

**PROPOSAL FOR INDEPENDENT AUDITING FOR  
INNOVATIONS ACADEMY**

**SAN DIEGO, CALIFORNIA**

**FOR THE FISCAL YEAR ENDING JUNE 30, 2017,  
PLUS TWO ADDITIONAL RENEWAL PERIODS**

*Submitted on May 19, 2017 by:*

**Christy White, CPA, President**

**San Diego Office**

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**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christywhite**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

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May 19, 2017

Board of Directors  
Innovations Academy  
San Diego, California

Dear Members of the Board:

Christy White Associates (CWA) is pleased to provide you with a proposal for auditing and tax services for Innovations Academy (the "Charter") that includes annually the Charter's financial and compliance audit for the fiscal year ending June 30, 2017, plus two additional renewal periods. In this proposal, we believe that you will find that our firm is not only highly qualified to perform the audits for the Charter, but is prepared to do what it takes to provide the extra level of service required to maintain a long-term business relationship.

CWA specializes in school district and charter school audits. We are a California based CPA firm that audits over 50 charter schools annually plus over 75 K-12 school districts, over 25 bond audits, 4 community college districts, and a variety of other local governmental and nonprofit agencies. CWA has three offices to serve you in San Diego, Greater Los Angeles, and the San Francisco Bay. We offer Innovations Academy our desire to grow our audit base with our competitive fees and personalized service.

CWA has considerable experience auditing and consulting with governmental agencies. Our audit clients include for example:

**Sample of CWA's Charter Clients**

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Elevate Elementary School  
High Tech High  
Kavod Elementary School  
Old Town Academy  
The Preuss School UCSD  
San Diego Cooperative Charter Schools  
University Preparation School CSU Channel Islands

I, Christy White, CPA and Director, Marcy Fimbres have combined over 30 years of nonprofit and charter school experience from past audit and consulting positions. Assisting Marcy and me will be Director Kyle Montgomery, and experienced audit staff.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

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*Licensed by the California  
State Board of Accountancy*

We are committed to providing Innovations Academy with excellent auditing services. You can expect that Marcy, and I will personally be involved in your audit. You will find that the level of active partner and supervisor time afforded by CWA is unmatched by other audit firms.

CWA is committed to meeting all requirements and timelines for the successful completion of the engagement. Upon concluding the contract terms, CWA will hold a pre-audit meeting and set forth specific work plans and due dates for each major audit area. Regular progress meetings will be held and any issues will be resolved timely and before the release of the final reports.

CWA's proposal and other appropriate items are valid, firm, and irrevocable for sixty days. After reading through our proposal, if you have any questions, please feel free to contact me at (619) 270-8222. I would be happy to meet with you.

Sincerely,



Christy White, CPA  
President

## EXECUTIVE SUMMARY

Christy White Associates (CWA) is a California CPA firm with offices located in San Diego, Greater Los Angeles, and the San Francisco Bay Area. Christy White, CPA will lead the proposed auditing services that include an audit of the annual financial statements and compliance for Innovations Academy for the fiscal year ending June 30, 2017, plus two additional renewal years.

When considering whether to hire our firm, you will find that CWA can be differentiated from our competitors in several areas, such as:

- **LOCAL, EXPERIENCED AND INVOLVED PARTNERS:** Christy White, CPA has 30 years of audit and consulting experience garnered from 23 years in public accounting and 7 years with School Services of California, Inc. Marcy Fimbres has over 8 years of experience working directly with independent charter schools, other nonprofit organizations, and school districts. You can expect that Ms. White and Ms. Fimbres will be accessible to Innovations Academy when the audit is underway and lend their expertise freely on accounting and internal control issues.
- **TIMELY AUDITS:** CWA is committed to meeting all audit deadlines. All of our audits have been performed according to agreed upon audit schedules with the final reports to the State of California filed on time.
- **COMMITMENT TO QUALITY:** CWA has received an “unqualified” audit opinion by our peer reviewers regarding our firm’s Quality Control Standards. All audits submitted to the state have been approved. Current client references are available upon request.
- **SMOOTH AUDIT PROCESS:** CWA specializes in governmental and not-for-profit entities making for a smooth audit process. CWA guarantees that: (1) trained and supervised staff will be on site; (2) clients will be given a detailed audit plan; (3) CWA will be considerate of your staff and their workload; and, (4) all audit findings will be discussed before the report is finalized.
- **FINDING SOLUTIONS:** CWA is not content to simply identify problem areas that may exist in your organization, but seeks ways to help provide solutions. Any CPA firm can discover a problem, but with our combined backgrounds and experiences, we can supply our clients with a wide range of possible solutions.

