

July 31, 2023

United Way of Washington County-East  
1825 Curve Crest Blvd  
Stillwater, MN 55082

This letter is to confirm and specify the terms of our engagement and to clarify the nature and extent of the tax services we will provide for the year ended June 30, 2023.

Our engagement is limited to the preparation of the federal and selected state income tax returns. The following state(s) will be prepared as part of this engagement:

- Minnesota

The engagement letter does not cover the preparation of any financial statements, which, if we are to provide, will be covered under a separate engagement letter.

You are responsible for the safeguarding of assets, the proper recording of transactions in the books of accounts, the substantial accuracy of the financial records, and the full and accurate disclosure of all relevant facts affecting the tax returns. You also have final responsibility for the tax returns. You are responsible for making all management decisions and performing all management functions.

Please be aware that if the organization had a taxable presence in more than one state, such as having an employee or sales within the state or owning or renting any property within the state, then your organization may be required to register in the state. The organization also may be subject to state or local income, sales, use or franchise tax in that state, depending upon the particular facts. Please note that it is the organization's responsibility, not Smith Schafer and Associates, Ltd.'s, to determine if assistance is needed in deciding whether the organization must register or may be liable for state or local income, sales, use or franchise tax or may have a filing requirement in various states.

Our work in connection with the preparation of the tax returns does not include any procedures designed to discover fraud or other irregularities. The tax returns will be prepared solely from information provided to us without verification by us.

Any dispute (other than our efforts to collect an outstanding invoice) that may arise regarding the meaning, performance or enforcement of this engagement or any prior engagement that we have performed for you, will, prior to resorting to litigation, be submitted to mediation, and the parties will engage in the mediation process in good faith. Any mediation initiated as a result of this engagement shall be administered by a mutually agreed upon mediator, according to its mediation rules, and any ensuing litigation shall be conducted, according to Minnesota law, in Hennepin County, Minnesota.

The results of any such mediation shall be binding only upon agreement of each party to be bound. The parties participating in the mediation shall bear their own costs, except that any charges assessed by the mediation organization shall be shared equally by the participating parties.

June 28, 2023

Board of Directors  
**United Way of Washington County-East, Inc.**  
1825 Curve Crest Blvd.  
Stillwater, MN 55082

You have requested that we audit the basic financial statements of United Way of Washington County-East, Inc., which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ending, and the related notes to the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

#### **Auditor Responsibilities**

We will conduct our audit in accordance with GAAS. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We may advise management about appropriate accounting principles and their application, and we may assist in the assembly of your financial statements. However, management has the final responsibility for the selection and application of accounting policies and the fair presentation of financial statements that reflect the nature and operation of United Way of Washington County-East, Inc.

## **United Way of Washington County-East, Inc.**

Page 2

### **Auditor Responsibilities (Continued)**

- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Washington County-East, Inc.'s ability to continue as a going concern for a reasonable period of time.

Our engagement is not designed to detect immaterial misstatements, including those caused by error, fraud, theft, illegal acts, any wrongdoing within the entity, or noncompliance with laws and regulations. However, we will inform the appropriate level of management and those charged with governance, as AICPA professional standards require, of material errors, evidence of fraud, or information that come to our attention that indicates fraud may have occurred. In addition, we will discuss with you and, when appropriate, those charged with governance, matters involving noncompliance or suspected noncompliance with laws and regulations that come to our attention during the course of the audit, or through information provided by other parties, unless they are clearly inconsequential.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of United Way of Washington County-East, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants that could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit, and accordingly, we will not express such an opinion.

### **Management Responsibilities**

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

- a) For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b) 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c) To provide us with:
  - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
  - ii. Additional information that we may request from management for the purpose of the audit;
  - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
- d) For including the auditor's report in any document containing financial statements that indicates that such financial statements have been audited by us;
- e) For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;

**Management Responsibilities (Continued)**

- f) For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
- g) For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
- h) For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
- i) For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials; and
- j) For the accuracy and completeness of all information provided.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

***Nonattest Services***

With respect to any nonattest services we perform the following:

- Prepare Organization's federal and state information returns for the year ending June 30, 2023
- Recommend bookkeeping adjusting journal entries
- Prepare the financial statements and related notes
- Review Organization's procedures and documentation related to implementation of ASC 842, Leases
- Assist Organization in documenting their procedures related to implementation of ASC 842, Leases
- Provide general business consultation as requested by you from time to time

We will not assume management responsibilities on behalf of United Way of Washington County-East, Inc. However, we will provide advice and recommendations to assist management of United Way of Washington County-East, Inc. in performing its responsibilities.

