

PROPOSAL FOR AUDIT AND TAX SERVICES

FOR

**CALIFORNIA-NEVADA-HAWAII DISTRICT
OF KIWANIS INTERNATIONAL**

KIWANIS CAL-NEV-HA FOUNDATION

**CAL-NEV-HA KIWIN'S DISTRICT OF KEY CLUB INTERNATIONAL,
CALI-NEV-HA DISTRICT OF KEY CLUB INTERNATIONAL,
AND CAL-NEV-HA DISTRICT OF CIRCLE K INTERNATIONAL
(SERVICE LEADERSHIP PROGRAMS)**

**FOR THE FISCAL YEARS ENDING
JUNE OR SEPTEMBER 30, 2018, 2019 AND 2020**

Submitted
May 8, 2018

By

Fausto Hinojosa, CPA, CFE

Price Paige & Company
Accountancy Corporation
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Clovis, California 93612
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FOR THE FISCAL YEARS ENDING
JUNE OR SEPTEMBER 30, 2018, 2019 AND 2020**

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May 8, 2018

Mr. Mark W. McDonald
District Secretary
California-Nevada-Hawaii District of Kiwanis
8360 Red Oak Street, Suite 201
Rancho Cucamonga, CA 91730

Dear Mr. McDonald:

It is our pleasure to present our proposal to provide audit and tax services to California-Nevada-Hawaii District of Kiwanis International (the "District") and the Kiwanis Cal-Nev-Ha Foundation (the "Foundation") for the fiscal years ending September 30, 2018, 2019 and 2020. Audits will also be conducted for the three Service Leadership Programs for the fiscal years ending June 30, 2018, 2019 and 2020. When presented with viable alternatives, it is not always easy for entities such as the District to identify the accounting firm that can best meet their overall audit and accounting needs. Over the past twenty-five years, we have developed significant expertise in not-for-profit audit and accounting. Our knowledge of the not-for-profit environment has allowed us to develop more robust audit plans, which we believe has improved the quality of our audits. Our experience auditing similar not-for-profit organizations allows us to conduct our audits efficiently and effectively.

Our audit professionals are highly qualified and have extensive experience and expertise in not-for-profit and governmental auditing and accounting. The firm has been a member of the AICPA Government Audit Quality Center for several years and all of our auditors take a minimum of 80 hours of continuing professional education every two years specifically related to the auditing and accounting services we provide. This commitment to learning yields a direct benefit to the clients we work with. Additionally, our firm has a well-earned reputation for ensuring the audit is performed right and, just as importantly, on time. We are committed to communicating effectively to ensure we address your questions comprehensively. As demonstrated by our resumes and considerable involvement by the firm's audit principal, we feel that our firm has the resources, knowledge and expertise to meet and service the needs of the District. We can assure you that we fully understand the work to be performed and we wish to emphasize our continued commitment to meeting and exceeding all of your expectations. Additional information about our firm's audit department and the services we offer is found on our website at www.ppcpas.com. I trust that this proposal will adequately summarize our approach to client service and identify those attributes that set our firm apart from others.

We appreciate the opportunity to submit this proposal to serve you and would be pleased to furnish any additional information regarding our firm or answer any other specific questions or concerns you may have. I am the Audit Principal for our firm and I am authorized to make representations for the firm with regard to this proposal. I may be reached at (559) 299-9540 or via email at fausto@ppcpas.com.

Sincerely,

Fausto Hinojosa, CPA, CFE
Audit Principal
Price Paige & Company

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

FIRM HISTORY AND QUALIFICATIONS

Established in 1976 and located in Clovis, California, Price Paige & Company consists of three owners (principals), Fausto Hinojosa, Mitchell Buckley, and Robert F. Price, each of whom is a Certified Public Accountant. The principals of the firm have over 80 years of combined experience in public accounting. Our firm is comprised of fifteen CPAs and six CPA candidates, as well as full and part-time accounting, bookkeeping and clerical staff. Over 50% of Price Paige & Company's practice is in auditing and attest services, primarily in the not-for-profit and governmental sectors. In addition, we provide services to many businesses in accounting, tax, and management consultation in all areas.