The following proposal provides more specific information on the scope of the audit services, our experience, qualifications, client references and audit approach. We hope that you select our audit firm.

*\*Although the term “partner” is used throughout this proposal to avoid confusion, the firm is organized as a Professional Corporation, and the firm’s owners are “shareholders,” not partners.*

## GENERAL INFORMATION – ABOUT CWA

### FIRM LICENSE, AFFILIATIONS AND ASSOCIATIONS

CWA is a member of the Private Companies Practice Section (PCPS) and Government Audit Quality Center (GAQC) of the American Institute of CPAs, which requires an independent peer review every three years. Christy White Associates is licensed with the California State Board of Accountancy. We are members of the American Institute of CPAs (AICPA) and the California Society of CPAs.

In addition we are association members with the California Special Districts Association, the California Association of School Business Officials, the California Association of Nonprofits, and the Association of Certified Fraud Examiners. We have a Certified Fraud Examiner on staff should the need arise for a fraud or forensic audit.

### FIRM INDEPENDENCE

One of the benefits of an audit is having an “independent” assessment of your internal controls over financial statements and compliance matters. Our quality control program ensures that we adhere to the strictest standards of auditor independence, including those required by the Standards for Audit of Governmental Organization, Programs, Activities and Functions, published by the United States General Accounting Office. We ensure that all firm partners and any staff working on the engagement do not have any financial or other interests in your organization other than a strictly professional one. Our continued success as your business partner depends upon our independence.

### PROFESSIONAL RELATIONSHIP WITH INNOVATIONS ACADEMY

CWA has had no personal or business relationship with the Innovations Academy or its board members. CWA served as the independent auditor for the Charter in the past with the most recent services for the 2011-12 fiscal year. Should a professional relationship occur that presents an independence conflict during the contract period, CWA would immediately notify the Charter.

### EQUAL OPPORTUNITY EMPLOYER

CWA is an equal opportunity employer. We do not discriminate based on race, ethnicity, age or religion. We are in compliance with all applicable federal and state laws and regulations relating to equal opportunity employment.

### INDEMNITY

CWA has errors and omissions insurance and will indemnify and hold harmless the Charter from and against all losses and claims in the execution of our work or the consequences of any negligence or carelessness on our part. We are also fully insured for workers’ compensation.

## GENERAL INFORMATION – ABOUT CWA (CONTINUED)

Christy White Associates (CWA), a professional accountancy corporation, is a California based CPA firm. Christy White, CPA, is the engagement partner and will lead the proposed auditing services for the fiscal year ending June 30, 2017, plus two additional renewal years.

### LOCATION OF OFFICES



San Diego



San Francisco Bay Area



Los Angeles

#### Corporate Office

348 Olive Street

San Diego, CA 92103

**Telephone:**                      **Fax:**

(619) 270-8222      (619) 260-9085

### SIZE AND ORGANIZATION

CWA specializes in governmental and not-for-profit industry service. We audit school districts, charter schools, educational foundations, homeowners associations, and other not-for-profit and governmental entities. We also offer consulting and other attest services, as well as tax preparation for not-for-profit entities. We are listed in the California State Controller's Office CPA Directory.

Annually, we audit over 75 school districts, plus over 35 charter schools, and a number of other local governmental and not-for-profit entities. Our audit clients range in size from very large LEAs (including Alameda Unified and Pleasanton Unified) to mid-size and small nonprofit and governmental entities. We travel throughout California due to our specialization in auditing and consulting.

