

Create Opportunities



March 12, 2021

Proposal to provide professional assurance services to:

Junior Achievement of Arizona, Inc.



Prepared by:

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



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March 12, 2021

Amy Schaefer, VP of Finance
Junior Achievement of Arizona, Inc.
636 W Southern Avenue
Tempe, AZ 85282
Via email amys@jaaz.org

Dear Ms. Schaefer:

Thank you for inviting us to propose continuing our services to you. We gladly welcome the opportunity to share our approach to helping Junior Achievement of Arizona, Inc. (JAAZ) meet its need for professional services. The enclosed proposal responds to your request for assurance services for the three-year period beginning with the fiscal year ending June 30, 2021, with an option to extend for two years.

Through our past work together, and after reviewing your Request for Proposal, we understand your broader objectives are to retain a service provider that has a local presence, a strong background in the nonprofit industry, and serves organizations similar in size and complexity to JAAZ. We are confident our proposal not only addresses your need for professional services, but also demonstrates our strong capabilities in serving nonprofit clients, developed during 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 approaches based on a deep understanding of your business and industry
- Address your organization's financial challenges through our national and global 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 finance and audit committees or entire management team. If you have any questions about our offerings, please do not hesitate to contact me via the information noted below.

Sincerely,

CliftonLarsonAllen LLP

Jacqueline Eckman, CPA, Principal
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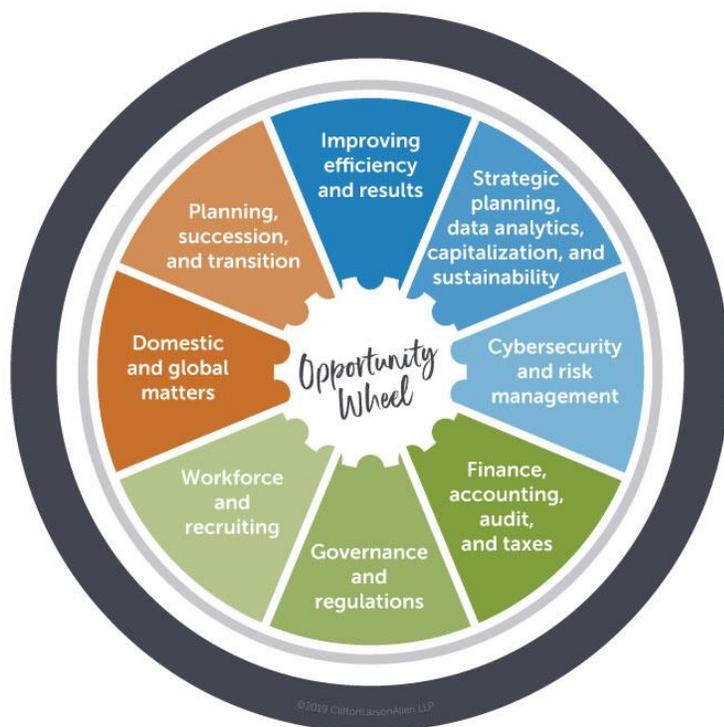


Executive Summary

Why should JAAZ continue to choose CLA?

With CLA by your side, you can find everything you need in one firm. We know your industry, and we want to know you.

- Need help getting started? We can provide resources.
- Want to improve your performance and results? We assemble the right team for you.
- Planning for a leadership transition? CLA has the tools you need.