Price Paige & Company is recognized in the community and by our peers as experts in the areas of not-for-profit and governmental audit and accounting. Our proven commitment to excellence allows us to work with you in the most time and cost-effective manner possible. Our auditors are not seasonal; what we mean by this is that they are not "tax accountants" who perform audits in the "off-season". They focus exclusively in providing audit services and they receive over 80 hours of continuing education every two years, specifically related to improving their audit skills. The experience of our team allows us to conduct very efficient and effective audits.

We currently provide audit or review services to more than 35 not-for-profit organizations and 40 governmental agencies annually, many of which are federal single audits. The breadth and scope of single audits we have conducted is significant and we have experience auditing organizations with an excess of \$100 million dollars of federal funding.

We will assign a team of personnel from our firm to your account in order to provide the range of services you have requested. This team is keeps abreast of any significant developments that arise through our normal association with you. The most important aspect of this approach is to provide continuity to the engagement. We understand that the audit process requires two-way communication and we accept our responsibility to listen and to deliver timely and effective solutions to the audit and accounting problems we encounter.

Mandatory Qualifications

The associates of Price Paige & Company are licensed Certified Public Accountants, certified by the California State Board of Accountancy (License # COR 3442).

Independence

Our firm is independent with respect to California-Nevada-Hawaii District of Kiwanis International, Kiwanis Cal-Nev-Ha Foundation, and the related Service Leadership Programs, as defined by auditing standards generally accepted in the United States of America.

Conflict of Interest

Our firm's established policy is that we do not submit proposals for audit services if there is a known conflict of interest with the potential client. There are no current or potential conflicts of interest with anyone (employees, management, officers or directors) within California-Nevada-Hawaii District of Kiwanis International and the Kiwanis Cal-Nev-Ha Foundation.

External Peer Review

Our record of successful Peer Reviews and our Engagement Quality Control Review program serves as evidence of our commitment to meeting the standards of care and performance applicable to our audit practice and demonstrate the extra measures we take to ensure continued successful compliance with our client's expectations about our quality and competence.

Our peer review included a review of specific not-for-profit and governmental audit engagements. For your consideration, a copy of our most recent Peer Review Report is presented as Exhibit 1 in this proposal. In addition, our firm was recently awarded the AICPA's Certificate of Recognition for demonstrating that we designed and complied with a system of quality control standards established by the AICPA (Exhibit 2).

Price Paige & Company **has never had any disciplinary actions** taken nor are any pending with the Federal or State regulatory bodies or professional organizations. In addition, we are pleased to affirm that we have never had an unresolved dispute related to accounting or auditing matters that resulted in disengagements. We work closely with our clients to develop solutions that are consistent with the accounting rules and auditing standards.

We Conduct Peer Reviews

In addition to having successful peer reviews, Price Paige & Company also conducts peer reviews of other accounting firms. Essentially, we "audit" other Auditors to ensure auditing and accounting standards are met. Being a peer reviewer requires us to understand the technical accounting rules, especially in a not-for-profit environment. We leverage our experience as technical peer reviewers in our audit engagements so that we can perform effective and efficient audits making it much easier on our clients.

Proactive Rather than Reactive Approach to Client Service

A primary objective of our client engagements is to make positive contributions to our client's profitable operations, organizational efficiency and productivity. We work hard at anticipating problems and ensuring there are no surprises. We are creative and always present alternatives for your evaluation rather than insisting upon the "textbook solution". We use frequent meetings and our management recommendation letters as tools for communication with you.

We strive to maintain a continuous involvement with our clients rather than just an annual one. We ask clients to forward copies of their interim financial statements, we review minutes of meetings throughout the year, and we schedule meetings with clients outside of the normal "audit cycle" to stay abreast of changes that might impact the audit. We find this enables us to help our clients identify and solve problems on a timely basis and keeps us informed about their operations.