United Way of Washington County-East, Inc.'s management is responsible for (a) making all management decisions and performing all management functions; (b) designating an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services; (c) evaluating the adequacy of the services performed; (d) accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the nonattest services are as follows:

- We will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the AICPA.
- The nonattest services are limited to the services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our firm will advise United Way of Washington County-East, Inc. with regard to tax positions taken in the preparation of the tax return, but United Way of Washington County-East, Inc. must make all decisions with regard to those matters.

**United Way of Washington County-East, Inc.**

Page 4

**Management Responsibilities (Continued)**

**Reporting**

We will issue a written report upon completion of our audit of United Way of Washington County-East, Inc.'s basic financial statements. Our report will be addressed to the Board of Directors of United Way of Washington County-East, Inc. We cannot provide assurance that an unmodified opinion will be rendered. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement without expressing an opinion.

**Other**

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

You agree to provide us with a draft of any document that will contain, accompany or incorporate by reference the audited financial statements and our auditor's report thereon prior to the issuance of such document to third parties. You agree not to issue such document until we have provided our permission to do so.

Our responsibility for other information in documents containing the audited financial statements and our auditor's report does not extend beyond the financial information identified in our report. We have no responsibility for determining whether such other information contained in these documents is fairly stated and will not express an opinion or provide any form of assurance thereon. We will read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or whether the other information appears to be materially misstated. If we receive the other information prior to the date of our auditor's report on the financial statements, our auditor's report will describe our responsibilities related to the other information. If, based on procedures we perform, we conclude that an uncorrected material misstatement of the other information exists, we will describe it in our report.

In the interest of facilitating our services to you, we may send data over the Internet, temporarily store electronic data via computer software applications hosted remotely on the Internet, or utilize cloud-based storage. Your confidential electronic data may be transmitted or stored using these methods. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and electronic data secure in accordance with our obligations under applicable laws, regulations, and professional standards.

You recognize and accept that we have no control over the unauthorized interception or breach of any communications or electronic data once it has been transmitted or if it has been subject to unauthorized access while stored, notwithstanding all reasonable security measures employed by us. You consent to our use of these electronic devices and applications during this engagement.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

**Other (Continued)**

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

Jill Schultz is the engagement principal for the audit services specified in this letter. Their responsibilities include supervising the Smith, Schafer & Associates, LTD's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees for these services will be computed at our standard hourly rates and, together with any out-of-pocket costs, will be billed to you on a monthly basis. In addition to our fees for the audit services described above, all matters related to the assistance to Organization's management related to the adoption of the new lease standard pursuant to ASC 842, including calculations, adjustments and disclosures will be accounted for and billed separately. Our invoices for these fees will be rendered each month as work progresses and are payable within thirty days. A finance charge at an annual rate of 18% will be added to any balance over thirty days old.

We will communicate to management and those charged with governance in a separate letter those significant deficiencies or material weaknesses in internal control relevant to the audit of financial statements that we have identified during our audit and that are required to be communicated under AICPA professional standards. This communication of internal control related matters is intended solely for the information and use of management, the audit committee or those charged with governance. The communication is not intended to be, and should not be, distributed to anyone other than these specified parties.

The audit documentation for this engagement is the property of Smith, Schafer & Associates, LTD. and constitutes confidential information. However, we may be requested to make certain audit documentation available to regulators pursuant to authority given to it by law or regulation, or to peer reviewers.

If requested, access to such audit documentation will be provided under the supervision of Smith, Schafer & Associates, LTD's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to regulators. The regulators may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

It is our policy to keep records related to this engagement for seven years. However, Smith, Schafer & Associates, LTD does not keep any original client records, so we will return those, if any, to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

**Other (Continued)**

We reserve the right to withdraw from the engagement without completing services for any reason, including, but not limited to, non-payment of fees, your failure to comply with the terms of this Agreement, or as we determine professional standards require. If our work is suspended or terminated, you agree that we will not be responsible for your failure to meet governmental and other deadlines, or for any liability, including but not limited to, penalties or interest that may be assessed against you resulting from your failure to meet such deadlines. If this engagement is terminated before services are completed, you agree to compensate us for the services performed and expenses incurred through the effective date of termination.