Create opportunities

We understand your most important needs are:

- **A proposed team of professionals carefully selected for compatibility with JAAZ’s needs and circumstances** — Your service team understands the strategic, operational, and regulatory issues impacting your organization. These professionals dedicate a substantial percentage of their time assisting nonprofits with financial, regulatory, and information security matters.
- **Diversity, equity, and inclusion** — We are dedicated to building a diverse and inclusive culture that thrives on different beliefs and perspectives. Our diversity, equity, and inclusion council identifies strategies that foster and support the many dimensions of diversity within the firm. When we embrace an inclusive culture, we can truly know and help each other and our clients — that’s how we create opportunities together.
- **Commitment to the community** — CLA family members bring meaningful social impact through volunteer efforts, charitable contributions, service on boards, and a focus on sustainable practices. Our community engagement team is bolstered by the diversity and inclusion council and the CLA Foundation — a philanthropic organization that has awarded more than \$4.7 million through 300 grants funded solely by the CLA family.
- **Efficiency** — Our goal is to provide exceptional client service at the lowest possible cost. A well-planned and well-executed engagement by an experienced service team will minimize disruption to your staff and enable timely completion of all deliverables.
- **Experience and continuity** — Each engagement team member has in-depth experience in nonprofit accounting, auditing, or tax matters. We will commit the necessary resources to provide quality client service and timely report delivery. We have an extensive local and national nonprofit practice from which to draw resources.
- **We know you!** We know and understand JAAZ. By providing services to you in the past, we have established an understanding of your organization. The work we’ve performed provides your project with momentum even before we begin the engagement. We don’t have to learn about your core operations, we know them well.



Innovation at CLA

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

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

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



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

The CLA Seamless Assurance Advantage

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



A different approach

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



Insights through analytics

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



Effective technology

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



a Firm Qualifications

Create opportunities

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

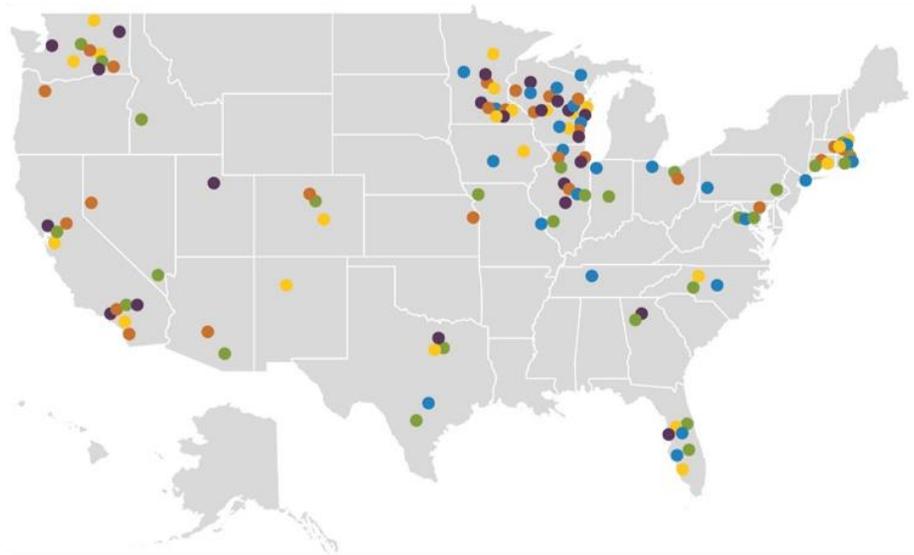
More than
7,400
people



More than
120
U.S. locations



A
global
affiliation



We promise to know you and help you

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

What makes us different?

You can depend on CLA for several uncommon advantages:

Deep industry specialization	Seamless, integrated capabilities	Premier resource for nonprofit organizations and their stakeholders	Inspired careers
Our people are industry practitioners first and foremost. You will work with professionals who know you, your organization, and your industry. We combine their knowledge with yours to make you stronger.	We offer planning and guidance from startup through succession, with particular care for the people behind the enterprise. Your team connects with a broad network of resources behind the scenes to support you.	Nonprofit organizations enrich our communities. You are at the core of our strategic focus because supporting you means a better world for all of us.	Our team members are personally invested in your success. You will work with entrepreneurial people who are constantly developing capabilities to help you meet any challenge you face.

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



b Background and Experience in Serving Nonprofits

JAAZ will be served by CLA’s dedicated nonprofit group, a team focused on providing high-quality accounting, auditing, tax, and other services to nonprofits like yours. Members of CLA’s nonprofit group focus almost exclusively on serving nonprofit organizations, so they have the experience and commitment to fully understand your challenges and opportunities.

