

Create Opportunities



January 26, 2021

Proposal to provide professional audit and tax services to:

ARISE High School

Prepared by:

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[CLAconnect.com](https://www.claconnect.com)

WEALTH ADVISORY

OUTSOURCING

AUDIT, TAX, AND

CONSULTING



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January 26, 2021

Karla Gandiaga, Head of Schools
ARISE High School
3301 E. 12th Street, #205
Oakland, CA 94605

Dear Ms. Gandiaga:

We are very excited about the opportunity to propose our professional services to ARISE High School, (ARISE). We believe CLA is uniquely qualified to understand the needs and challenges facing ARISE now and into the future. The enclosed proposal responds to your request for audit and tax services for the fiscal year ending June 30, 2021.

We are confident our proposal not only addresses your requirements in a professional services firm, but also demonstrates our strong capabilities in serving charter schools similar to that of ARISE, developed during our more than 20 years of experience serving charter schools since their inception, as well as our more than 60-year history of working with nonprofit organizations.

CLA is focused on delivering an exceptional level of knowledge, insight, and industry experience. As our clients' most trusted business advisor, we:

- Take a genuine interest in your opportunities and challenges.
- Proactively work with you to develop strategies based on a deep understanding of your business and industry.
- Address your organization's financial challenges through our national and local resources.
- Continually strive to better your organization, the nonprofit industry, the communities in which we work and live, the accounting profession, and ourselves.

We are eager to continue working with you and welcome the chance to present our proposal to the audit committee, board of directors, or entire management team. If you have any questions about our offerings, please do not hesitate to contact me via the information below.

Sincerely,

CliftonLarsonAllen LLP

Lili Huang, CPA, Principal
lili.huang@CLAconnect.com
Direct 626-204-7338

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Executive Summary

Why should ARISE High School choose CLA?

To be candid, we can probably agree that there are many firms that can provide audit and tax services. So, undoubtedly one of the most critical questions you need to answer as part of this process is “why?” Why should ARISE choose one firm over any other firms that could perform your audit and tax compliance requirements?

Our combination of industry specialization, integrated approach, thought leadership, and enterprise excellence are the foundation that allows us to make a difference in our clients’ ability to meet their missions. It creates a noticeably different experience for the clients we serve – whether that service is an audit, tax return, consulting engagement, or any other service.



Fresh perspective

By engaging CLA, ARISE will benefit from a fresh look at its business, systems, and processes.

Specialized industry practices

Our professionals are immersed in your field. Those selected to serve you are not just accounting practitioners; they have significant exposure, training, and knowledge working with charter schools. We strive to develop a two-way advisory relationship to provide assistance to you throughout the year, rather than just during the audit. Overall, we commit to providing ARISE with experienced professionals.

Dedication to training on charter school-specific matters

We are dedicated to providing training, conferences, position papers, and other educational opportunities specifically related to charter schools. We identified a need to provide finance-related training to board members, management, and other key financial employees, and provide charter school specific learning.

Enterprise excellence

We have a goal of exceeding expectations. We call this “enterprise excellence,” which means looking for ways to improve the outcome and experience of our clients and demanding high quality in everything we do. The value to ARISE will be to engage a firm that believes going above and beyond expectations is the appropriate level of accepted performance!

Understanding your needs

We can provide the following services:

- Annual audit to be completed in compliance with the established timeline, including communication of audit results to management, the audit committee, and board of directors.
- Meetings with the audit committee and board of directors, as requested.
- Prepare tax filings for ARISE and each of the Supporting Organizations, including Forms 990 and 990-T, if applicable.
- Year-round audit and tax consultation service, including presentation of emerging issues related to charter schools and the nonprofit industry to management and the audit committee as they arise.



- Build a relationship with a firm with deep industry experience and capabilities that align with ARISE’s mission.
- The capability to be a knowledgeable resource related to various industry, tax, compliance, and other matters.
- A tailored, integrated, and efficient approach to all services and deliverables, including audit and any special projects that may be requested.
- Consistent receipt of timely, professional work products.
- Receiving value beyond a delivered financial statement and a management letter.
- A consistent team of professionals with experience and high levels of principal involvement.
- Proactive and communicative organization of the audit process to prevent a crisis at the last minute.
- Filing of one copy of each audit report with each of the following agencies:
 - California Department of Education (or out of state equivalent)
 - Controller of State of California (or out of state equivalent)
 - Alameda County Office of Education
 - Oakland Unified School District

In summary, our greatest strength is our people who truly believe they can make a difference.

If ARISE is looking for greater value from their annual audit and tax services, then our dedicated industry professionals who are driven to impact the economic challenges of charter schools, and the future of charter schools makes CLA a top firm for ARISE.

Innovation at CLA

Artificial intelligence, machine learning, cryptocurrencies, and other technologies are disrupting the way we all do business. Disruption creates the need for innovation; innovation is an opportunity to improve the way we do our work and interact with you. Our entrepreneurial culture requires us to embrace change wherever we find it, learn from it, and create solutions designed to make interactions easier, more transparent, and more seamless.

We use a combination of technical and non-technical means to improve efficiency, enhance quality, and make your experience better.

As your organization continues to innovate, we’re doing the same by continually increasing our knowledge of you and understanding of your industry so we can help you address the business issues you face.



Innovation at CLA is a purposeful approach to problem-solving that transforms technology into better experiences for our clients.



The CLA Seamless Assurance Advantage

The CLA Seamless Assurance Advantage (SAA) is an innovative approach to auditing that utilizes leading technologies, analytics, and audit methods to help solve client problems and create a seamless experience.



A different approach

SAA is unlike any conventional audit process. SAA does not depend on physical location. It reduces the time our professionals spend on site, creates fewer disruptions, enables more efficient use of resources (yours and ours), and allows for more impactful interactions with your people.



Insights through analytics

CLA uses strategic data analysis to examine whole data sets to gain a deeper understanding of your organization. Insights that were once impossible can now come into focus to help you measure performance, enhance strategic decision making, and understand your competitive opportunities.



Effective technology

CLA embraces technologies that help solve client problems and create a seamless experience. Assurance Information Exchange (AIE) is a web-based application, developed by CLA, to digitally request and obtain audit documents through a secure and efficient online portal.

Firm Overview

Create opportunities

CLA exists to create opportunities for our clients, our people, and our communities through industry-focused wealth advisory, outsourcing, audit, tax, and consulting services.

More than

7,400

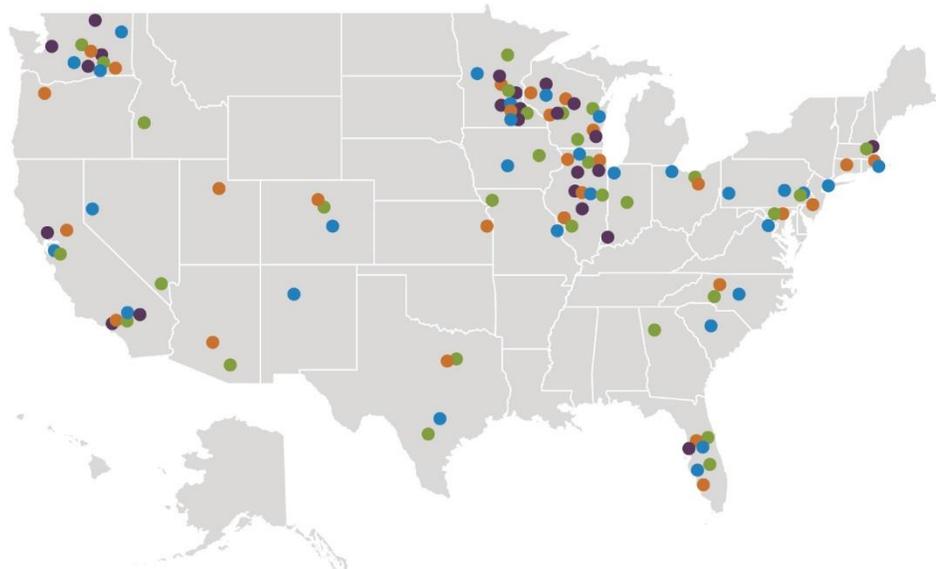
people



More than

120

U.S. locations



A

global



affiliation

We promise to know you and help you

With CLA by your side, you can find everything you need in one firm. Professionally or personally, big or small, we can help you discover opportunities and achieve more than you believed possible.