Smart Technologies

We use sophisticated data analysis software (IDEA) that allows us to perform specific fraud detection tests on large amounts of data, in some cases, testing 100% of the transaction population. Some of the specific tests we perform include duplicate payment tests; matching of employee and vendor addresses to identify potential conflicts, and review of purchase orders to identify potential bid splitting. We believe that our creative use of this value-added software tool allows us to perform more effective audits and gives our clients increased confidence in their financial reporting. We have successfully implemented this data analysis software and testing at Fresno Unified School District, which is the fourth largest school district in the state with a budget in excess of \$800 million dollars.

All of our audit engagements are conducted utilizing a paperless and digital approach. Our auditing software allows us to increase our efficiency and provide a streamlined workflow. We retrieve documents and files easily and forward them to you without the need for copying.

Additional Confirmations of Understanding

Price Paige & Company is an equal opportunity employer. All employees are treated on their merits, without regard to race, age, sex, marital status or other factor not applicable to their position. Employees are valued according to how well they perform their duties, and their ability and enthusiasm to maintain the Firm's standards of service.

Price Paige & Company maintains comprehensive General Liability Coverage, as well as Errors and Omissions Insurance with a limit of at least \$3,000,000. All required certificates of insurance will be provided to the District's management should our firm be the successful bidder.

VALUE-ADDED SERVICES AND SUPPORT

The role of auditors has evolved over time in response to client's needs. Our firm has made it a practice to be proactive with clients by providing value-added services, all of which are included as part of our audit engagement. Below are some of the value added benefits that we provide to our clients at **no additional charge**.

Consultation on Accounting Matters

We provide our clients with guidance on technical accounting matters. We encourage our clients to communicate with us regarding any technical accounting matter as it allows us to be proactive in the audit process. If the technical accounting questions are outside the scope of the audit or require significant research, we would communicate with management regarding the appropriate cost for their approval before proceeding with any additional services.

The engagement partner and manager would be the engagement contacts who would be continuously available for any consultation or discussion with the District's staff. Each of the team members assigned to your engagement have significant not-for-profit accounting experience, as they collectively work with over 75 not-for-profit organizations and governmental entities annually, many which require single audits or have other external audits conducted by granting or funding agencies. Any one of our audit team members would be available to answer questions from the District staff.

Client Training

We believe it is important to give our clients access to a full range of information to help them stay abreast of current accounting developments and financial reporting issues. As part of our client service program, we will periodically hold client training seminars and summary courses geared towards providing our clients an understanding of relevant issues. Training sessions that we have offered include understanding and mitigating the risk of fraud, reading and understanding nonprofit and governmental financial statements and understanding the impact of unrelated business taxable income activities.

We expect to offer additional client training sessions on some of the following topics in the future as requested by clients:

- Current and pending not-for-profit pronouncements (significant changes to not-for-profit accounting rules effective in 2018)
- Differences in grant accounting vs. GAAP accounting
- Understanding and developing a system to allocate functional expenses
- Understanding the risk of fraud and internal control vulnerabilities in an Organization

We invite our clients and their Board members to attend as a value-added service included in our audit engagements and to make recommendations as to what topics they would like to see.

Additional Services Provided

In addition to financial statement audits, we also offer the following services to municipalities: Internal Control Review, Forensic Accounting, Fraud Investigation, Agreed-Upon Procedures, Financial Statement Review and Financial Statement Compilations.

SUMMARY OF THE AUDITORS' QUALIFICATIONS AND EXPERIENCE

We have an outstanding team of professionals who have established themselves as qualified competent individuals. We can assure you that each of our in-charge auditors is experienced in not-for-profit and governmental auditing, GASB accounting pronouncements, and Single Audit requirements. Following is a brief overview of their experience. Detailed experience for each of these professionals is found on pages 6 through 9 of this proposal.

| | <u>Years of Auditing/Accounting Experience</u> |
|---|---|
| Principal: Fausto Hinojosa, CPA, CFE | 25 |
| Manager: Henry Oum, CPA | 13 |
| Senior Staff: Larisa Murren, CPA Kristin Torres, CPA Candidate | 10 3 |

Availability of Personnel and Time Requirements

Our level of staffing is more than sufficient to ensure that you receive a timely, efficient audit. We are committed to meeting the District's time constraints for the annual engagements. Should any of the above members of our audit team become unavailable, we would provide another equally qualified individual from our firm.

