



August 21, 2017



**Proposal to provide
Independent professional audit services to:**

TEACH Public Schools

Prepared by:

Derrick DeBruyne, CPA, CFE, Principal
Derrick.DeBruyne@CLAconnect.com
direct 626-857-7300 | fax 626-857-7302



WEALTH ADVISORY | OUTSOURCING | **AUDIT, TAX, AND CONSULTING**

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



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

August 21, 2017

Mr. Matthew Brown
Chief Operating Officer
TEACH Public Schools
10000 S. Western
Los Angeles, CA 90047

Dear Mr. Brown:

We are very excited about the opportunity to propose our professional services to TEACH Public Schools, (TEACH). We believe CliftonLarsonAllen LLP (CLA) is uniquely qualified to understand the needs and challenges facing TEACH now and into the future. The enclosed proposal responds to your request for professional audit services for 3 fiscal year(s) ending June 30, 2018, 2019, and 2020.

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 TEACH, 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 work 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

A handwritten signature in black ink, appearing to read 'Derrick DeBruyne', is written over a light blue horizontal line.

Derrick DeBruyne, CPA, CFE
Principal
direct 626-857-7300
Derrick.DeBruyne@CLAconnect.com



TABLE OF CONTENTS

Executive Summary	1
Why should TEACH Public Schools choose CLA?	1
Understanding your needs	1
Firm Overview	3
Understanding Your Industry	6
Charter school and nonprofit experience	6
Presence in the charter school industry	7
Engagement team experience	10
Continuity of service	12
References	13
Professional Fees	14
Additional Information	16
Management advisory experience	16
Accounting standards experience	16
Specialized certifications	16
Service Approach	17
Audit approach	18
Tax compliance approach	21
Broader Capabilities of CLA	23
Appendix	24
Quality control and peer review report	24
Engagement team resumes	27



EXECUTIVE SUMMARY

Why should TEACH Public Schools choose CLA?

To be candid, we can probably agree that there are many firms that can provide professional audit services. So, undoubtedly one of the most critical questions you need to answer as part of this process is “why?” Why should TEACH choose one firm over any other firms that could perform your independent audit 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, TEACH 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 TEACH 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 TEACH 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 TEACH and each of the Supporting Organizations, including Form 990.
- 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 TEACH’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 and manager involvement.
- Proactive and communicative organization of the audit process to prevent a crisis at the last minute.
- We will file one copy of each audit report with each of the following agencies:
 - California Department of Education
 - Controller of State of California
 - Los Angeles County Office of Education
 - Inglewood Unified School District

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

If TEACH is looking for greater value from their annual professional audit 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 TEACH.