Nonprofit organizations are a dynamic, unique area of accounting, and require constant attention and monitoring. Our knowledge of your industry is crucial to offering actionable activities. As a firm with more than 60 years of experience, serving more than 9,000 clients, we possess a thorough understanding of your challenges and are able to respond promptly and effectively to help meet them.



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

Experience serving Junior Achievement organizations

Besides, Junior Achievement of Arizona, CLA serves several other Junior Achievement organizations across the firm including:

- Junior Achievement of Central Florida, Inc.
- Junior Achievement of Wisconsin, Inc.
- Junior Achievement of Eastern Iowa Inc. and Foundation



Supporting Junior Achievement across the firm.

We have had several CLA family members who serve on boards and committees of Junior Achievement. Also, CLA Foundation awarded 15 (11%) grants to Junior Achievements across the country in 2020 for a total of \$130,000.

State	Grant Recipient	2020
AZ	Junior Achievement of Arizona	\$10,000
IL	Junior Achievement of Illinois	\$20,000
MD	Junior Achievement of Central Maryland	\$15,000
MO/KS	Junior Achievement of Middle America, Inc., dba Junior Achievement of Greater Kansas City	\$15,000
OH	Junior Achievement of North Central Ohio	\$10,000
MA	Junior Achievement of Southern Massachusetts	\$20,000
MN	Junior Achievement of the Upper Midwest, Inc.	\$15,000
WA	Junior Achievement of Washington	\$15,000
WI	Junior Achievement of Wisconsin, Inc.	\$10,000

Similar client listing

From our Phoenix office, we provide services to nonprofits that have operating budgets ranging from less than \$1 million to more than \$300 million. These organizations' assets range from \$1 million to more than \$550 million. Therefore, CLA has extensive experience providing audit, tax, and consulting services to nonprofits of all sizes across the United States. Below is a representative client list:

- 100 Club of Arizona
- Ability360
- Arizona Chapter of the American Academy of Pediatrics
- ASU Alumni Association
- Behavioral Health Insurance Pool, Inc.
- Big Brothers Big Sisters of Central Arizona
- Childhelp, Inc.
- Chicanos Por La Causa
- Christ's Church of the Valley
- Fiesta Bowl
- First Place AZ
- Friends of Public Radio
- HopeKids, Inc.
- Health Current
- The Heard Museum
- Jewish Family Children's Service
- Legacy Connection
- Make-A-Wish Foundation International
- Make-A-Wish Foundation of America and Related Chapters
- McDowell Sonoran Conservancy
- Mesa United Way
- Musical Instrument Museum
- National Council on Alcoholism & Drug Dependence
- PetSmart Charities Inc.
- S.T.A.R-Stand Together and Recover Centers
- Society of St. Vincent de Paul
- Sojourner Center
- Take Charge America, Inc.
- TechForce Foundation
- The Hopi Foundation
- United Food Bank



Industry participation

CLA's role in industry education as a thought leader and industry speaker translates to benefits to JAAZ: you will gain insight into what changes might be ahead for your field, enabling you to plan accordingly. CLA hosts nationally sponsored trade events, and our team of nonprofit 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.

CLA's 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 led 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 sampling of industry organizations and regulatory bodies that our nonprofit services team members are active in includes:

- American Institute of Certified Public Accountants
 - Accounting and Review Services Committee Michael Westervelt Member
 - Assurance Services Executive Committee Catherine Schweigel Member
 - Auditing & Attestation (AUD) Subcommittee Paul Kelly, III Member
 - CITP Credential Committee Sundeep Bablani Member
 - Depository Institutions Expert Panel Todd Sprang Member
 - Employee Benefit Plan Audit Quality Center Executive Committee Doug Bertossi Member
 - Employee Benefit Plans Expert Panel Stacy Meyer Member
 - Enforcement Subcommittee Ann Joda Member
 - Enforcement Subcommittee Rachel Sinks Member
 - Governmental Audit Quality Center Executive Committee Rachel Flanders Member
 - Health Care Expert Panel Trenton Fast Proposed
 - National Credit Union Conference Steering Committee Bryan Mogensen Member
 - Not-for-Profit Organizations Expert Panel Christine Stanz Proposed
 - Partnership Taxation Technical Resource Panel Ryan Sonnenburg Member
 - Peer Review Board Firm Member
 - Personal Financial Planning Executive Committee Jamie Rappis Proposed
 - Private Company Practice Section Technical Issues Committee Stephanie Markert Member
 - Regulation (REG) Subcommittee Lisa Adams Member
 - State and Local Government Expert Panel Anita Supinski Member
 - Tax Executive Committee Chris Hesse Chair
 - Tax Practice and Procedures Committee Chastity Wilson Proposed
- American Society of Association Executive
- Center for Nonprofit Advancement
- Council on Foundations
- Financial Accounting Standards Board
 - Not-for-Profit Resource Group
- Humentum (formerly InsideNGO)
- Internal Revenue Service
 - Advisory Council on Tax Exempt and Governmental Entities (ACT)



- Exempt Organization Sub-Committee
- National Association of Professional Women
- National Council of Nonprofits
- The Center for Association Leadership (Center)

Thought leadership and industry information

CLA goes beyond the numbers and offers you value-added strategies. Because your success and our relationship are important to us, 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.

COVID-19 Support and Resources – A great place to find all current articles, livestreams and webinars related to the COVID-19 crisis.

- [Responding to COVID-19](#)
- [COVID-19: FASB Considers Accounting Standards Delay](#)
- [PPP Loan Forgiveness Assistance](#)
- [Tips for Tracking Information to Help Maximize Loan Forgiveness](#)
- [How to Help Your Business Qualify for PPP Loan Forgiveness](#)

CLA Livestream Series – Join our multipart livestream series to engage in the latest changes related to these uncertain times. You'll hear strategies for navigating what these developments mean for you. Topics include issues related to legislation, liquidity, workforce, and other relevant topics. You can register for the series by clicking here: [CLA Livestream Series COVID](#)

Local Office Peer to Peer Nonprofit Roundtables — CLA hosts peer to peer nonprofit roundtables in all our major market offices, including Phoenix. At these sessions, our nonprofit leaders facilitate discussions on innovative nonprofit issues and developments among our clients and industry peers in an intimate and engaging setting. Participants receive valuable content and complimentary continuing professional education credits. Nonprofit roundtables will begin again once it's deemed safe to do so.



Phoenix Regulated Industries Training Academy — A one day training academy for our local nonprofit and government clients hosted annually at CLA's Phoenix office.

National Webinars — Providing an opportunity for you to receive education on pertinent operational, lending, technology, and other important developments. Through these webcasts, our clients may provide – free of charge – professional development opportunities to staff and audit and risk committee members. Our most recent webinars include:

- *Siloing of UBI: What Nonprofits Need to Know*
- *Strategy Meets Standards: Liquidity Disclosure Under the New FASB Rules*



Market and Economic Outlook — A quarterly publication which analyzes global economic conditions and market activity and how they may affect individual investors. This issue reviews highlights of the past year and decade, as well as ponder some of the big-picture issues that may influence the markets in the years to come.



Nonprofit Blog — a great place to learn about current regulatory or industry issues and comment long with your peers. Recent topics include:

- *Elegant Cost Centers*
- *Elegant Financial systems: Principles and Practice*



Articles/White Papers, etc. – newsworthy information shared with our clients when new industry or regulatory issues arise.