Service office location and contact information

ARISE will be served from the Glendora, California office located at:

CliftonLarsonAllen LLP
2210 E. Route 66
Glendora, CA 91740
626-857-7300 | fax 626-857-7302



What makes us different?

You can depend on CLA for several uncommon advantages:

Deep industry specialization

Our people are industry practitioners first and foremost. You will work with professionals who know you, your organization, and your industry. We combine their knowledge with yours to make you stronger.



Seamless, integrated capabilities

We offer planning and guidance from startup through succession, with particular care for the people behind the enterprise. Your team connects with a broad network of resources behind the scenes to support you.

Premier resource for nonprofit organizations and their stakeholders

Nonprofit organizations enrich our communities. You are at the core of our strategic focus because supporting you means a better world for all of us.



Inspired careers

Your success is of paramount importance to our team members. You will work with entrepreneurial people who are constantly developing capabilities to help you meet any challenge you face.

Range of activities: CLA's Glendora, California office provides a full range of accounting and consulting services, including audit, tax preparation and planning, budgeting and analysis, revenue enhancement, interim controllers, internal control and fraud prevention, facilities planning and accounting, accounting software systems, and several other services to multiple industries, including charter schools.

CLA is different from other national professional service firms in its size and focus on serving nonprofit organizations and privately held businesses and individuals first. Where other firms are aligned geographically, we align our professionals by the industries they choose to serve – it is their choice and their passion for an industry which drives that choice. For ARISE, this means dedicated charter school knowledge and resources and the high retention in engagement staffing that accrues from allowing our professionals to choose the industries they want to work with. Our focus on nonprofits across our firm provides you the depth and capacity to serve you.

For more information about CLA, visit CLAconnect.com/aboutus.



Understanding Your Industry

Charter school and nonprofit experience

Charter schools are a dynamic, unique area of accounting and require constant attention and monitoring. Our knowledge of your industry is crucial to offering actionable strategies. As a firm with more than 60 years of experience, we possess an exhaustive understanding of your challenges and are able to respond promptly and effectively to help meet them. We are leaders in serving a large number of nonprofit organizations, including charter schools.



Nonprofit industry total number of clients include approximately 1,000 nonprofit organizations that are not categorized within the sub industries noted in the above graphic.

Nationwide, CLA serves more than 7,000 nonprofit organizations, with more than 500 private and independent schools, including in excess of 300 charter schools. These organizations have operating budgets ranging from less than \$1 million to more than \$300 million. These organizations’ assets range from \$1 million to more than \$4 billion; and our public pension plan and federal governments to more than \$1 trillion. Therefore, CLA has extensive experience providing audit, tax, and consulting services to nonprofits and charter schools of all sizes across the United States.

What's important to you

ARISE will be served by CLA’s dedicated charter school group, a team focused on providing high-quality accounting, auditing, tax, and other services to charter schools like ARISE. The ultimate goal is to reach a conclusion on the critical processes and develop an audit plan that supports the risks identified through this process.



Presence in the charter school industry

CLA's Glendora, California office has built an excellent reputation as being committed to providing top quality audit, accounting, and consulting services to our charter school clients. We are experienced in the business of charter schools and currently audit more than 300 charter schools nationwide.

The following is a partial list of our current charter school clients:

Charter Management Organizations:

- ACE Charter Schools
- Alpha Public Schools
- Caliber Schools
- California Montessori Project
- California Online Public Schools
- Camino Nuevo Charter Academy
- City Charter School
- Education for Change
- Envision Schools
- Grimmway Academy
- ICEF Public Schools
- iLEAD Schools
- Imagine Schools
- KIPP Bay Area Public Schools
- KIPP Memphis
- KIPP Minnesota
- KIPP New York
- KIPP Philadelphia
- Leadership Public Schools
- Los Angeles Leadership Academy
- Method Schools
- Navigator Public Schools
- Options for Youth
- Rocketship Education
- Rocky Mountain Preparatory Schools
- Summit Public Schools
- Synergy Academies
- Voices College-Bound Language Academy
- YPI Public Schools

Standalone Schools:

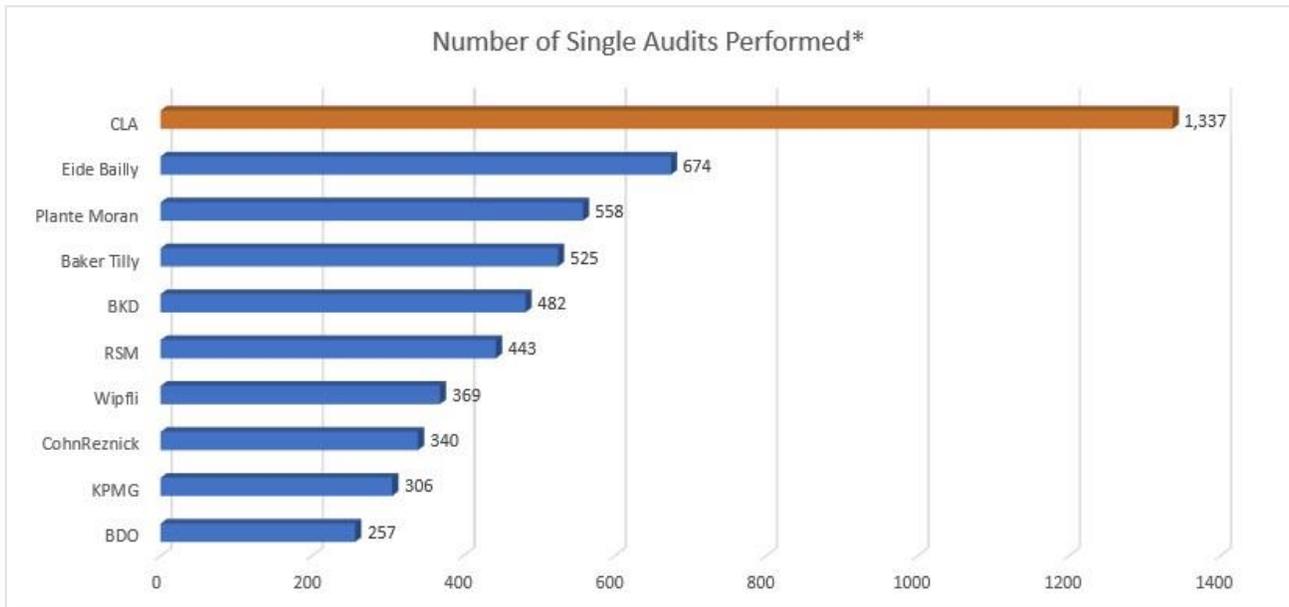
- ARISE High School
- Arts in Action Community Charter School
- Bayview Academy of Monterey
- Birmingham Community CHS
- Community Roots Academy
- Discovery Charter Prep School
- DesignTech High School
- El Camino Real Charter High School
- El Sol Science and Arts Academy
- Gold Rush Home Study Charter
- Ivy Academia
- James Jordan Middle School
- Jefferson RISE
- Journey School
- Laureate Academy
- Natomas Charter School
- North Oakland Community Charter School
- Novato Charter School
- Oasis Charter Public School
- Orange County High School of Arts
- Shasta Secondary Home School
- Sophie B. Wright Charter School
- Summit Leadership Academy High Desert
- Sunrise Middle School
- Twin Rivers Charter School
- Urban Montessori
- Vincent Academy
- Westlake Charter School



Leaders in performing single audits

Our client portfolio of nonprofit, government, and health care institutions represents nearly half of the firm's total revenues. The chart below illustrates CLA's experience in serving organizations that receive federal funds and demonstrates our firm's dedication to serving the government and nonprofit industries.