Continuity of Professional Staff and Succession Planning

Continuity of staff on engagements is as important to us as it is to our clients. Continuity promotes a thorough understanding of your needs and goals, and helps us help you. A smooth auditor transition will be accomplished as follows:

- ♦ **Communication** – We stress communication early on with your staff to determine expectations, time, and extent and availability of assistance. We provide a written listing of information needed, including due dates.
- ♦ **Experience** – Members of our engagement team are experienced auditors, very familiar with the operational, administrative, and accounting and compliance issues related to the not-for-profit sector and the federal single audit in particular.
- ♦ **Quality** – The firm maintains a rigorous quality control review process that includes not only a detailed review by a quality control manager and engagement partner but also an Engagement Quality Control Review (EQCR) as defined by AICPA standards.
- ♦ **Audit Approach** – Our audit approach emphasizes effective up-front planning to identify issues for timely resolution.

Auditor Training

All team members assigned to the audit comply with the **80-hour** continuing education requirements promulgated by *Government Auditing Standards*. Additionally, all auditors have already received specific training related to implementing the new provisions of the recent *OMB Uniform Guidance 2 CFR Part 200*.

RESUME

FAUSTO HINOJOSA
Certified Public Accountant
Certified Fraud Examiner
California License # 66479

Fausto is the Partner in charge of all audit and forensic consulting engagements for Price Paige & Company. His practice includes governmental and not-for-profit audit and accounting, fraud investigation and consulting, and litigation support services. Fausto serves as the Managing Partner for the Firm and is responsible for providing strategic leadership. He has worked professionally in the accounting field since graduating from California State University, Fresno in 1990. He became a Certified Public Accountant in 1994 and a shareholder with Price Paige & Company in 1997. He is a Certified Fraud Examiner and has investigated numerous allegations of fraud and has been designated a fraud expert in various legal proceedings.

After more than twenty-five years in the profession, Fausto has developed significant expertise specifically in the areas of audit risk assessment, governmental and not-for-profit auditing, fraud detection and prevention, federal/state grant compliance, and internal controls.

Fausto is the former Chair of the local Government Accounting and Auditing Committee for the California Society of CPA's and currently serves on the state committee. In addition, Fausto is a **reviewer for the Government Finance Officers Association "Certificate of Achievement for Excellence in Financial Reporting" program**. As the former Chair for the State Board of Accountancy Qualifications Committee, Fausto conducted audit workpaper reviews of CPA candidates in order to make licensure recommendations to the Board.

Fausto is a former Adjunct Professor at Fresno Pacific University where he taught an upper division auditing course. He is a frequent lecturer to the California Society of CPA's and other professional organizations, business and civic groups on governmental and not-for-profit accounting and auditing, preventative fraud measures, and the unique audit requirements for federal award programs under the Single Audit Act.

Professional Organizations and Community Involvement

State Board of Accountancy Qualifications Committee – Past Chair
Fresno Chapter of California Society of CPA's – Past President
Association of Certified Fraud Examiners – Member
American Institute of Certified Public Accountants – Member
Government Accounting and Auditing Committee of the Fresno Chapter – Past Chair
State Government Accounting and Auditing Committee of the California Society of CPA's – Member
Government Finance Officers Association – CAFR Reviewer
Fresno Regional Foundation – Past Audit Committee Chair

RESUME

HENRY OUM

Certified Public Accountant
California License # 98190

Present Position

Manager

Education and Experience

Henry began his public accounting career in 1998. He received his Certified Public Accountant's license in 2007. Since the start of his profession, Henry has worked at increasing levels of responsibility in auditing financial statements of not-for-profit organizations, commercial businesses and governmental entities. His primary focus and expertise is with not-for-profit organizations. He has consulted with not-for-profit organizations on governance matters, internal control development and best practices implementation as well as operating efficiencies.