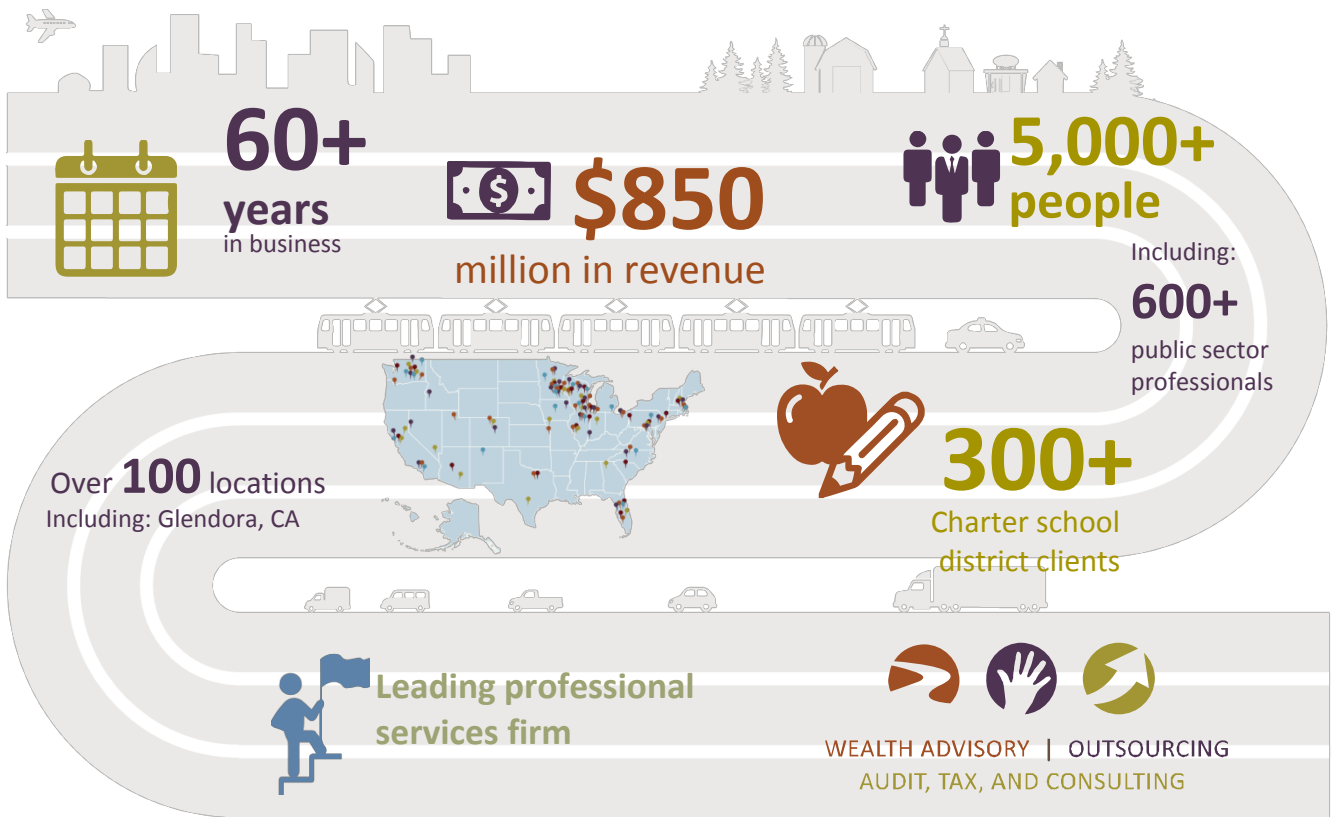
FIRM OVERVIEW

CLA is a national professional services firm delivering integrated wealth advisory, outsourcing, and public accounting capabilities to help enhance our clients' enterprise value and assist them in growing and managing their related personal assets — all the way from startup to succession and beyond.

The CLA Promise
Our interactions with you are designed to support your goals and dreams and impact your success.



Our professionals are immersed in the industries they serve and have specialized knowledge of their operating and regulatory environments. With 5,000 people, more than 100 U.S. locations, and a global affiliation, we bring a wide array of solutions to help clients in all markets, foreign and domestic.



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 charter school, and the charter school industry — and 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 you and your charter school's leaders. Our people connect with a vast network of resources behind the scenes — seamlessly presented and delivered for you.

Premier resource for charter schools and their stakeholders

Entrepreneurs, including those in charter schools, are the backbone of our economy. We place you — personally — at the core of our strategic focus because enabling your success means a better world for all of us.

THE career building firm

Our professionals are personally invested in your success, you will work with entrepreneurial people with the freedom and agility to serve you rather than merely perform obligatory functions.

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



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 the TEACH, 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.