CLA performs the largest number of single audits in the United States! We audited more than \$56 billion dollars in federal funds in 2019.



*The information for the firms above was pulled from the Federal Audit Clearinghouse for audits with fiscal year ends between January 1, 2019 – December 31, 2019.

***includes additional single audits performed by 2019 acquired firms: Atkinson & Co.; bloom shairo

Single Audit Resource Center (SARC) Award

CLA received the [Single Audit Resource Center \(SARC\) Award](#) for *Excellence in Knowledge, Value, and Overall Client Satisfaction*. SARC's award recognizes audit firms that provide an outstanding service to their clients based on feedback received from an independent survey.



The survey queried 7,029 nonprofit and government entities about the knowledge of their auditors, the value of their service, and overall satisfaction with their 2019 fiscal year-end audit. The SARC award demonstrates CLA's dedication to serving the government and nonprofit industry and maintaining the most stringent regulatory requirements in those sectors.

Nonprofit tax experience

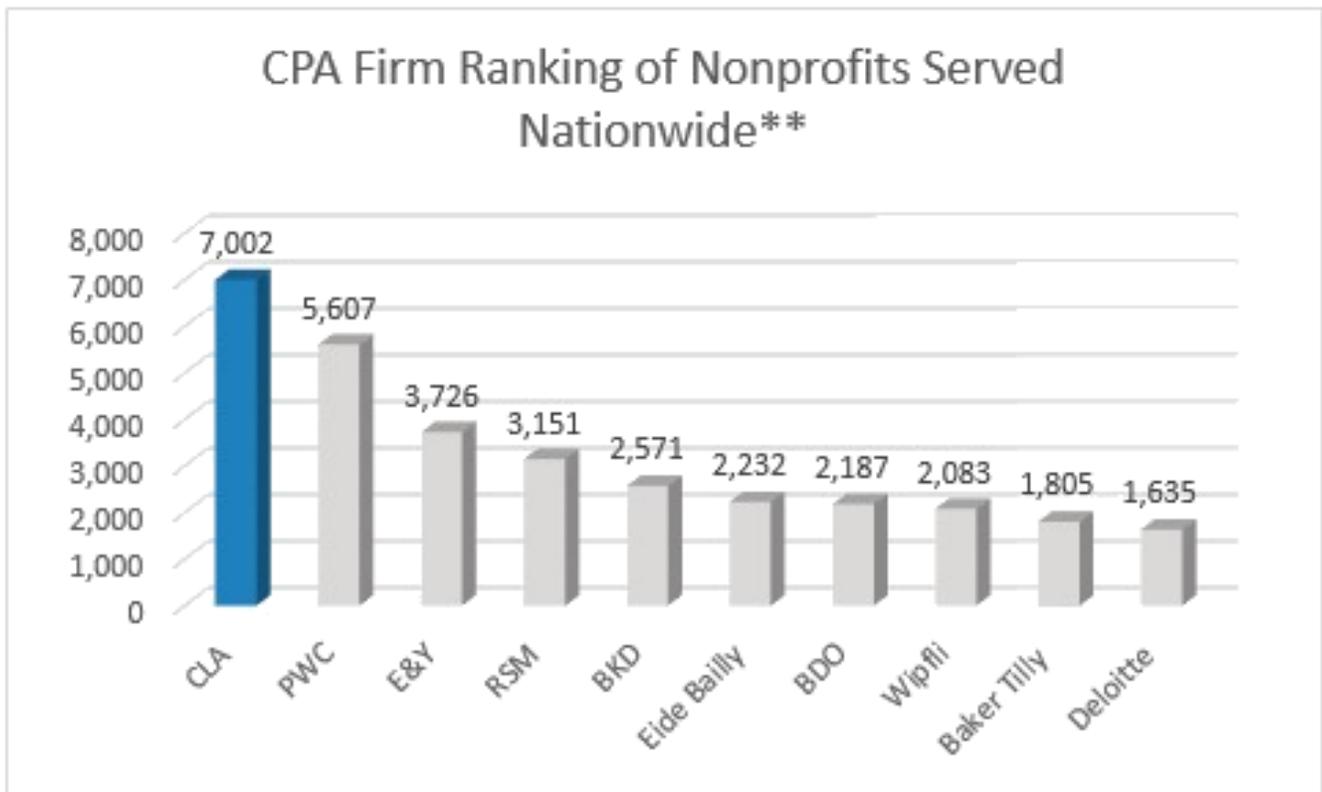
CLA prepares more 990s than any other professional services firm in the United States based on data obtained from CauseIQ. We share what we've learned from our experiences with our tax-exempt clients to keep them aware of potential tax issues. We will share these perspectives and insights throughout the year, not just at tax filing time.

Income tax laws and regulations for nonprofit organizations are complex. Federal, state, and local tax laws affecting ARISE create a complicated and ever-changing landscape which is under the watchful eye of the IRS and state taxing authorities. In addition, your tax returns are available for public inspection, making them accessible to a variety of stakeholders and interested persons. With CLA, ARISE will get a firm that:

- Has extensive experience in preparing 990, 990-T, and state tax returns, including the required schedules
- Has working knowledge of the nonprofit community's accounting and tax needs
- Is diligent in meeting deadlines to avoid late filing and other tax penalties



The following chart demonstrates the depth of CLA's experience serving tax exempt organizations:



**The list is based on a database of approximately 1,126,000 nonprofit filed Forms 990 (filers with annual revenue greater than \$50,000) which is maintained by CauseIQ. The totals do not include 990N and other nonprofits that do not need to file such as religious organizations therefore the numbers listed above do not include all nonprofits served by CLA.



National nonprofit tax team

We have assembled a nationwide team of nonprofit tax professionals who hold advanced degrees in finance, business administration, taxation, and law. These professionals have extensive knowledge of local, state, national, and international tax issues and laws and constantly monitor for tax law changes, court decisions, and pending legislation and regulations. For example, in past sessions of the Maryland General Assembly, local members of our tax department were invited to testify before committees regarding state tax legislation under consideration.

We share these insights with our clients in the form of regular articles, webinars, and roundtable discussions. In addition, our professionals have broad experience representing organizations under examination by the IRS and state taxing authorities. We leverage that experience to provide you with complete, accurate, and transparent tax filings designed to minimize the risk of being selected for such an examination.