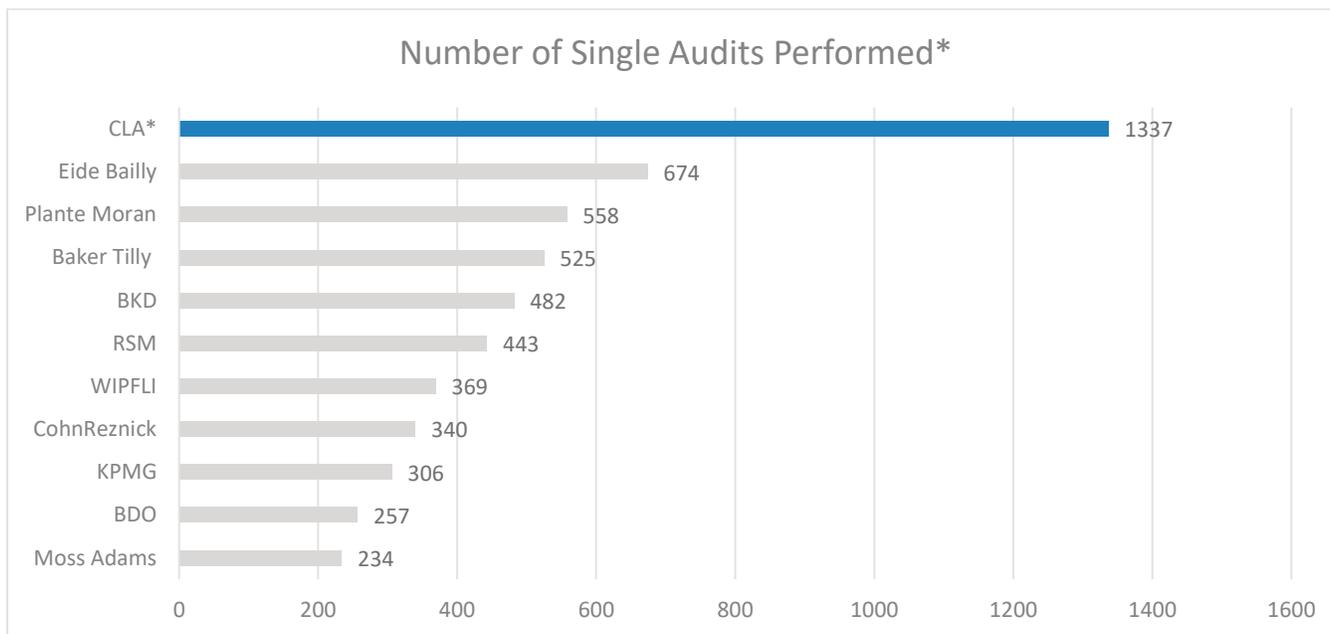
- [*Impact of Tax Reform on Nonprofit Entities*](#)

Social Media — follow us on Twitter at @CLA_Nonprofit, LinkedIn, or Facebook for industry and CLA updates.

Our website also has an extensive online resource library that includes white papers and articles that represent some of our thought leadership on a variety of important topics. You can subscribe to receive our communications by visiting our subscription center at <http://www.CLAconnect.com/subscribe/>.

Leaders in performing single audits

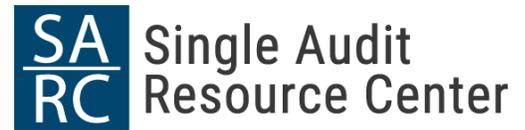
We realize that JAAZ does not receive federal funds. However, we have included the following table as an example of CLA's quality infrastructure for meeting the most stringent regulatory requirements in the nonprofit and government sectors. This means you can be confident in the quality of the audit 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 **\$56 billion dollars in federal funds in 2019.**



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

Single Audit Resource Center (SARC) Award

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



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

Broader capabilities

Over the past several years, CLA has developed many value-added services expressly for our nonprofit clients.