Service office location and contact information

TEACH Public Schools 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

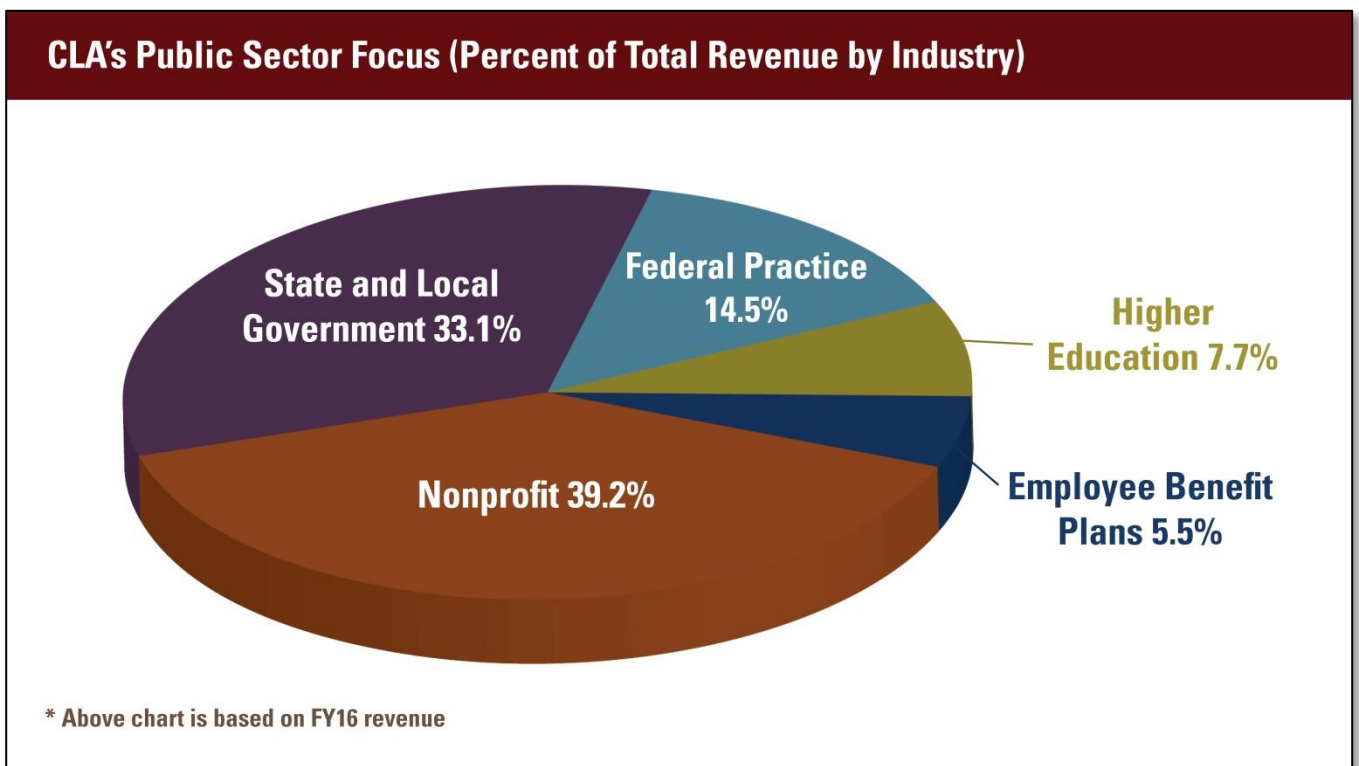


UNDERSTANDING YOUR INDUSTRY

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.

Nationwide, CLA serves more than 6,000 nonprofit organizations, 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?

TEACH 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 TEACH. 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
- Alta Public Schools
- Bright Star Schools
- Caliber Schools
- California Montessori Project
- Camino Nuevo Charter Academy
- City Charter School
- Connections Academy
- Education for Change
- Encore Education Corporation
- Envision Schools
- Fenton Charter Public Schools
- Grimmway Academy
- ICEF Public Schools
- iLEAD Schools
- Imagine Schools
- KIPP Bay Area Schools
- KIPP LA Schools
- KIPP Memphis
- Leadership Public Schools
- Los Angeles Leadership Academy
- Method Schools
- Navigator Public Schools
- New Academy
- Options for Youth
- Rocketship Education
- Rocky Mountain Preparatory Schools
- Summit Public Schools
- Synergy Academies
- Tracy Learning Center
- Voices College-Bound Language Academy
- YPI Public Schools

Standalone Schools:

- Arts in Action Community Charter School
- Bayview Academy of Monterey
- Birmingham Community CHS
- Bullis-Purissima Elementary School
- Casa Ramona Technology Academy
- Community Roots Academy
- Discovery Charter Prep School
- DesignTech High School
- East Oakland Leadership Academy
- El Camino Real Charter High School
- Gold Rush Home Study Charter
- Ivy Academia
- James Jordan Middle School
- Jefferson RISE
- Journey School
- Laureate Academy
- KIPP Adelante
- Mare Island Technology 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
- SOAR Academy
- Sophie B. Wright Charter School
- Sunrise Middle School
- Twin Rivers Charter School
- Westlake Charter School

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
 - Board of Directors
 - Nonprofit Entities Expert Panel
 - Nonprofit Financial Executive Forum
 - Employee Benefit Plan Audit Quality Center Executive Committee
 - Employee Benefit Plans Expert Panel
 - Employee Benefits Tax Technical Resource Panel
 - Governmental Audit Quality Center Executive Committee
 - Health Care Entities Expert Panel
- 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
- InsideNGO (formerly The Association of PVO Financial Managers)
- IRS Advisory Council on Tax Exempt and Government Entities (ACT)
- 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 strategies. 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.