Examples of our nonprofit experience include:

Potential Tax Issues	CLA's Knowledge
Unrelated Business Income (UBI)	Unrelated business activities can generate additional filing requirements, increase recordkeeping burdens, and even jeopardize your tax-exempt status. Traditional activities include advertising, rent from debt-financed property, administrative services, partnership investments, sale of inventory, and career center job listings. We will consult with and advise you regarding revenue that causes UBI, expense allocations, tracking of net operating losses, and how to protect your organization's tax exemption.
Alternative Investments and Foreign Activities	Complex alternative investments can create additional filing requirements, tax obligations, and tax credit opportunities. Investments, programs, and expenditures outside of the United States can generate additional information reporting on the Form 990 as well as additional filings. We are available to consult on such investments and activities before the transactions are entered into so that you will be well informed as to the potential tax and reporting consequences.
Deferred Compensation	We effectively explain the complex regulations under IRC Section 457 and 409(A) affecting deferred compensation arrangements. We will consult with you regarding how your organization and your employees are impacted.
Employee Benefits and Expense Reimbursements	We can assist you in identifying taxable and nontaxable benefits for your employees. Proper reporting is essential both for payroll tax purposes and to avoid excise taxes for incomplete disclosure on Form 990. We can help you properly design an accountable plan for expense reimbursements and document retention.
State and Local Taxes (SALT)	Exemption from federal income tax does not automatically create exemption from state and local taxes. Many nonprofit organizations must comply with state tax requirements for unrelated business income tax, real estate tax, personal property tax, sales and use tax, and state registration. Our SALT professionals can help you identify your organization's nexus to nonresident states, comply with filing requirements, and generate voluntary disclosure agreements where necessary.
Payments to Nonresident Aliens	Many nonprofits attract a worldwide employee base, make honorarium payments to nonresident individuals, reimburse for international travel and living expenses, and make payments or award grants to nonresidents. Such activities often create additional reporting and disclosure requirements, and significant complexities exist.



Potential Tax Issues	CLA's Knowledge
	Our team of international tax professionals works closely with our network of international affiliates to help you understand and comply with your filing obligations both inside and outside the United States.
Payroll and Employment Taxes	We can assist you with worker classification, employment tax audits, and best practices for compliance reporting. We can provide guidance and advice regarding the treatment of signing bonuses, severance payments, early retirement, royalties, and settlement payments.
2017 Tax Act and the <i>Wayfair</i> decision	Recent changes to the Internal Revenue Code impact nonprofit organizations. We can help you understand how the new law affects you. We can also help you understand how the Supreme Court recently overturned the long-standing "physical presence" standard and how your provision of goods and services in accordance with your mission can create "economic nexus" with other states.
Miscellaneous Tax Reporting	We can assist you with identifying and reporting lobbying and political activity, accounting for charitable fundraising events, reporting gaming activities, complying with the requirements for written acknowledgement of donations, maintaining a group exemption for subordinates, structuring your membership fees and benefits, and a wide variety of issues relevant to ARISE.

Industry participation

CLA actively supports industry education as a thought leader and industry speaker. Our firm focuses on supporting the educational needs of the industry through nationally sponsored trade events. Our team of charter school professionals is sought after, both as educators and as experienced speakers who are invited to speak and teach at major professional events by leading trade associations.

Our assurance and advisory principals are national leaders on several standard-setting bodies. Several have assisted with the writing of the American Institute of Certified Public Accountants (AICPA) practice and audit guides specifically for nonprofit organizations, chaired technical boards, and lead state CPA organizations. Many of our professionals gather client thoughts and submit responses to the Financial Accounting Standards Board (FASB). As participants in these state and national standard-setting bodies, our professionals are on the cutting edge of new developments that affect you. Our work in these emerging areas gives you an advantage in planning ahead. A representative list of industry organizations and regulatory bodies that our charter school and nonprofit services team members are active in includes:

- American Institute of Certified Public Accountants
 - Auditing Standards Board
 - Board of Directors
 - Certified in Financial Forensic Credential Committee
 - Council and Nominating Committee, past member
 - Not-for-Profit Advisory Council
 - Not-for-Profit Entities Expert Panel
 - Not-for-Profit Financial Executive Forum
 - Employee Benefit Plan Audit Quality Center Executive Committee
 - Employee Benefit Plans Expert Panel

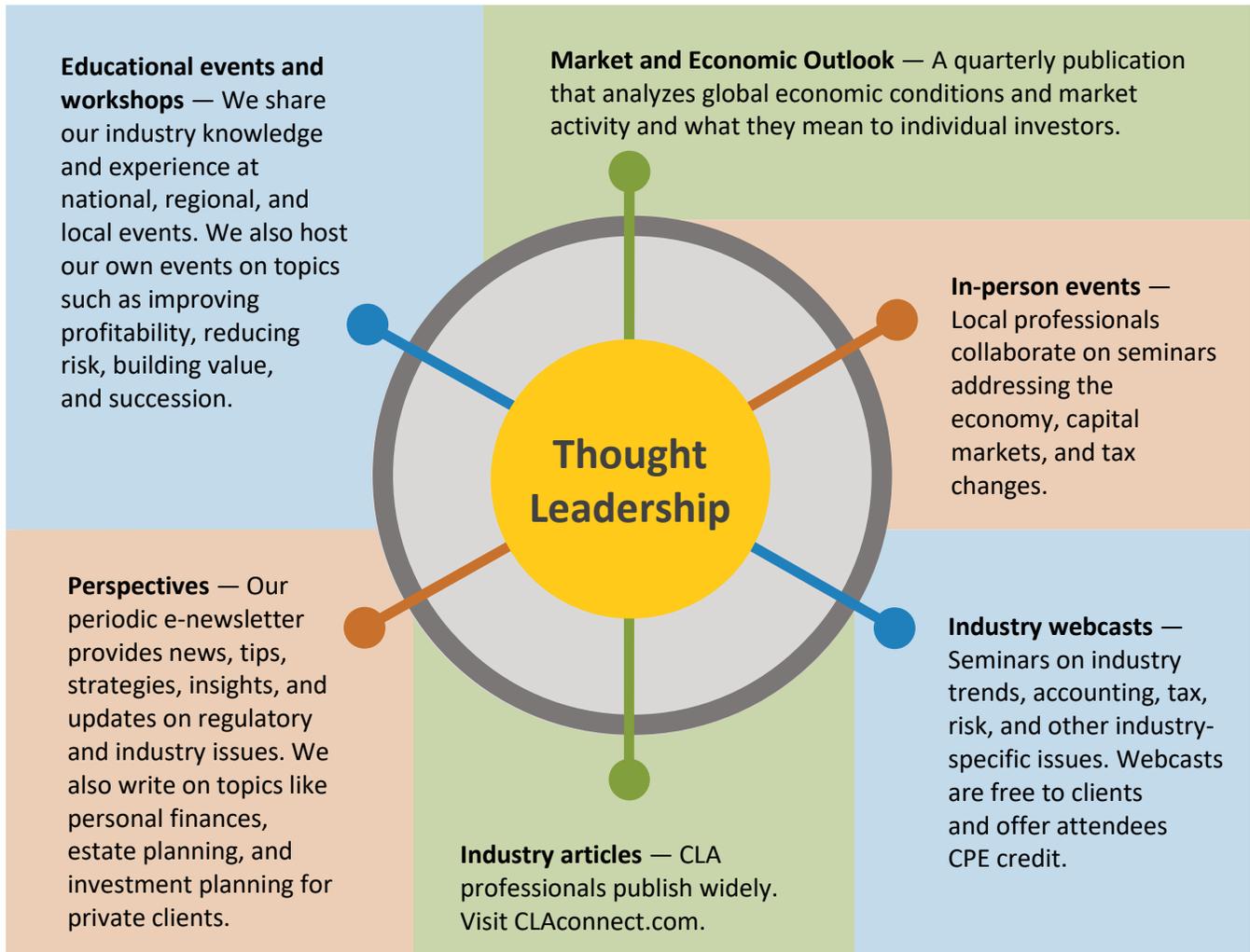


- Employee Benefits Tax Technical Resource Panel
- IRS Advocacy and Relations Committee
- National Peer Review Committee
- Peer Review Board
- Association of School Business Officials (ASBO)
- Association of California School Administrators (ACSA)
- California Charter Schools Association (CCSA)
- California Association of School Business Officials (CASBO)
- California School Boards Association (CSBA)
- Charter Schools Development Center
- Coalition for Adequate School Housing (C.A.S.H.)
- Center for Nonprofit Advancement (CNA)
- Exempt Organization Sub-Committee
- Financial Accounting Standards Board
 - Not-for-Profit Resource Group
- Humentum (formerly InsideNGO)
- Internal Revenue Service
 - Advisory Council on Tax Exempt and Governmental Entities (ACT)
 - Exempt Organization Sub-Committee
- National Alliance for Public Charter Schools
- National Association of Charter School Authorizers (NACSA)
- National Association of Professional Women
- State Government Accounting Committee
- The Center for Association Leadership (Center)
- Western Association of College and University Business Officers (WACUBO)



Thought leadership and industry information

CLA goes beyond the numbers and offers value-added solutions. Rest assured, you will hear from us throughout the year. We send periodic email publications and host webcasts to keep clients and friends of the firm informed of relevant industry updates. Below are just a few of the resources we offer. You can register for our webcasts and find our extensive resource library on our website, [CLAconnect.com](https://www.claconnect.com).