Christy White Accountancy Corporation was established in 2010 and recently changed its name to Christy White Associates (CWA). Having previously operated for 10 years as the San Diego Office of the former firm of Nigro Nigro & White, CWA has a blend of audit and consulting experience. With our abundance of knowledge from past audit experience, CWA is hard to match. CWA has over 20 auditors, including 5 CPAs, and experienced administrative support staff. We anticipate adding more auditors as our practice continues to grow. We are proud to offer our services to public agencies, not-for-profit entities, and their affiliates.

The management and staff of Christy White Associates all have a solid foundation in governmental finance including years of experience in governmental agency audits, hands-on business management, and consulting assignments with governmental agencies across California. In particular, it is the technical strength of our managers and their direct personal involvement in all aspects of the engagement that sets CWA apart from other CPA firms.

## GENERAL INFORMATION – ABOUT CWA (CONTINUED)

### STAFF TRAINING PROGRAMS

CWA's staff developed program includes over **80 hours** of annual in-house educational programs, all focused on our industry specializations: local governmental and not-for-profit entities, with significant emphasis on charter school-related topics, such as; attendance testing, state compliance requirements, and compliance auditing under OMB Uniform Guidance.

### STANDING RECORD OF QUALITY AUDITS

Christy White Associates, has a **standing record of performing quality audits**. Our clients and the State Controller's Office have accepted all of our audit reports. No client has terminated a contract during the performance of the audit. Additionally, we have not and are not involved in litigation, or any investigation by a state, federal or professional agency. We have not been subjected to an audit by the state and all of our reports have been approved through the desk review process.

There have been no complaints levied by the State Board of Accountancy or other regulatory authority in the history of CWA or its predecessor firm of Nigro Nigro & White, PC. None of the CPAs of CWA have had any individual complaints or sanctions.

### STAFF CAPACITY

CWA has three offices in San Diego, Greater Los Angeles and the San Francisco Bay Area. We have over 20 professional employees and sufficient audit capacity to provide excellent audit services to Innovations Academy



## AUDIT PERSONNEL

Christy White, CPA will be the partner assigned to Innovations Academy. The following table lists the names of firm accounting personnel assigned to the audit:

<u>Name</u>	<u>Classification</u>	<u>Audit Role</u>
Christy White, CPA	Partner	Engagement Partner
Marcy Fimbres	Director	Technical Lead
Kyle Montgomery	Director	Assisting Lead

### ABBREVIATED RESUMES OF KEY STAFF:



**Partner, Christy White, CPA** will be the partner with primary responsibility over the audit and tax engagement. Christy has served hundreds of nonprofit and governmental agencies over the past 30 years, 23 in public accounting auditing over 250 educational agencies and 7 years with School Services of California, Inc., a leading public education financial consulting and policy group. She has provided audit and financial consulting services in areas of organizational analysis, budgeting, negotiations, and multi-year planning, in addition to developing and conducting six workshop series throughout the State. Ms. White is known as a leading expert in attendance accounting, school district organization, and fiscal analysis. As the founding partner of CWA, Christy provides her clients with creative and practical solutions to problems.



**Director, Marcy Fimbres** holds a Bachelor of Science degree in Business Administration with an emphasis in Accountancy. After graduating from Cal State University, San Marcos in 2008, Marcy began her auditing career with Nigro, Nigro & White, PC in Murrieta. Working in both the audit and tax departments, Marcy gained experience with audits of local education agencies (LEAs) and various not-for-profit organizations, while also performing tax preparation. Marcy has over 8 years of experience specifically working on public school district, independent charter school, and not-for-profit audits as well as tax preparation of tax-exempt entities. Marcy has knowledge and experience with auditing for Federal Single Audits and K-12 LEA State compliance requirements. In addition to CWA's in-house training, Marcy annually attends SSC conferences on school districts, charter schools and budget updates as well as AICPA and CalCPA conferences on not-for-profit entities.