- ***Market and Economic Outlook*** - A quarterly publication that analyzes global economic conditions and market activity and what it means to individual investors.



- **Nonprofit Perspectives** - A periodic enewsletter providing news, tips, strategies, insights, and updates on regulatory and industry issues as well as subjects relevant to private clients (e.g., personal finances, estate planning, investment planning). The April 20, 2017 issue includes articles on:
 - *CLA Talks Video: What Associations Can Learn From the Sharing Economy*
 - *Markets Positive as Fed Rates Rise, Confidence and Manufacturing Grow*
 - *CLA Foundation Changes Lives With \$749,000 in Awards for 2016*
- **National Industry Webcasts** - Web-based seminars designed to provide information on upcoming industry trends, accounting, tax, risk, and other issues in either the accounting or the nonprofit industry. These webcasts are free to clients and provide CPE credit to attendees. Recent webcasts included:
 - *Improving Your Federal Grant Compliance Program*
 - *New FASB Update for Not-for-Profits*
- **Speaking Engagements and Workshops** - We share our industry knowledge and experience by presenting at national, regional, and local events, as well as hosting our own industry events in various markets. We provide quality insight and education in the areas of improving profitability, reducing risk, building business value, and planning for succession.
- **Recent industry articles** - In addition to our direct participation with national organizations, CLA has had numerous articles published by our nonprofit industry professionals.
- **In-person events** - Annual economic, capital markets, and tax outlook seminars are presented by local professionals and CliftonLarsonAllen Wealth Advisors, LLC investment committee members.

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

You can review our most current published articles, can register for our webcasts and find our extensive resource library on our website, CLAconnect.com.

Leaders in performing single audits

We realize that TEACH receives federal funds but may not be subject to a single audit; however we have included the table below as an example of CLA's quality infrastructure for meeting the most stringent regulatory requirements in the nonprofit and government sectors. This means you can be confident in the quality audit infrastructure at CLA. Compliance with these standards is in addition to our internal inspections and multiple clean opinions we have received in reviews by an independent peer review firm, PCAOB, and the Department of Labor.

CLA performs the largest number of single audits in the United States! We audited more than \$27.3 billion dollars in federal funds in 2015.





*The information for the firms above was obtained from the Federal Audit Clearinghouse for audits with fiscal year ends from January 1, 2015 – December 31, 2015.

*Includes 58 single audits performed by Vicenti in 2015

Because we audit so many governmental entities, we are familiar with every federal grant that charter schools may receive and will perform a high quality audit in accordance with the Uniform Guidance (UG). Our designated single audit group stays current on all issues related to federal awards and the impact they may have on your single audit.

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

An experienced engagement team has been aligned to provide the most value to your organization. The following 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	Title	Role	Years of Experience
Derrick DeBruyne, CPA, CFE	Principal	Client and engagement principal	14
Marlen Gomez, CPA	Director	Director	7



Roles and responsibilities

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 TEACH
- Your awareness of and access to our available services

Engagement quality control review principal

An independent quality control principal reviews the financial statements, auditors' reports, and key audit areas.

Director

The director will be responsible for the overall administration of the audit and will supervise assigned staff members.

In-charge

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 TEACH personnel with technical issues as they arise
- Conduct final reviews of management letters and reports with TEACH 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, California 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.

Detailed biographies are available in the Appendix of this proposal.

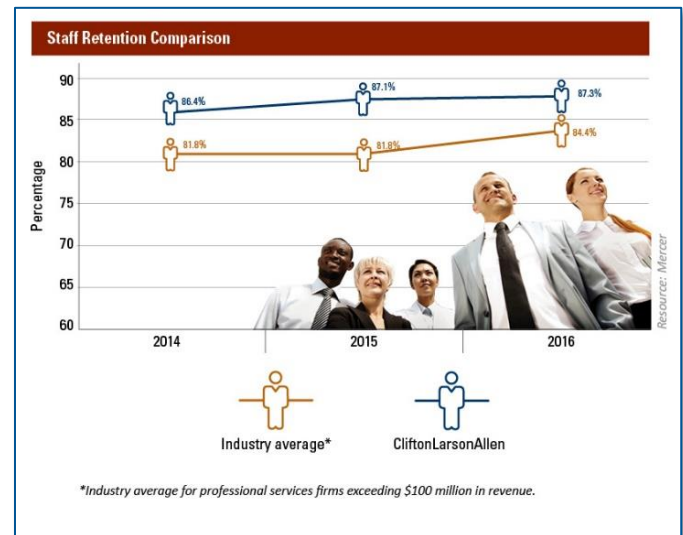


Continuity of service

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 TEACH 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 licensing