Smith, Schafer & Associates, LTD's liability for all claims, damages, and costs arising from this engagement is limited to two times the total amount of fees paid by you to Smith, Schafer & Associates, LTD for the service giving rise to this liability. If there are no fees charged to you by Smith, Schafer & Associates, LTD, notwithstanding anything to the contrary in this agreement, Smith, Schafer & Associates, LTD shall not be liable for any lost profits, indirect, special, incidental, punitive or consequential damages of any nature even if we have been advised by you of the possibility of such damages.

You agree to hold us harmless from any and all claims which arise from knowing misrepresentations to us, or the intentional withholding or concealment of information from us by your management. You also agree to indemnify us for any claims made against us by third parties, which arise from any of these actions by your management. The provisions of this paragraph shall apply regardless of the nature of the claim.

To ensure that Smith, Schafer & Associates, LTD's independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement principal before entering into any substantive employment discussions with any of our personnel.

Any dispute (other than our efforts to collect an outstanding invoice) that may arise regarding the meaning, performance or enforcement of this engagement or any prior engagement that we have performed for you, will, prior to resorting to litigation, be submitted to mediation, and the parties will engage in the mediation process in good faith.

Any mediation initiated as a result of this engagement shall be administered within Hennepin County, Minnesota, by a mutually agreed upon mediator, according to its mediation rules, and any ensuing litigation shall be conducted within said county, according to Minnesota law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The parties participating in the mediation shall bear their own costs, except that any charges assessed by the mediation organization shall be shared equally by the participating parties.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

**United Way of Washington County-East**

**Client No: 47103**

Page 2

It is our policy to keep records related to this engagement for seven years. However, Smith Schafer and Associates, Ltd. does not keep any original client records, so we will return those, if any, to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies. By your signature below, you acknowledge and agree that upon expiration of the seven-year period Smith Schafer and Associates, Ltd. shall be free to destroy our records related to this engagement.

These tax returns may be selected for review by the taxing authorities. In the event of an audit, you may be requested to produce documents, records, or other evidence to substantiate the items of income and deduction shown on a tax return. In the event of a tax examination, we will be available to represent you. However, such additional services are not included in the fees for the preparation of the tax returns.

Our fees for these tax return services, unless otherwise presented, will be computed at our standard hourly rates and, together with any out-of-pocket costs, will be billed to you on a monthly basis as work progresses and are payable within thirty days. A finance charge at an annual rate of 18% will be added to any balance over thirty days old.

Smith Schafer and Associates, Ltd.'s liability for all claims, damages, and costs arising from this engagement is limited to two times the total amount of fees paid by you to Smith Schafer and Associates, Ltd. for the service giving rise to this liability. If there are no fees charged to you by Smith Schafer and Associates, Ltd., notwithstanding anything to the contrary in this agreement, Smith Schafer and Associates, Ltd. shall not be liable for any lost profits, indirect, special, incidental, punitive or consequential damages of any nature even if we have been advised by you of the possibility of such damages.

If the foregoing correctly sets forth your understanding of our tax engagement, please sign this letter in the space below and return to our office. If you disagree with any of these terms, please notify us immediately.

Yours very truly,

*Smith, Schafer and Associates, Ltd.*

Jill Schultz, CPA Principal

Agreed and accepted by:

Officer signature: *Kristin M. Kroll*

Officer printed name: *Kristin Kroll*

Title: *Executive Director*



**United Way of Washington County-East, Inc.**

Page 7

**Other (Continued)**

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,



Jill Schultz, CPA  
SMITH, SCHAFER & ASSOCIATES, LTD  
Principal

**RESPONSE:**

This letter correctly sets forth our understanding of United Way of Washington County-East, Inc.

Acknowledged and agreed on behalf of United Way of Washington County-East, Inc. by:

Officer signature: Mark D. Kroll

Title: Executive Director