In addition to his extensive knowledge of the application of GAAP to financial statements of not-for-profit and non-public enterprises, Henry is the current audit manager for Central Valley Community Foundation and Kings Community Action Organization, as well as all the clients listed in our References section. He has an in-depth understanding of non-profit accounting and understands the complexities of service based organizations. Henry is also the lead auditor for internal audit services for the fourth largest School District in the State of California.

Henry's experience includes Single Audits in accordance with OMB Uniform Guidance 2 CFR 200 Subpart F. He has led client training sessions for non-profit organizations that include understanding the functional expense allocations, understanding deferred revenue vs. restricted contributions and unrelated business taxable income transactions.

Community and Affiliations

Henry is a member of the American Institute of Certified Public Accountants and the California Society of CPAs. He has served on the Young and Emerging Professionals Committee for the California Society of CPAs, Fresno Chapter, to increase the involvement of young and emerging accounting professionals within the CPA society and Fresno community. Henry was the recipient of the "2009 Most Inspirational Professional" award of the Fresno Chapter of the California CPA Society. He currently is serving as the President for the Fresno Chapter CalCPA Society, was the prior Chair of the Accounting Principles and Auditing Standards Committee of CalCPA, and is the current Treasurer of Fresno's Storyland/Playland.

Continuing Education

Henry is maintaining continuing professional education requirements to meet current standards of the Government Accountability Office of the United States of America. Continuing professional education courses and seminars recently attended include: *Fraud in Auditing Conference*, *Governmental Accounting and Financial Reporting*; *Not-for-Profit Conference*; *Not-for-Profit Organizations*; *Accounting and Auditing Update*; *Yellow Book and Auditing with Excel*; and *Auditing for Fraud*.

RESUME

LARISA MURREN
Certified Public Accountant
California License # 1106190

Present Position

Audit Senior

Education and Experience

Larisa is an experienced Certified Public Accountant. Her accounting career began at Kovacevich & Bennett Accountancy Corporation in 2008. She received a Master's in Economics from St. Petersburg University of Engineering and Economics in St. Petersburg, Russia, then continuing her education in Fresno, California.

Prior to joining Price Paige & Company, Larisa served as an Auditor and CPA for James & Associates, CPAs, Inc. in Wailuku, Hawaii. Her duties included conducting audits for nonprofits, timeshares, and homeowner associations. In addition, she prepared and reviewed financial statements, and prepared income taxes for individuals and nonprofit organizations. Larisa has obtained her CPA license in both California and Hawaii. She is also a certified Quickbooks ProAdvisor.

Community and Affiliations

Larisa is a member of the American Institute of Certified Public Accountants.

Continuing Education

Larisa is in compliance with the continuing education requirements of the AICPA and *Government Auditing Standards*.

RESUME

KRISTIN TORRES
CPA Candidate

Present Position

Audit Senior

Education and Experience

Kristin began her accounting career after receiving a Bachelor of Science in Business Administration with an option in Accountancy and graduating from California State University, Fresno.

Kristin was hired in December 2014 and has provided invaluable assistance on numerous not-for-profit and governmental audits, which include single audit compliance, State Controller's reports, and preparing financial statements that comply with Yellow Book and required GASB standards. Since joining our audit team she has been the in-charge auditor for various audit projects for childcare and development audits that comply with California Department of Education (CDE) regulations. Her background includes governmental, not-for-profit entities which are performed in accordance with GAAP and the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and OMB Uniform Guidance 2 CFR 200 Subpart F.

Community and Affiliations

Kristin has plans to sit for the CPA exam in 2018. She is a member of the California Society of CPAs.