<Y:\CLA Common\Administrative\Market Solutions\Share\CLA Proposals\~Content Library-Templates\1-Firm-General\License to Practice>

Firm independence

<Y:\CLA Common\Administrative\Market Solutions\Share\CLA Proposals\~Content Library-Templates\1-Firm-General\Independence-Firm>

<Y:\CLA Common\Administrative\Market Solutions\Share\CLA Proposals\~Content Library-Templates\1-Firm-General\Independence-Staff>

Insurance information

<Y:\CLA Common\Administrative\Market Solutions\Share\CLA Proposals\~Content Library-Templates\1-Firm-General\Insurance-Copy Block>

Peer Review

<Y:\CLA Common\Administrative\Market Solutions\Share\CLA Proposals\~Content Library-Templates\1-Firm-General\Quality Control Procedures and Peer Review Report>

[\(actual CLA peer review report\)](#)



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 TEACH’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.

Client Name	Los Angeles Leadership Academy	Date work performed: 6/30/16
Address	2670 Griffin Avenue, Los Angeles, CA 90031	
Grade Levels Enrollment	TK-12; approx. 850 students	
Contact Name and Title	Arina Goldring, Executive Director	
Phone Email	213-381-8484	AGoldring@laleadership.org
Scope of Work	Audit of financial statements for the fiscal year ending 6/30/16, in accordance with FASB generally accepted auditing standards and Uniform Guidance.	

Client Name	Synergy Academies	Date work performed: 6/30/16
Address	PO Box 78999, Los Angeles, CA 90016	
Grade Levels Enrollment	K-12; approx. 1,350 students	
Contact Name and Title	Christina Vogel, Chief Operating Officer	
Phone Email	323-250-2375	cvogel@wearesynergy.org
Scope of Work	Audit of financial statements for the fiscal year ending 6/30/16, in accordance with FASB generally accepted auditing standards and Uniform Guidance.	

Client Name	Education for Change	Date work performed: 6/30/16
Address	3265 Logan Street, Oakland, CA 94601	
Grade Levels Enrollment	TK-8; approx. 2,850 students	
Contact Name and Title	Fabiola Harvey, Chief Operating Officer	
Email	fharvey@efcps.net	
Scope of Work	Audit of financial statements for the fiscal year ending 6/30/16, in accordance with FASB generally accepted auditing standards and Uniform Guidance.	



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 approaches. We propose to provide routine, proactive phone conversations — 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	FEES
Financial statement audit, including governance and management letters	\$ 14,000
Ongoing support	Included
Preparation of federal and state tax forms	\$ 1,200
LLC return preparation	\$ 750
Total	\$ 15,950

The fee estimate above does not include Single Audit procedures. If federal expenditures exceed \$750,000 and a Single Audit is required, an additional charge will be agreed upon.

Supplemental detailed schedule of professional fees and expenses for 3 fiscal years ending June 30 2018, 2019, and 2010 professional audit, including tax return preparation with the option to extend for four additional one-year terms.

Level	Hours	Hourly Rate	2018
Principals	10	\$335	\$3,350
Director	15	175	2,625
Senior in-Charge	30	145	4,350
Associates	65	125	8,125
Clerical/Support Staff	4	80	320
Sub-total	124		18,770
Fee discount			(2,820)
Grand Total			\$15,950

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 on-going relationship.
- 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:

- TEACH 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.
- The assurance reports will be delivered in accordance with TEACH'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 TEACH subsequent to the date of this proposal.

Responsive service performed in a timely manner is not just talked about; we *demand* it of our personnel. Whenever TEACH personnel call, even during the height of a busy season, it is our policy to return that communication promptly - *our people will react with service*. CLA's personnel are always available to provide assistance 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 them get back to you. We have a number of qualified principals on our staff that can provide you with timely and competent assistance.

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 with you our professional fees.

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



ADDITIONAL INFORMATION

Management advisory experience

In addition to the services mandated by various educational and governmental organizations (audits, tax compliance, etc.), we provide a wide array of additional services to assist our clients in obtaining their goals, if desired and requested by you, but only if they are allowable and reasonable based on our professional independence rules.