Knowledge of emerging developments

We take a very proactive approach related to new FASB pronouncements. We routinely review pronouncements in the exposure draft stage to determine their effect on our clients. When indicated, we work with clients and other organizations to help develop responses. We review final pronouncements and discuss the impact of them with clients well in advance of the implementation of the pronouncements or changes in regulations.

Engagement Team Experience

Roles and responsibilities

An experienced engagement team has been aligned to provide the most value to your organization. The team members have performed numerous engagements of this nature and will commit the resources necessary to provide top quality service throughout the engagement. Following are our proposed management team members:

The most important resource any business has is people — the right people.

Engagement Team	Role	Years of Experience
Lili Huang, CPA, Principal	Client and Engagement Principal	15+
Dillon Montgomery, MBA, Senior	In-charge and Senior	3+

Detailed biographies are available in the Appendix of this proposal.

Audit engagement principal

The engagement principal is your main contact throughout the audit engagement and is responsible for planning, supervising the audit staff, reviewing the work performed, and attending client and exit conferences. The engagement principal provides:

- Performance of more complicated audit procedures
- Work that is performed to your expectations
- A review of the key areas and reports
- Access to appropriate knowledge within the firm for you
- Prompt responses to all your requests for services
- Coordination of all services to ARISE
- Your awareness of and access to our available services

In-charge and Senior

The in-charge is responsible for the overall audit process, from planning to final report, and for making sure the work is performed to your satisfaction, needs, and timing. The in-charge will:

- Perform most of the detailed fieldwork
- Supervise and assist audit staff personnel who perform fieldwork
- Be on-site for the majority of the engagement
- Direct planning and execution efforts with regard to the audit
- Assist ARISE’s personnel with technical issues as they arise
- Conduct final reviews of management letters and reports with ARISE’s personnel

Additional staff

We will assign additional staff to your engagement based on your needs and their experience providing services to nonprofit organizations. We expect the staff that will be assigned to your team will be primarily from our Glendora office and will be personnel who have selected nonprofits as their industry focus at CLA.

All management team members assigned to your audit engagement team will hold a CPA designation. Additional staff will hold a minimum of a bachelor’s degree from an accredited university, be a licensed CPA or CPA candidate and will be closely managed by one or more of the individuals listed above.



National nonprofit and foundation resources

You will have access to a number of additional national nonprofit resources if needed.

Continuity of service

We are committed to providing continuity throughout this engagement. It is our policy to maintain the same staff throughout an engagement, providing maximum efficiency and keeping the learning curve low. We are also flexible in exploring alternative strategies to non-mandatory rotation policies.

In any business, however, turnover is inevitable. When it happens, we will provide summaries of suggested replacements and will discuss re-assignments prior to finalizing. We have an adequate number of qualified staff members to provide ARISE with top service over the term of the engagement.

CLA is committed to maintaining high staff retention rates, which we believe are a strong indicator of service quality. Continuity results in increased efficiency and quality because staff assigned to the engagement will not have to go through a learning curve with annual engagements or each new project. Client staff spends less time orienting the engagement team, and more time working toward goals. With a solid, steady engagement team, each year brings the additional benefits of trust and familiarity. High retention rates also indicate that our staff members have the resources they need to perform their tasks and maintain a positive work/life balance.

Firm independence

CLA is independent of ARISE as required by auditing standards generally accepted in the United States and the U.S. Government Accountability Office's *Government Auditing Standards*. Our firm-wide quality control policies and procedures foster strict compliance with these professional standards. In addition, the individuals assigned to your audit are independent of ARISE.

Firm licensing

CLA is duly licensed to practice public accountancy in the state of California and other states. A copy of our state license is provided below:

BOARD OF ACCOUNTANCY LICENSING DETAILS FOR: 7083

NAME: CLIFTONLARSONALLEN LLP

LICENSE TYPE: CPA - PARTNERSHIPS

LICENSE STATUS: CLEAR

PREVIOUS NAMES: LARSONALLEN LLP ♦ LARSON, ALLEN, WEISHAIR & CO., LLP

ADDRESS

60 S MARKET STREET
SAN JOSE CA 95113
SANTA CLARA COUNTY

ISSUANCE DATE

JULY 27, 2006

EXPIRATION DATE

JULY 31, 2022

CURRENT DATE / TIME

JUNE 25, 2020
7:37:57 AM



References

To further demonstrate our qualifications and experience, we are providing the following references for your consideration. We recognize that quality of service, relevant experience, and depth of resources will be key factors as you prepare to select a firm to serve ARISE's audit needs. We therefore encourage you to contact the following client references served by our proposed engagement team that include clients with similar services and complexity.

KIPP Bay Area Schools	
Address	1000 Broadway #460, Oakland, CA 94607
Contact Name and Title	Mahreez Berloui, Controller
Phone Email	510-381-2285 Mahreez.berloui@kippnorcal.org
Scope of Work	Audit of financial statements for the past sixteen years most recently the fiscal year ending 6/30/2020, in accordance with FASB generally accepted auditing standards and Uniform Guidance.

Rocketship Education	
Address	350 Twin Dolphin Drive, Suite 109, Redwood City, CA 94065
Contact Name and Title	Keysha Bailey, CFO
Phone Email	650-740-4290 KBailey@rsed.org
Scope of Work	Audit of financial statements for the past ten years most recently the fiscal year ending 6/30/20, in accordance with FASB generally accepted auditing standards and Uniform Guidance.

Lighthouse Community Public Schools	
Address	433 Hegneberger Road, Suite 201, Oakland, CA 94621
Contact Name and Title	Brandon Paige, Director of Finance
Phone Email	510-473-8809 brandon.paige@lighthousecharter.org
Scope of Work	Audit of financial statements for the past fifteen years most recently the fiscal year ending 6/30/2020, in accordance with GASB generally accepted auditing standards and Uniform Guidance.

Services Approach

Audit approach

Many organizations view an audit as a requirement that doesn't contribute to their overall operations or value. At CLA, we believe an audit should be an annual check-up that allows us to have insight into your organization and to share in-depth advice on how to improve your operations.



Our industry experience makes it easier — CLA auditors are experienced in your industry, which allows us to make the process faster and smoother. We approach our client engagements with a commitment to operational efficiency and to leverage our industry-focused experience to bring positive impact and meaningful insights to our clients. What does this mean for your organization? It means we bring a team of professionals and an approach focusing on you, our client, listening to and working with you for a successful outcome.

Your time has value — Our approach recognizes that your time is valuable and best spent with key decision makers asking clarifying questions, discussing organizational strategies, and dealing with sensitive reporting issues. We believe this approach is effective and cost-efficient, produces a quality audit, provides you with substantive discussions with our team leaders, and recognizes there is more value to time spent discussing significant issues with management than reviewing detailed workpapers.