Continuing Education

Kristin is maintaining continuing professional education requirements to meet current standards of the General Accounting Office of the United States of America. Continuing professional education courses and seminars recently attended include: *Companion to PPC's Guide to Audits of Local Governments – Course 1- Audit Programs, Fundamental Audit Strategies, Performing Effective and Efficient Single Audits, Everything You Wanted to Know About Generally Accepted Government Auditing Standards (GAGAS) for Financial Audits, Basic Concepts of Governmental Accounting, Financial Reporting and Auditing, and Staff Training for Accounting and Auditing with Excel, Functional Expenditures and Cash Flows and Net Assets and Endowments.*

RELEVANT PRIOR EXPERIENCE

After evaluating our relevant experience, we are certain you will agree that Price Paige and Company is qualified to serve you. We have been successfully performing audit engagements since 1976. Since then, we have continued to build on our reputation as a well-respected firm in and around the San Joaquin Valley, with the qualifications and experience necessary to provide unequaled performance. Following is a list of several of our audit clients for whom we have provided similar services and our primary contact for each:

Reference Name: Central Valley Community Foundation

Contact: Kerri Horn, Director of Finance

Address: 5260 N. Palm Avenue, Suite 122, Fresno, CA 93702

Phone: (559) 226-5600

Email: kerri@centralvalleycf.org

Service Provided: Financial Statement Audit (GAAS); Preparation of Exempt Organization Returns

Dates: December 31, 2011 through present

Reference Name: Fresno State Alumni Association

Contact: Jacquelyn Glasener, Executive Director

Address: 2625 E. Matoian Way, SH124, Fresno, CA 93740-8000

Phone: (559) 278-2586

Email: jacquig@csufresno.edu

Service Provided: Financial Statement Audit (GAAS) - June 30, 2016

Dates: June 30, 2014 through current (Financial Statement Audit); Review Engagements 2004 -2015

Reference Name: Rotary International District 5230

Contact: John Heberger, CPA, District Treasurer

Address: 5090 N. Fruit Ave Suite 102, Fresno, CA 93711

Phone: (559) 227-9772

Email: john@hebergercpa.com

Service Provided: Financial Statement Review; Preparation of Exempt Organization Returns

Dates: June 30, 2012 through present

Reference Name: Students International

Contact: Dave Hansen, President/CEO

Address: 204 E. Oak Avenue, Visalia, CA 93291

Phone: (559) 627-8923

Email: dhansen@stint.com

Service Provided: Financial Statement Audit (GAAS)

Dates: June 30, 2012 through present

SCOPE OF SERVICES

As our experience indicates, we clearly understand the scope of services we will provide. We assure you that we will design a specific service approach to ensure compliance with all applicable standards and ensure that you receive high quality, efficient and effective service.

Standards to be Followed

We perform the financial and compliance audits in accordance with the following auditing standards:

- ♦ Generally Accepted Auditing Standards (AICPA)
- ♦ *Government Auditing Standards* (U.S. Comptroller General)
- ♦ All other applicable federal, state and local laws and regulations

Services to be Performed

We will provide the following services for each year of our engagement:

1. We will audit the books and records and assist in the preparation of the financial statements for the District, Foundation, and the Service Leadership Programs, and we will issue auditors' reports on the examination of the financial statements in accordance with standards generally accepted in the United States of America.
2. We will prepare the required exempt organization returns for the District and Foundation.
3. At the conclusion of our engagement with the District, we may issue a management letter which will discuss our observations and recommendations for improving internal controls, the accounting system, and more efficient operating practices. We consider this letter to be an important by-product of our audit. Before publishing our management letter, we will review it with the District's management personnel so that we can solicit their cooperation in making needed changes.
4. We will prepare a letter to those charged with governance which will include the following information: (1) auditor's responsibility under generally accepted auditing standards; (2) significant accounting policies; (3) management judgments and accounting estimates; (4) significant audit adjustments; (5) disagreements with management; (6) management consultation with other accountants; (7) difficulties encountered in performing the audit.