Our management advisory services include analysis of costs, development of techniques to communicate cost changes to the governing board and members, assistance with review and implementation of management information systems, feasibility studies, assistance with planned giving programs, and more.

Even if our management advisory staff is not directly involved with the engagement, their in-house experience is available to our audit staff to help them bring more value to the audit process.

Accounting standards experience

CLA has provided assistance to most of our clients in implementing new Financial Accounting Standards Board (FASB) and Governmental Accounting Standards Board (GASB) pronouncements. We have a thorough knowledge of the requirements and an understanding of those areas which clients find difficult.

Specialized certifications

Principals Derrick DeBruyne, Ernie Cooper, David Wall, and Linda Saddlemire, as well as Directors Jenny Dominguez and Priscilla Osborne Flores, are CPAs and Certified Fraud Examiners (CFEs). The CFE designation is awarded to select professionals responsible for detecting, deterring, and investigating fraud. We can help clients prevent fraud by identifying their high-risk areas and determining that maximum controls are in place. We are frequent presenters on the subject of fraud in schools at various professional organizations. We have additional CFEs on staff.

The Certified Government Financial Management (CGFM) designation reflects specialized knowledge and training in public financial management and the safeguarding of the public trust by confirming compliance and accountability for public funds and efficient and effective delivery of services by the public entity. Principal Renée S. Graves is a CPA and a CGFM. Her CGFM was obtained by taking a three-part exam in the areas of the governmental environment, governmental accounting, financial reporting and budgeting, and governmental financial management and control.

The Institute of Internal Auditors' (IIA) hallmark designation of internal audit is the Certified Internal Auditor (CIA) designation. The CIA designation remains the standard by which individuals demonstrate their competency and professionalism in the internal auditing field. Director Priscilla Osborne Flores is a Certified Internal Auditor.

Senior Forensic Analyst John Hostetler, is a Certified Digital Forensic Examiner and is also certified in several other concentrations of hardware and software and has been working in the IT field for over 25 years. In addition to working in computer forensics, he works hand-in-hand with auditors on a daily basis and has a strong understanding of financial information. John also acts as a technical consultant on litigation cases and financial audits and has been involved in education clients with IT security, data preservation and risk assessment.



SERVICE 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 is valuable — 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.

No surprises — Our experience enables us to focus on the areas of your organization that possess the greatest risk. Our emphasis on planning and communication allows for an efficient and effective audit process in which everyone involved knows their roles and expectations. Issues, as they arise, are dealt with immediately, not accumulated until the end of the audit. We provide a "no-surprises" approach to our services, based on frequent and timely communication. As potential issues arise during the course of the audit, we will engage the right people in timely and frank discussions as a means of gaining resolution immediately.

Significant involvement of principals and directors — An important distinction between CLA and other firms is the amount of principal and director involvement in the engagement. Because our principals and directors are directly involved in the engagement during fieldwork, we can proactively identify significant issues immediately and resolve them with management so that the engagement is essentially complete when fieldwork ends.

We tailor the audit just for you — We begin the audit with a thorough planning and strategy 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 envision that we will 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.



Audit approach

Our audit is performed in the five phases depicted in the graphic to the right.

When the audit is complete, we issue our opinion on the financial statements, required communication and internal control findings to the audit committees. As part of that process, at the conclusion of the audit, we will also provide management with a letter including observations and recommendations on areas that we believe need to be reviewed or areas where increased efficiency may be gained.

Phase I: Continuous Communications

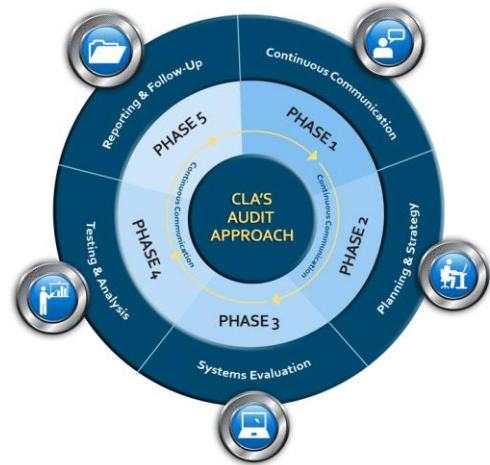
The continuous communication phase of our engagement with TEACH starts when our engagement letters are issued and continues until the completion of the engagement. We believe effective communication with TEACH leaders is the key to a successful engagement. This communication includes the exchange of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

It is our responsibility under professional standards to communicate with TEACH 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 II: Planning and Strategy

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

- **Conduct meetings with TEACH's management** – We will meet with TEACH'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 TEACH's personnel,
 - Determining proper application of generally accepted accounting principles,
 - Reviewing prior year adjustments and control findings,
 - Considering initial audit concerns,
 - Discussing concerns of TEACH'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 TEACH's independent auditors, CLA works for and reports to TEACH'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 TEACH** – 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 TEACH will have sufficient time to compile the data necessary for completion of the audit with minimum disruption.