No transition issues

Familiarity. As a current beneficiary of CLA’s services, your organization will benefit from the high caliber and consistent services provided by CLA. By working alongside some of the familiar faces from past services, CLA will continue to strive to help increase your organizations productivity and meet your goals.

No surprises — Our emphasis on planning and communication allows for an efficient and effective audit process in which everyone involved knows their roles and expectations. We provide a **“no surprises”** approach to our services, based on frequent and timely communication. As issues arise during the course of the audit, we engage the right people in a frank discussion to resolve them.

Significant involvement of principals and managers — An important distinction between CLA and other firms is the amount of principal and manager involvement in the engagement. Because our principals and managers are directly involved in the engagement during fieldwork, we can proactively identify significant issues immediately and resolve them with management.

We tailor the audit just for you — We begin the audit with a thorough planning and preparation phase and culminate with the timely delivery of our reports. We will work with you immediately to coordinate and schedule the engagement to minimize any potential disruptions to your business. We would envision that we immediately begin our planning process upon receipt of a signed engagement letter. We will then work with you to finalize dates that accommodate your schedules. While our audit programs provide typical approaches for given audit areas, CLA tailors and designs a client-specific, risk-based audit approach. We don’t follow a “cookie cutter” approach. We use custom, industry-tailored programs, procedures, and other tools that are designed specifically to focus on the issues that are applicable to charter schools.

We explain exactly what we’re doing and what we’ve found in plain, everyday language. We translate our findings into ideas on how you can address them. We believe our services are a contributing factor to better business and administrative practices. We gain a better understanding of your organization by working closely with your staff. This involvement enables us to offer you recommendations or suggestions for improvement in your systems and procedures that are more comprehensive, better understood, and more frequently implemented.



The CLA audit methodology utilizes a five-phase approach.



Continuous Communications

The continuous communication phase of our engagement with ARISE starts when our engagement letters are issued and continues until the completion of the engagement. We believe effective communication with ARISE’s leaders is the key to a successful engagement. This communication includes the exchange of ideas and advice as changes are considered or implemented by ARISE or the accounting industry.

It is our responsibility under professional standards to communicate with ARISE’s management and audit committees through all phases of our audit. We are committed to meet and exceed these standards to perform an efficient and effective engagement.

Phase I: Assessment

The assessment phase of an engagement starts when an engagement letter is issued.

Upon notice of contract award, we will prepare a contract and engagement letter. We will communicate our plan to start the work and to discuss the audit process. These discussions are intended to accomplish the following:

- Identify key management and staff involved in the audit
- Identify primary audit liaisons
- Introduce our audit team and identify key CLA contact personnel
- Discuss the timetable
- Explain our means and ways of communication
- Inquire about any issues, which we may need to be aware of
- Discuss logistics and administrative matters
- Complete a preliminary assessment of risk based on a review of prior year workpapers and knowledge of your organization

Through all phases of the audit, we think it is important to have regular communications with ARISE’s management to discuss the status of the engagement. We will provide timely communication of any critical issues, concerns, and potential findings with the person primarily responsible for the area and our audit liaisons.

We will be available to meet with key management prior to issuance of the final audit report. This meeting will highlight some of the results of the audit, any outstanding items, and reporting and issuing processes.

Phase 2: Planning & Strategy

The planning phase will lay the foundation for a successful audit of ARISE.

- **Conduct meetings with ARISE’s management** – We will meet with ARISE’s personnel to agree on an outline of responsibilities, timeframes and deadlines. The agenda would include but not be limited to:



- Establishing an audit approach and schedule,
 - Outlining assistance required of ARISE’s personnel,
 - Determining proper application of generally accepted accounting principles,
 - Reviewing prior year adjustments and control findings,
 - Considering initial audit concerns,
 - Discussing concerns of ARISE’s management,
 - Establishing report parameters and deadlines,
 - Confirming progress reporting protocols, and
 - Establishing principal-management contact.
- **Communication with the audit committee and those charged with governance.** As ARISE’s independent auditors, CLA works for and reports to ARISE’s board through its audit committee—period. While we seek a friendly and professional relationship management, we never lose sight of the volunteer leadership and organization stakeholders that we serve through our independent examination. Accordingly, we plan for and conduct planning discussions with those charged with governance over the audit to provide a full airing of risks to inform our approach as well as on-going two-way communication throughout our engagement as warranted and full reporting of our findings and their implications at the conclusion of our engagement.
 - **Understanding of ARISE** – Prior to any evaluation or testing, our engagement team will gain an understanding of the design of the internal control systems. An important part of this planning work is to determine the nature and usefulness of data (such as accounting and computer manuals, flow charts, budgets, etc.), so that our understanding and related documentation of accounting procedures and internal controls is accurate and can serve as a basis for setting our audit testing.
 - **Perform analytical reviews** – We will review current and historical financial and statistical data, as well as budgeted data to identify trends, fluctuations, and relationships that inform our audit risk analysis and areas of emphasis.

Focus on Areas of Importance

We have identified areas which may have a significant impact on the timing and completion of the audit or that may be of special concern to management and those charged with governance. We will review such areas in-depth and propose strategies. Then we will finalize our approach so ARISE will have sufficient time to compile the data necessary for completion of the audit with minimum disruption.

Phase 3: Systems Evaluation

Having established the audit framework in the planning phase, we then determine the extent to which we can rely on existing internal controls and accounting systems to produce reliable and timely financial information. There are four key steps involved in this process:

- **Review internal control systems** – We will document or utilize internal audit documentation of the accounting systems of all key departments within ARISE. We will then confirm our understanding of the major transaction cycles (e.g. contributions, payroll, disbursements, program and grant expenses, investments, cash receipts, etc.), and prepare documentation of accounting cycles with the aid of ARISE’s personnel. We will then identify strengths and weaknesses that have an impact on audit objectives and risk and determine the relative emphasis to be placed on controls for audit sampling and testing.
- **Assessing the potential for fraud** – Audits performed under Generally Accepted Auditing Standards are designed to consider the potential for fraud but cannot be relied upon to guarantee that such instances will not occur and go undetected. At CLA, we understand the devastating impact that fraud can have on nonprofit organizations in terms of both financial loss and reputation. Accordingly, in our assessment of the internal controls at ARISE, we will perform a broad array of inquiry and testing procedures to consider the risk of fraud and actively pursue and communicate to the appropriate parties any such actual or potential



instances we uncover. We routinely use “data analytics” to test for improper payments made by an organization and for fraud detection which will be included in the ARISE audit.

- **Tailored audit programs** – Utilizing our proprietary audit program guides, our understanding of the internal control systems and our nonprofit team’s extensive industry experience, we will prepare tailored programs for conducting ARISE’s audit that are responsive to the identified audit risks.
- **Review IT hardware and application controls** – We will review the general and specific application controls at ARISE including those associated with your applications inclusive of your customized wish accounting module. In addition, we will plan the appropriate usage of our data analytics software (IDEA) for efficiency and effectiveness in our population testing approach.

Phase 4: Testing & Analysis

Our audit tests will involve:

- **Compliance testing** – The purpose of compliance tests will be to verify that significant internal control reliance noted in the systems evaluation phase are functioning as described. We will utilize sampling techniques as deemed appropriate to select transactions to be tested, to determine the characteristics of the data being examined, and to select the appropriate number of transactions that will permit us to formulate reliable conclusions.
- **Substantive testing** – Substantive testing differs from compliance procedures in that its objective is to provide reasonable assurances of the accuracy of the financial data included in the financial statements. The nature and extent of the substantive procedures to be employed is dependent on a number of different factors, including the nature of the amount under audit, the volume and relative size of the transactions underlying the amount being audited, the effectiveness of the internal controls surrounding the processing stream, and the efficiency of the audit procedures applied. We also rely heavily on direct confirmations with third parties to test areas such as cash, investments, receivables, and various revenue streams. Analytical techniques and confirmations will be used in a number of audit areas where reliable, independent data can be used to verify recorded balances in order to limit where appropriate detailed testing in these areas.