AUDIT APPROACH AND SCHEDULE

Planning and Interim Fieldwork

Prior to commencing the audit planning and interim fieldwork, our typical approach is to perform a survey of operations with the management of the District. A survey of operations is a pre-audit planning meeting that allows us to obtain a big picture understanding of the District's current year activities, including but not limited to, governance matters, management's focuses and achievements, operational changes and new programs implemented, changes in internal controls, management's concerns, etc. It allows us to better understand the scope of the audit to ensure our audit is focused on key areas. In addition, at the conclusion of fieldwork, we would request to hold an audit-closing meeting with management of the District to review the results of the audit, including discussions of audit adjustments, findings, pending matters, management recommendations and the remaining timeline to issuance of the financial statements.

The audit timeline is directly dependent on the District's ability to close the books and provide supporting audit schedules as requested. Prior to the start of the audit, we would determine a timeline that works best for the District.

Our planning phase will consist of the following for each year:

- ◆ Communicate with the predecessor audit firm and review prior year workpapers.
- ◆ Provide a list of all audit schedules to be prepared by the accounting staff.
- ◆ Internal Controls:
 - Read the District's policy and procedure manuals to obtain general understanding of internal control systems for all significant transaction classes, account balances, financial close process and financial statement preparation process. Perform necessary follow-up inquiries to obtain specific understanding of control procedures in place.
 - Perform walk-throughs of key controls to evaluate whether they are properly designed and have been placed in operation. Walk-through procedures may include inquiries, inspection of documents, re-performance and observation.
 - Systems typically tested include: payroll; disbursements/accounts payable; revenues/receipts; capital asset additions/dispositions and depreciation; long-term debt; equity; general ledger closing process.
- ◆ Perform a computer control evaluation.
- ◆ Perform preliminary analytical review of account balances.
- ◆ Use sophisticated data analysis software (IDEA) to identify anomalies and unusual transactions efficiently for further review.
- ◆ Read minutes, contracts, grant agreements and investment policies to identify significant compliance requirements.
- ◆ Prepare risk-based tailored audit programs and a client assistance package.
- ◆ Make specific inquiries of management and other personnel regarding fraud.
- ◆ Perform tests of controls for significant accounting systems (sample sizes will vary based on assessed risks).
- ◆ Perform tests of compliance with laws and regulations (sample sizes will vary based on assessed risks).

Fieldwork – Year-End

Based on the results of our planning and risk assessment procedures, we will focus our audit efforts in those areas where the risk of material error or fraud is greatest. Our approach is to identify the most effective and efficient procedures based on inherent and control risk. These procedures may include any of the following for the various account balances and transaction cycles:

- ◆ Analytical procedures: if used as the principal substantive test of a significant financial statement assertion, we will document –
 - the expectation and the factors considered in its development.
 - the results of the comparison between the expectation and recorded amounts.
 - any additional procedures performed in response to significant unexpected differences and the results of those procedures.
- ◆ Tests of details -
 - Test significant journal entries for propriety and authorization.
 - Trace significant expenditures to source documents.
 - Vouch asset balances to detailed records and schedules.
 - Test individual debt transactions for propriety and proper presentation and disclosure in the financial statements.
 - Perform compliance tests related to grant restrictions.
 - Confirm balances with third parties, including banks and/or other lenders.
 - Trace cash receipts to supporting documents including bank statements.
 - Test both the methodology and the accounting for indirect cost allocations.
 - Respond to specific fraud risks identified with further substantive tests of details or analytical procedures.
 - Utilize analytical software to perform fraud detection tests and statistically sample transactions for testing
 - Perform observation procedures for significant fixed asset additions.
 - Perform a search for unrecorded liabilities.
 - Prepare adjusting journal entries as necessary and provide to the District's accounting staff.

Reporting

During the reporting phase, we will:

- ◆ Perform and document final analytical procedures on the consolidated financial statements.
- ◆ Draft financial statements in accordance with GAAP and review with the District's management.
- ◆ Obtain required representations from management and legal counsel.
- ◆ Discuss internal control observations and recommendations.
- ◆ Conduct exit conference with management to review financial statements and review findings.
- ◆ Resolve all outstanding issues.
- ◆ Issue the District, Foundation and Service Leadership Programs financial statements and auditor's reports (January 31 of each year).
- ◆ Complete Federal and State Information Returns.