Phase III: 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 TEACH. 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 TEACH’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 TEACH, 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 TEACH 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 TEACH’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 TEACH 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 IV: Testing and 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 V: 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 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.

Use of technology in the audit

One of CLA’s advantages is access to advanced audit tools and technology. Throughout the audit we may employ the use of computer assisted audit techniques (CAATs) to increase efficiency and effectiveness. The key CAATs that we will use include:

- **Interactive Data Extraction and Analysis (IDEA)** – IDEA is a statistical data analysis tool that has the ability to import data from virtually any data source or file type, with no limitations on the size of the data files that can be examined. IDEA utilizes powerful, built-in tools designed for the performance of audits and fraud investigations, providing the ability to:
 - Statistically sample, summarize, stratify and/or perform an aging of large data sets
 - Compare, join, append or otherwise manipulate multiple, related populations of data
 - Identify gaps or duplicates in record sequences
 - Extract subsets of data using a variety of criteria or filters
 - Build reports and graphs to summarize testing results
- **FX Engagement** – FX Engagement is our “paperless” audit product. This product allows us to file and save all of our audit workpapers in an electronic storage capacity; allowing our firm to save time and resources associated with maintaining and storing paper files. FX Engagement also boasts a trial balance software program, which is utilized to produce financial statements, lead schedules, and allows us to perform trend analysis utilizing our clients’ trial balances.
- **Audit Program Generator (APG)** – In order to provide a uniform approach to all engagements, the firm requires the use of APG, a software program custom-written for CLA. This software package allows the tailoring of audit programs, based on the requirements of your engagement. We have developed a customized CLA audit program, which effectively makes our audit processes paperless and will enhance our present electronic practices.



The primary use of APG is to take a standard audit program and modify, add, and delete procedures to create a program that has been specifically tailored to meet the needs of your engagement. Once tailored, the document can be completed electronically. Specific reports in addition to the basic



program are generated to accommodate planning and review of your engagement. APG is an example of a technology tool that is designed to promote audit efficiencies. This software produces an industry-specific base program that is intended to encourage more thoughtful and specific tailoring. For an engagement to be effective in dealing with the risk of errors and efficient in avoiding riskless work, the engagement team will create a plan – the program – that contains the steps necessary to accomplish the goals of your engagement. Using APG is viewed as a thinking process, not just a documentation process.

- **Client Portal** – In addition to secure file transfer, clients can take advantage of a secure document portal to easily share documents and store files. This tool provides anytime, anywhere access to uploaded tax returns, financial statements and more from anywhere you have an Internet connection. Clients and CLA professionals can share and store confidential files in a secure environment. The portal has capacity for both long-term and transient file storage and provides access to all your documents in one place.

Proposed audit work schedule

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 board of trustees.

Activities	Aug	Sep	Oct	Nov	Dec
Planning					
Preliminary meet/greet/planning meetings	X	X			
Risk assessment/engagement planning		X	X		
Identify and resolve accounting issues and concerns		X	X		
Review data processing activities and controls	X	X			
Develop overall audit approach		X	X		
Preliminary/Interim Audit Activities					
Obtain understanding of internal control environment	X	X			
Identify key controls and perform walkthroughs	X	X			
Conduct test of controls and IT assessment	X	X			
Perform analytical review procedures and preliminary substantive procedures		X	X		
Provide AEC with a comprehensive audit plan, including all milestones through report issuance	X		X		
Final Audit and Reporting					
Perform year-end substantive procedures			X		
Review financial statements and other letters			X	X	
Meetings to review reports on financial statements, management letters, and other documents			X	X	
Hold audit exit conference, end of fieldwork			X	X	
Issue final audit report, and other reports, presentation to the Board					X

Tax compliance approach

CLA proposes to provide tax planning and preparation services for TEACH. We have tax professionals who devote their time to exempt organizations, and we believe working with a tax professional year-round can help you make more knowledgeable decisions.