Phase 5: Reporting and Follow-Up

Our independent auditors’ report, communication with governance, single audit report, and legal compliance questionnaire will be issued promptly after the completion of our fieldwork. We plan to communicate with management and the board or audit committee as deemed appropriate to review the highlights of the audit and the comments and recommendations contained in our management letter before they are finalized. If necessary, CLA will present the final audit report to the audit and/or finance committee and governing board as well as address any questions they may have.

Summary of benefits

ARISE will realize the following benefits from CLA’s services —

- An objective look at your operations to help you make sound business decisions.
- Credibility only an outside professional can provide your lenders and shareholders.
- Confidence that accounting principles have been evaluated for application accuracy.
- An opportunity to improve internal controls and accounting procedures, which increases reliability of accounting records and financial statements.
- Improved efficiency and effectiveness of the assurance service, thus adding value to the process while reducing disruption to your operations.



Tax compliance approach

CLA proposes to perform tax planning and preparation services for ARISE. Virtually every business decision you make has a tax consequence, and we believe working with a tax professional year-round can help you make knowledgeable decisions and keep more of your hard-earned profit.

Our approach to tax planning and preparation begins with understanding your current tax situation. We will then work with you to proactively implement effective strategies to identify tax liabilities while helping you take advantage of every available incentive.

Deliverables

CLA will provide:

- Completed federal and applicable state tax returns by an agreed-upon deadline.
- Analysis and recommendations on the benefits of various tax credits.
- Strategies for streamlining your tax reporting process.

Ongoing insight

We are your business resource, so we encourage you to ask us for:

- Basic information throughout the year.
- Advice on new IRS announcements and their potential impact.

Benefits

You will receive the following benefits from our tax planning and preparation services:

- Ongoing assistance throughout the year, not just during the year-end procedures. This will help us recognize opportunities and resolve potential problems.
- Immediate communication of changes in tax law that may affect your operations and recommendations to address any resulting issues.
- Proactive planning to help you take advantage of any new opportunities.
- We go beyond compliance and investigate the tax benefit available to you.
- Thorough compliance with tax obligations means you can avoid penalties and surprises.

Process

Our tax services process is simple:

- We help prepare and file tax returns accurately well in advance of deadlines. We review past returns to understand your tax situation and determine if there are refund or planning opportunities.
- Keep you involved and informed to avoid errors and delays.

Services integration

An engagement such as outlined in this proposal requires the interaction of numerous individuals working within relatively narrow time frames. Our assurance and tax staff work as a team. We are in close, regular contact, keeping each other informed of our progress and any issues that arise. We emphasize communication — making sure that issues that cross disciplines are fully evaluated by the entire team.

Commitment to communication with management

As you will see, we are committed to ongoing communication throughout the engagement. Continual communication starts when an engagement letter is issued, continues until the completion or closeout of an engagement, and throughout the remainder of the year. We believe effective communication is critical to a



successful engagement. This communication includes the exchange of ideas and advice as changes are considered or implemented by the entity or the accounting profession.

During the engagement we will hold regular status meetings with ARISE to enhance day-to-day operations, results, and any issues are commonly understood and addressed. The objectives of tracking and formally reporting the engagement status are to:

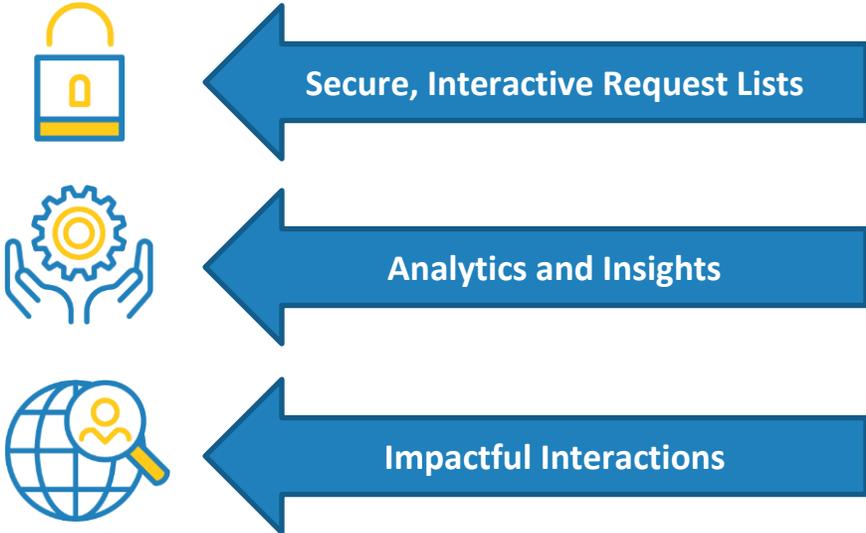
- Provide a consistent technique for monitoring progress against plan
- Identify any issues quickly to allow for timely corrective action
- Provide an objective rather than subjective evaluation of status
- Provide timely information on a regular basis
- Assist with obtaining buy-in of any audit recommendations on a timely basis

Our proactive measures foster communications, both written and oral, which are ongoing, relevant and routine to our engagements. Our commitment to this practice encourages open lines of communication and often prevents and/or mitigates service delivery issues. Our professionals are trained in documenting observations, recommendations, business issues, and new developments as part of their daily routine.

We explain exactly what we're doing and what we've found in plain, everyday language. We translate our findings into ideas on how you can address them. We believe our services are a contributing factor to better business and administrative practices. We gain a better understanding of your organization by working closely with your staff. This involvement enables us to offer you recommendations or suggestions for improvement in your systems and procedures that are more comprehensive, better understood, and more frequently implemented.

Use of technology in the audit

We're reimagining the audit process through technology to elevate your experience!



Assurance Information Exchange (AIE) – To make working with CLA a seamless experience, our team utilizes a proprietary, secure web-based application to request and obtain documents necessary to complete client engagements. This application allows CLA and our clients to view a live client assistance letter, which provides detailed information, including due dates for all the open items CLA is requesting. Additionally, clients have the

ability to attach electronic files and add commentary related to the document requests directly on the application. Follow the link to view a brief tutorial of the [Assurance Information Exchange](#).

Microsoft® Teams – Our services approach focuses on impactful interactions. We’ve said goodbye to the days of setting up camp in our clients’ conference rooms for weeks on end. We know our clients have organizations to run, so our interactions have purpose. To assist with communications when we are not onsite, we utilize tools such as Microsoft Teams, which allow for two-way screen sharing and video. We’ve found this helps minimize disruptions in our clients’ environments while continuing to effectively communication with each other.

TeamMate Analytics and Expert Analyzer (TeamMate) – To analyze and understand large data sets, we use TeamMate Analytics and Expert Analyzer. We customize the application by industry in order to perform the most applicable procedures. This allows us to go beyond sampling and instead analyze the entire general ledger for targeted anomalies. Far beyond the audit application, our six-phase process of Risk Assessment, Data Analytics and Review (RADAR) can also provide actionable insights to help you understand your entity better.



Engagement timetable

Our project management methodology results in a client service plan that provides for regular, formal communication with the entire management team and allows us to be responsive to your needs. The schedule allows for input from your personnel to make certain that the services are completed based on your requirements. The plan may also be amended during the year based on input from the finance committee.

Significant Milestones	Target dates
Entrance conference	April 2021
Interim audit work begins	May 2021
Field audit work begins	August 2021
Draft reports	November 2021
Presentation to finance committee	November 2021

Professional Fees

Our fees are based on the timely delivery of services provided, the experience of personnel assigned to the engagement, and our commitment to meeting your deadlines.