PROPOSED AUDIT FEES

All of the requested fee information is based upon our current understanding of the work to be performed and we have given you "not-to-exceed" fees for the services. In the event disclosures in the audits indicate extraordinary circumstances, which warrant more intensive and detailed services, we will provide in advance to management all pertinent facts relative to the extraordinary circumstances, together with our fee basis for such additional services.

The fees for the fiscal years ending June or September 30, 2018, 2019 and 2020, as applicable, are summarized as follows.

| | <u>FY 2017-2018</u> | <u>FY 2018-2019</u> | <u>FY 2019-2020</u> |
|---|---------------------|---------------------|---------------------|
| District: | | | |
| Financial Statement Audit | \$ 14,000 | \$ 14,000 | \$ 14,420 |
| Preparation of Annual Information Returns | 1,800 | 1,800 | 1,854 |
| Foundation: | | | |
| Financial Statement Audit | 16,500 | 16,500 | 16,995 |
| Preparation of Annual Information Returns | 1,800 | 1,800 | 1,836 |
| Service Leadership Programs: | | | |
| Financial Statement Audit | <u>11,500</u> | <u>11,500</u> | <u>11,845</u> |
| Subtotal | 45,600 | 45,600 | 46,950 |
| One-time implementation of updated not-for-profit standards effective 3/31/2019 | <u>-</u> | <u>2,500</u> | <u>-</u> |
| Total Fees | <u>\$ 45,600</u> | <u>\$ 48,100</u> | <u>\$ 46,950</u> |

The fees for the September 30, 2019 year-end includes a one-time additional assessment to implement the updated not-for-profit accounting update in accordance with FASB ASU No. 2016-14 Not-for-Profit Entities. This accounting standards update contains significant changes to the financial statement presentation of not-for-profit organizations including expanded disclosures. It is anticipated that additional time will be required to audit the implementations and disclosures during the year of adoption. We do not anticipate this to be a recurring fee for subsequent years.

This proposal is based on the current audit scope, and is made with the assumption that the District's books and records will be in a reasonably balanced condition and reconciled at the start of the audit and that the representations made to us during this proposal process will remain effective throughout our engagement.

EXHIBIT 1

PEER REVIEW REPORT

McGILLOWAY, RAY, BROWN & KAUFMAN

Accountants & Consultants

2511 Garden Road, Suite A180
Monterey, CA 93940-5301
831-373-3337
Fax 831-373-3437

379 West Market Street
Salinas, CA 93901
831-424-2737
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System Review Report

July 31, 2015

To the Partners of Price, Paige & Company A C
and the Peer Review Committee of the California Society of CPAs.

We have reviewed the system of quality control for the accounting and auditing practice of Price, Paige & Company A C in effect for the year ended April 30, 2015. 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* and an audit of an employee benefit plan.

In our opinion, the system of quality control for the accounting and auditing practice of Price, Paige & Company A C in effect for the year ended April 30, 2015, 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*. Price, Paige & Company A C has received a peer review rating of *pass*.



McGilloway, Ray, Brown & Kaufman

*Daniel M. McGilloway, Jr., CPA, CVA, Gerald C. Ray, CPA, Clyde W. Brown, CPA, Patricia M. Kaufman, CPA,
Larry W. Rollins, CPA*

*Sarita C. Shamon, CPA, Whitney Ernest, CPA, Devlyn MacBeth, CPA,
Jesus Montemayor, CPA, Smriti Shrestha, CPA, Wei Ding, CPA*

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EXHIBIT 2

AICPA CERTIFICATE OF RECOGNITION



**American Institute of
Certified Public Accountants**

Private Companies Practice Section (PCPS) is proud to present this

Certificate of Recognition to

Price Paige & Company AC

For demonstrating that your firm designed and complied with a system of the quality control standards established by the AICPA during the period 05/01/2014 to 04/30/2015.




Joel C. Olbricht, CPA, CGMA, Chair
PCPS Executive Committee