<p>Assurance Services</p> <ul style="list-style-type: none">• Audit• Review• Compilations• Agreed-upon procedures• Information security audit	<p>Consulting</p> <ul style="list-style-type: none">• Internal control review• Restructuring• Compensation consulting• Board training• Strategic planning• Membership surveys• Benefit plan compensation	<p>Tax Services</p> <ul style="list-style-type: none">• Annual tax compliance• Multi-state sales and use tax• Unrelated business income tax (UBIT)• Intermediate sanctions• International tax	<p>Outsourcing</p> <ul style="list-style-type: none">• Temporary CFO and Controller services• Monthly closing assistance• Accounting system set-up• Accounting policy and procedure manuals• Internal auditing
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Knowledge of emerging developments

Over the last five years we have seen many changes in audit standards. We are taking 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.

The following are examples of recent and pending changes by source, as certain changes may impact your organization. We provide these types of interpretations and communications to our clients regularly. CLA can help your organization interpret and plan for required implementation in the most efficient and effective manner. Read on to see what may affect your organization in the next few years.

- **Revenue Recognition** — The FASB’s comprehensive standard on revenue recognition will impact all organizations. The earliest effective date for the standard is December 31, 2018 (June 30, 2019) for those organizations with public debt. For all other nonprofits the standard has been delayed and will be effective for annual reporting periods beginning after December 15, 2019 (effective for JAAZ for the year ending December 31, 2020). The standard does not change how your organization will account for contributions; however, all other revenue sources will need to be analyzed to determine if there will be a recognition change. In addition, the new disclosure requirements are comprehensive.
- **Leases** — In February 2016, the FASB issued amended guidance for the treatment of leases (ASU 2016-2: Leases). The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The accounting for lessors will remain relatively unchanged. The guidance also changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The amendments in the guidance are effective for fiscal years beginning after December 15, 2018 (including interim periods within those fiscal years) for public business entities, nonprofit entities that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and employee benefit plans that file financial statements with the U.S. Securities and Exchange Commission (SEC). The amendments in the guidance are effective for fiscal years beginning after December 15, 2021 for all other entities. Early adoption is permitted for all entities. You should consider how the revenue recognition standards will affect your organization and if you should be implementing the lease standard in conjunction with the revenue recognition standards.



c Understanding of Work to be Performed

Understanding your needs

JAAZ is seeking an independent certified public accounting and consulting firm to provide the following services:

- Perform an audit of its yearly financial statements and related filings for a three-year period beginning with the fiscal year ending June 30, 2021, with an option to extend for two years. The audit will be performed in accordance with generally accepted auditing standards.
- The combined financial statements of JAAZ consist of Junior Achievement of Arizona, Inc. and the Foundation for Junior Achievement of Arizona, Inc.
- JAAZ requires an annual financial statement audit as well as an annual compilation report on the Statement of Revenue Subject to License Fee.
- CLA will also type the audited financial statements.

Seamless assurance advantage: a different way to audit

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 provides insight into your organization, allowing you to take advantage of opportunities and improve your operations.

Our industry experience makes it easier — CLA auditors are industry aligned, making our audit process fast and smooth. We focus on operational efficiency and leverage our industry experience to bring you meaningful insights that go beyond compliance requirements. A dedicated team of professionals will listen to your goals and concerns, then work with you to navigate industry pressures, changing markets, and complex standards, all with a common goal to drive your business toward success.

Your time has value — We recognize that you and your teams' day is filled with competing priorities and constant distractions. We elevate your experience by utilizing a variety of communication mediums, such as a web-based document portal, video conferencing, email, and phone calls, to keep everyone informed and on track. These mediums provide ultimate flexibility so that you can choose where and how your audit is performed. In contrast to a traditional engagement, where a team spends weeks on site at your location, our Seamless Assurance Advantage focuses on having the right team members on your engagement and isn't dependent upon any physical locations.

No surprises — We will provide JAAZ with a *no surprises* approach to our services, based on frequent and timely communication and clarity around roles and expectations. If and when issues arise during the course of your audit, we engage the right people in a frank discussion to resolve them.