**Director, Kyle Montgomery, CPA**, with Christy White Associates, has over eight years of professional experience in the accounting and assurance services industry. He has been with CWA for over five years, providing governmental and non-profit audit and assurance services, while specializing in LEA's and Proposition 39 bond audits. Areas of specialization also include OMB Uniform Grant Guidance and K-12 state compliance audits. In addition, Kyle has two years of professional experience in accounting and auditing at Christopher Miller, CPA in Alpine, California. Kyle earned his Bachelor of Science degree in accounting from San Diego State University. Kyle has had significant experience and leadership roles over most of CWA's San Diego area school district and charter school audit clients.

## PAST PERFORMANCE

### LIST OF CHARTER CLIENTS

Here is a list of our current not-for-profit entity clients that operate as a charter school or operate multiple charter schools. Several of these organizations have been our client for over five years. We provide both tax preparation and audit services to all entities.

Charter School Non-Profit	County	Years Audited
Academy of Arts & Sciences (5 schools)	Multiple	2012-13 through present
Beacon Classical Academy	San Diego	2014-15 through present
CCLB Gateway Cities Charter School	Los Angeles	2014-15 through present
Castlemont Community Transformation Schools	Alameda	2015-16 through present
Clear Passage Educational Center	Los Angeles	2015-16 through present
Da Vinci Schools (4 schools)	Los Angeles	2008-09 through present
EJE Academies (2 schools)	San Diego	2006-07 through present
Elevate Elementary School	San Diego	2014-15 through present
Empower Charter School	San Diego	2014-15 through present
Excelsior Charter School	San Bernardino	2011-12 through present
Golden Oak Montessori of Hayward	Alameda	New in 2016-17
High Tech High (13 schools)	San Diego	2008-09 through present
Howard Gardner Community Charter	San Diego	2012-13 through present
Humphreys College Academy of Business, Law & Education	San Joaquin	2012-13 through present
International School of Monterey	Monterey	2011-12 through present
Kavod Elementary Charter School	San Diego	2013-14 through present
Lake County International Charter School	Lake	New in 2016-17
Los Angeles Academy of Arts & Enterprise	Los Angeles	2013-14 through present
New Heights Charter School	Los Angeles	2014-15 through present
Old Town Academy	San Diego	2015-16 through present
Oxford Preparatory Academy (3 schools)	Multiple	New in 2016-17
Preuss School UCSD	San Diego	New in 2016-17
Rising Sun Montessori	El Dorado	2014-15 through present
San Carlos Charter Learning Center	San Mateo	2011-12 through present
San Diego Cooperative Charter Schools (2 schools)	San Diego	2005-06 through present
Santiago Middle School	Orange	2009-10 through present
Spark Charter School	Santa Clara	2015-16 through present
STREAM Charter School	Butte	2014-15 through present
Unity Schools (2 schools)	Alameda	New in 2016-17
University Preparation School of CSU Channel Islands	Ventura	New in 2016-17

### REFERENCES

Client references are available upon request. We would be happy to provide contact information for any of the current clients listed or any of our other LEAs.

## CAPACITY AND METHODOLOGY

### SCOPE OF THE AUDIT

The scope of auditing services offered includes auditing of financial statements of Innovations Academy for the year ending June 30, 2017, plus two additional years, and will include our audit of the Charter's compliance with State requirements.

### PURPOSE OF THE EXAMINATION – CHARTER AUDIT

The purpose of the audit is to render the following opinions and reports:

- Auditors' Opinion on the Financial Statements
- Auditors' Report on Internal Controls and Compliance required by Governmental Auditing Standards
- Auditor's Opinion on State Compliance (covering both charter schools)

### AUDIT APPROACH

CWA believes the key to a good audit is efficiency. This ensures that the audit is thorough without performing unnecessary procedures. By following the professional standards prescribed by *Generally Accepted Auditing Standards (GAAS)* and *Government Auditing Standards*, we are certain that we are meeting our own professional standards for the industry.