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 and identify tax liabilities.

Process

Our tax services process is simple:

- We help prepare and file tax returns accurately well in advance of deadlines.
- We keep you involved and informed to avoid errors and delays.

Deliverables

CLA will provide:

- Completed federal and applicable state tax returns by an agreed-upon deadline.
- 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 any 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 every tax benefit available to you.
- Thorough compliance with tax obligations means you avoid penalties and surprises.

Year-Long Support

We encourage your staff to take advantage of our accessibility throughout the year for questions that may arise. Our people, working with you and your staff, can provide proactive advice on new accounting or GAAP pronouncements and their potential impact; help with immediate problems including answers to brief routine questions; and share insights and best practices to assist you in planning for your future success.



BROADER CAPABILITIES OF CLA

We help our charter school clients respond to challenges so they can pursue their missions for generations to come. We provide a range of financial and organizational development services, tailoring our services to each organization's individual needs.

Additional non-audit or tax services provided

In addition to audit and tax services that we provide to clients, we also provide other non-audit services. Below is a list of other services that are available:

- Strategic and financial consulting
- Design and management of multi-year grant programs
- Evaluating the impact of grant programs
- Grant reviews, site visits, and recommendations
- Network and application penetration testing
- Internal and wireless vulnerability assessment
- Information technology general controls audits
- Disaster recovery planning
- Risk assessments and project planning
- Process improvement
- Control documentation, evaluation, and testing
- Enterprise risk management Tax-exempt status examination
- Unrelated business income analysis
- Intermediate sanctions analysis
- Public support planning
- "Mock" IRS audit studies
- State and local tax studies
- Many other additional services



APPENDIX

Quality control 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 and OMB Circular A-133.



System Review Report

To the Principals of CliftonLarsonAllen LLP
and the AICPA 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 July 31, 2016. 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. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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. 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. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations [Service Organizations Control (SOC) 1 and SOC 2 engagements].

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 July 31, 2016, 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
November 21, 2016

Engagement team resumes



Derrick DeBruyne, CPA, CFE**CliftonLarsonAllen LLP**

Principal
Glendora, California

Phone 626-857-7300
Derrick.DeBruyne@CLAconnect.com

**Profile**

Derrick has experience in audits and taxation, single audits under Uniform Guidance and fraud investigation. He specializes in planning, directing, and supervising audits of non-profit organizations, including charter schools, private colleges and universities, social service organizations, and foundations. Derrick consults with nonprofit organizations on a variety of accounting and tax related matters including obtaining IRS exempt tax status, budgeting, internal control, cash flows, endowment reporting, and charitable trust gift accounting. He also specializes in fraud investigations and serves clients as an interim controller, allowing them to leverage the cost of having a CPA advisor as part of their management team.

Technical experience

- Nonprofit entities
- College foundations
- Private colleges and universities
- Charter schools
- Commercial businesses

Education/professional involvement

- Bachelor of science in accounting from the University of La Verne, La Verne
- Certified Public Accountant in the state of California
- Certified Fraud Examiner
- American Institute of Certified Public Accountants, member
- California Society of Certified Public Accountants, member
- California Society of Certified Public Accountants
 - Past President – Inland Empire Chapter
 - Member of State Council
 - Member of State Leadership Identification and Development Committee
 - CalCPA Leadership Institute Graduate
 - Former Chair – Inland Empire Financial Literacy Committee

Speaking engagements

- California Charter Schools Conference, presenter
- National Charter Schools Conference, presenter

Marlen Gomez, CPA**CliftonLarsonAllen LLP**

Director
Glendora, California

Phone 626-857-7300
Marlen.Gomez@CLAconnect.com

Profile

Marlen is a director with experience in audits and taxations, reviews and compilations and single audits under Uniform Guidance. She specializes in charter schools, foundations, nonprofit entities, private colleges and universities as well as retirement communities. Marlen brings a wealth of knowledge and extensive experience to the engagements to which she is assigned to and is a pivotal key member of our team.

**Technical experience**

- Charter schools
- Nonprofit entities
- Foundations
- Private colleges and universities
- Retirement communities

Education/professional involvement

- Bachelor of science in accounting from the University of La Verne
- Certified Public Accountant in the state of California
- American Institute of Certified Public Accountants, member
- California Society of Certified Public Accountants, member

Speaking engagements

- California Charter Schools Conference, presenter