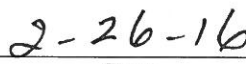
Jan Gustafson Corea, CEO



Date



Yvette Chong, Accounting Manager



Date