In addition, we will conduct the audit to meet procedures required of:

- OMB Uniform Guidance and the Compliance Supplements, when applicable
- Other guides as required by the federal and state agencies, when applicable

The partners of CWA have experienced the audit from both sides of the desk. It is this unique perspective that provides our partners with the experience to recognize important audit issues. The partner's viewpoint is also tempered with appropriate sensitivity to our clients' particular situations.

Our partners are committed to maintaining an active role in all aspects of the audit. We understand how frustrating it can be to deal with someone that doesn't understand your business and will take every measure to prevent that from occurring.

Our staff is highly trained to understand your unique business, and they are instructed to consult with the partners on all aspects of the audit. We believe in a consistent approach to the audit, so we try as much as possible to keep an auditing team together.

### COMPUTER ASSISTED AUDITS

All of CWA's partners and staff have experience in computerized financial systems. As part of every audit, CWA evaluates the internal controls over key financial cycles and included computer control procedures. We work with clients on conversion issues and have worked on a variety of systems. We use computer assisted audit techniques to evaluate large data sets and plan our audit responses.

## CAPACITY AND METHODOLOGY (CONTINUED)

### DOCUMENTATION OF INTERNAL CONTROL STRUCTURES

CWA believes that an effective and efficient system of internal controls is critical to safeguarding charter assets, ensuring transactions are properly approved and recorded, and maintaining compliance with federal and state laws and regulations. Our audit approach starts with a thorough examination on the internal control structure over cycles such as:

- Purchasing and accounts payable
- Cash receipting and cash management
- Personnel and payroll
- Inventory and fixed assets
- Attendance and other compliance areas
- Financial reporting

Our examination of internal controls helps us to plan our audit procedures, but more importantly to you, we will communicate both positive control points and points where areas of improvement are needed.

### ESTIMATED HOURS BY MAJOR WORK SEGMENT – CHARTER AUDIT

Below is a detailed work plan that includes total hours for all of the audit activities. The proposed work plan shows the anticipated amount of work by major audit activity. We have reviewed the Charter’s past audited financial statements to plan what we believe to be reasonable hours to complete the audit.

Audit Work Segments	Estimated Hours of Completion	Audit Work Segments	Estimated Hours of Completion
<b>Planning, Supervision/Review</b>		<b>State Compliance Testing</b>	
Planning	3	Attendance	5
Supervision and Quality Control Review	4	Unduplicated LCFF Pupil Count	3
Contingencies/Subsequent Events	1	All Other Areas	3
Board Minutes	2	<b>Substantive Testing Areas</b>	
Correspondence (including Confirmations)	1	Assets	8
Entrance/Exit Conference	1	Liabilities	6
<b>Internal Control Review/Transaction Testing</b>		Net Assets	2
Interviews and Risk Assessment	2	Revenues	6
Cash Disbursements & Payroll	4	Expenses	4
Cash Receipts	2	<b>Report Preparation and Review</b>	
Journal Entries	1	Audit Reports Review and Opinions	8
		Management Letters/Secretarial	4
		<b>Total Audit Hours</b>	<b>70</b>

*Cont'd next col.*

## STATEMENT OF WORK

### REQUIRED INVOLVEMENT OF CHARTER PERSONNEL

CWA requests sufficient space in close proximity to the accounting department and access to office equipment (e.g. copiers, phones and fax) be provided. We would also ask that the accounting staff be generally available to answer questions and pull sampled documents throughout the course of the audit. We will provide the Charter, in advance of our audit, with a list of documents we need to have available upon our arrival. The nature of these items includes standard charter and state-required reports – we **do not** ask our clients to prepare time-consuming schedules.

CWA uses paperless audit software and we encourage our clients to submit to us in advance electronic versions of documents to reduce paper waste. We have the CWA Client Portal in which we can share securely posted audit materials through our website.

### CHARTER AUDIT: PROPOSED TIMEFRAME

The following is an estimate of the audit work to be conducted throughout the year. The final schedule would be arranged based on the planning meeting that CWA holds with the Charter’s management personnel.