CLA understands the importance of providing our clients with value-added solutions. We propose to provide routine, proactive quarterly meetings — as part of our fee — that will allow us to review and discuss with you the impact of new accounting issues, as well as any other business issues you are facing and how they should be handled. This level and frequency of interaction will no doubt enable CLA to help you tackle challenges as they come up, and take full advantage of every opportunity that presents itself.



Professional Services	2021
Audit service*	\$10,800
Measure G1 Performance Audit for Oakland Unified School District	\$5,000
Tax service	\$2,200
Technology and client support fee (5%)	\$900
Total	\$18,900

* Should Federal Expenditures exceed \$750,000, a change in scope and fee will be required. Single audit services include procedures for one major program under Uniform Guidance of \$5,000. If additional programs are required to be tested they will be billed at \$4,000 per additional federal program.

Additional attendance and instructional minutes procedures related to distance learning will be billed as out-of-scope. We have found over the years that our clients don't like fee surprises. Neither do we. We commit to you, as we do all of our clients, that:

- We will be available for brief routine questions at no additional charge, a welcome investment in an ongoing relationship.
- Like most firms, we are investing heavily in technology to enhance the client experience, protect our data environment, and deliver quality services.
- We believe our clients deserve clarity around fees, and we will continue to be transparent with our fee structure. Any additional charges not discussed in this proposal will be mutually agreed upon up front.
- We will always be candid and fair in our fee discussions, and we will avoid surprises.

Fee considerations

The fee proposal is based on the following:

- ARISE's personnel will provide assistance periodically throughout the year and during the assurance fieldwork with regard to account analysis and provision of year-end account reconciliation work papers and schedules.
- ARISE's personnel will prepare the year-end tax workpapers and schedules to the extent performed in prior years, which we will complete, review, and examine.
- The assurance reports will be delivered in accordance with ARISE's deadlines. The tax returns will be completed by a mutually agreed upon date sufficient to allow timely filings.
- Satisfactory completion of our firm's normal client acceptance procedures.
- Professional standards and regulations currently in effect. We reserve the right to modify your proposed fee if professional standards or regulations change for any engagement period.
- No significant changes in the operations of ARISE subsequent to the date of this proposal.
- Preparation of the state income tax returns filed in the prior year.

Ongoing consultation

We do not anticipate ARISE will receive additional billings related to the annual audit procedures, as we anticipate cooperation from staff and receipt of information for timely completion of your audit. It is also our policy not to bill you for routine telephone calls. Our quoted fee includes routine general consultation



throughout the year, however, if you seek a written opinion, or if the issue requires us to perform research, we will bill you at our standard rates for these services. We will discuss these fees with you before we conduct our work.

We have a 24 – 48 hour response policy to return calls/emails from your supervisory committee, board, or management to provide effective and timely communication. CLA's personnel are always available to provide assistance by telephone without additional cost to you. If the person you need to talk to is not available at the time you call, we will contact him/her and have him/her get back to you. We have a number of qualified principals on our staff who can provide you with timely and competent assistance.

Additionally, in order to provide the most direct access to your team, we will provide the cell phone numbers of your engagement principal and audit manager upon acceptance of our proposal.

Our last word on fees — we are committed to serving you. Therefore, if fees are a deciding factor in your selection of an accounting firm, we would appreciate the opportunity to discuss our audit plan.

At CLA, it's more than just getting the job done.



Appendix

Engagement team biographies



Lili Huang, CPA

CLA (CliftonLarsonAllen LLP)

Principal
Glendora, California

626-204-7338
lili.huang@CLAconnect.com



Profile

Lili has more than 15 years of experience assisting in the preparation of financial statements, and performs on-site audits for charter schools, non-profit organizations and higher education institutions. Lili conducts a wide variety of audits, including federal and state compliance and financial statements under FASB Basis of Accounting. She also has experience assessing, observing and testing the internal control environment, and grant compliance.

Technical experience

- Charter schools
- Non-profit entities
 - Associations
 - Foundations
 - Charitable organizations
- Higher education

Education and professional involvement

- Bachelor of arts in economics with an emphasis in accounting, from University of California, Santa Barbara
- Certified Public Accountant in the state of California
- American Institute of Certified Public Accountants (AICPA), member
- California Society of Certified Public Accountants (CalCPA), member
- California Charter Schools Association (CCSA), member

Community involvement

- ConnectMed International, Treasurer and Board Member
 - Executive and Finance Committees
- Playworks Education Energized, Board Member
 - Advisory Committee, Southern California Region
- Ascend Pan-Asian Leaders, Los Angeles Metro Chapter
 - Member

CLAconnect.com

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



Dillon Montgomery, MBA

CLA (CliftonLarsonAllen LLP)

Senior
Glendora, California

626-387-8254
dillon.montgomery@CLAconnect.com



Profile

Dillon is a senior at CLA's Glendora office. He began his career in public accounting in 2018 and has experience performing audit, review, and tax engagements for charter schools and other not for profit organizations. This experience includes working on Single Audits under the Uniform Guidance, California state compliance, a variety of long-term debt, and complex organization structures. He utilizes his experience to seamlessly provide services through effective communication, planning, and transparency.

Technical experience

- Charter schools
- Private tuition schools
- Nonprofit organizations
 - Foundations
 - Charitable Organizations

Education and professional involvement

- Master of business administration from Azusa Pacific University, Azusa, California
- Bachelor of science in accounting with a minor in business management from Grand Canyon University, Phoenix, Arizona
- American Institute of Certified Public Accountants (AICPA), member
- California Society of Certified Public Accountants (CalCPA), member



Quality control procedures and peer review report



In the most recent peer review report, we received a rating of *pass*, which is the most positive report a firm can receive. We are proud of this accomplishment and its strong evidence of our commitment to technical excellence and quality service. The full report is provided on the following page.

In addition to an external peer review, we have implemented an intensive internal quality control system to provide reasonable assurance that the firm and our personnel comply with professional standards and applicable legal and regulatory requirements. Our quality control system includes the following:

- A quality control document that dictates the quality control policies of our firm. In many cases, these policies exceed the requirements of standard setters and regulatory bodies. Firm leadership promotes and demonstrates a culture of quality that is pervasive throughout the firm's operations. To monitor our adherence to our policies and procedures, and to foster quality and accuracy in our services, internal inspections are performed annually.
- Quality control standards as prescribed by the AICPA. The engagement principal is involved in the planning, fieldwork, and post-fieldwork review. In addition, an appropriately experienced professional performs a risk-based second review of the engagement prior to issuance of the reports.
- Hiring decisions and professional development programs designed so personnel possess the competence, capabilities, and commitment to ethical principles, including independence, integrity, and objectivity, to perform our services with due professional care.
- An annual internal inspection program to monitor compliance with CLA's quality control policies. Workpapers from a representative sample of engagements are reviewed and improvements to our practices and processes are made, if necessary, based on the results of the internal inspection.
- Strict adherence to the AICPA's rules of professional conduct, which specifically require maintaining the confidentiality of client records and information. Privacy and trust are implicit in the accounting profession, and CLA strives to act in a way that will honor the public trust.
- A requirement that all single audit engagements be reviewed by a designated single audit reviewer, thereby confirming we are in compliance with the standards set forth in the Uniform Guidance.



Report on the Firm's System of Quality Control

November 21, 2019

To the Principals of CliftonLarsonAllen LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of CliftonLarsonAllen LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; audits performed under FDICIA; audits of broker-dealers; and examinations of service organizations [SOC 1 and SOC 2 engagements].

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of CliftonLarsonAllen LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. CliftonLarsonAllen LLP has received a peer review rating of *pass*.



Cherry Bekaert LLP