Timeframe	Charter Audit Proposed Work	Percentage of Work Done
Late Spring/Early Summer	Tests of Controls and State Compliance	35%
August –October	Year-end fieldwork, depending on when the books are closed	35%
October – December	Report drafted, reviewed and finalized	28%
December	Distribute reports	1%
December or January	Board presentation (upon request)	1%
<i>Total</i>		<b>100%</b>

### PREPARATION OF REPORT DRAFT, EXIT CONFERENCES AND PRESENTATIONS

CWA will provide the Charter with fully drafted audit reports at least two weeks before the due date of each report. We will also meet with the Charter’s management for an exit conference at each stage of the audit process (e.g., interim and year-end) including a review of the drafted financial statements. If the Charter convenes an audit or finance committee, we would attend a meeting to communicate the scope and results of the audit. We can also present the audit report to the Board of Directors at the conclusion of the audit upon the Charter’s request.

## PROPOSED COSTS

### FEE STRUCTURE FOR INNOVATIONS ACADEMY

Christy White Associates hereby proposes and agrees to perform the work described and to provide all labor and materials necessary to perform the work in connection with the independent audit and tax preparation services.

We propose to conduct the audit engagement and submit the audit reports in compliance with the instructions provided by the State Controller’s Office. The following is a list of personnel by classification who will be assigned to the audits, indicating the estimated number of hours and rate per hour for the audits. The hourly billing rates indicated in the schedules below also apply to additional services not included in the original scope of work.

<u>Classification</u>	<b>Billing</b>		<b>Estimated</b>		
	<b>Rates</b>	<b>Hours</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Partner	\$ 175	4	\$ 700	\$ 714	\$ 728
Director	145	18	2,610	2,663	2,716
Supervisor/Senior	125	20	2,500	2,550	2,601
Staff	100	24	2,400	2,448	2,497
Clerical Assistant	45	4	180	185	188
		<u>70</u>			
<b>Total Audit Fees*</b>			<u>\$ 8,390</u>	<u>\$ 8,560</u>	<u>\$ 8,730</u>
Tax Preparation**			1,100	1,100	1,100
<b>Total Professional Fees</b>			<u>\$ 9,490</u>	<u>\$ 9,660</u>	<u>\$ 9,830</u>

*\*If a Federal Single Audit under OMB Uniform Guidance (UG) becomes applicable during any given year, an additional \$2,000 will be added to the annual audit fee. A Federal Single Audit under OMB UG is applicable in any given year that the Charter expends more than \$750,000 in Federal funds.*

*\*\*Fees noted for preparation of tax returns include Federal IRS Form 990 and related schedules and California Form 199. If these are not the appropriate forms or if any additional Federal or State forms are necessary, this fee may be modified based on the client tax compliance needs.*

**At CWA, we do not bill for extra services related to the scope of the audit or added costs (such as printing). Our fees are all-inclusive and will not change unless there are significant changes in the scope of the audits or tax services proposed, as imposed by state or federal agencies. Fees increase at a rate of two percent per year for Cost of Living Adjustment (COLA).**

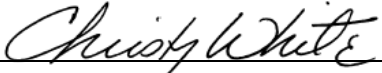
## PROPOSED COSTS (CONTINUED)

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. In accordance with Education Code Section 14505 as amended, ten percent (10%) of the audit fee shall be withheld pending certification of the audit report by the Office of the State Controller and fifty percent (50%) of the audit fee shall be withheld for any subsequent year of a multi-year contract if the prior year's audit report was not certified as conforming to the reporting provisions of the Audit Guide.

It is understood that the client reserves the right to reject this proposal and that this proposal will remain open and not be withdrawn for a period of 60 days after the submission deadline.

The undersigned agrees to perform the audit services specified at a total cost not to exceed the amounts shown on the previous page and including copies of the Audit Report to the Charter, and to be filed with the State Departments, San Diego County Office of Education and the authorizing agency, San Diego Unified School District. CWA will enter into an agreement with Innovations Academy in the form of an engagement letter upon acceptance of this proposal.

We appreciate the opportunity to serve you.

  
\_\_\_\_\_  
Christy White, CPA and President  
Christy White Associates

May 19, 2017  
\_\_\_\_\_  
Date