Significant involvement of principals and managers — Because our principals and managers are directly involved in your engagement, we can proactively identify significant issues and resolve them with your management. We believe that your time is best spent with key decision makers so that you can ask clarifying questions, discuss organizational strategies, and navigate sensitive reporting issues.

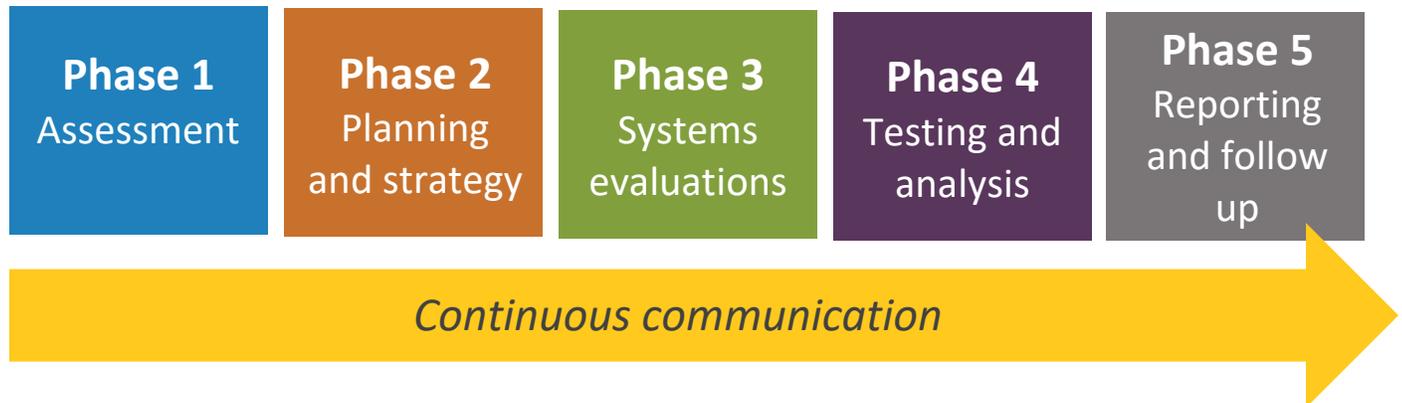
We tailor the audit just for you — While our audit programs provide typical approaches for given audit areas, CLA designs a client-specific, risk-based audit approach for each client. We use custom, industry-tailored programs, procedures, and tools that are designed specifically to focus on the issues that are applicable to nonprofit organizations.

You'll learn about what we're doing and what we've found in plain, everyday language. We believe our services can contribute to better business and administrative practices. By working closely with your staff, CLA



continuously learns about your organization. This involvement enables us to offer you recommendations for improvements in your systems and procedures that are more comprehensive, better understood, and more frequently implemented.

The CLA audit methodology utilizes a five-phase approach.



Methodology. Each of the above steps benefits from the possible perspectives and contributions, not only internal, but also external, managed through an integrated risk management process.

Phase I: Assessment

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

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

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

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

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

Phase 2: Planning and strategy

The main objective of the planning phase is to identify significant areas and design efficient audit procedures. We will accomplish our planning by following the methodology below:

- Conduct an entrance meeting with JAAZ – We will meet with JAAZ's personnel to mutually agree on an outline of responsibilities and timeframes. The agenda will include, but not be limited to, the following:



- Establish audit approach and timing schedule
- Assistance to be provided by JAAZ's personnel
- Application of generally accepted accounting principles
- Audit concerns
- Concerns of JAAZ's management
- Establishment of report parameters and timetables
- Progress reporting process
- Establish principal contacts
- Confirm an understanding of JAAZ's operations, including any changes in its organizations, management styles, and internal and external factors influencing the operating environment. We will utilize reference materials such as the budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.
- Identify significant accounts and accounting applications, critical audit areas, significant provisions of laws and regulations, and relevant controls over operations.
- Determine the likelihood of effective Information Systems (IS)-related controls.
- Perform a preliminary overall risk assessment.
- Confirm protocol for requesting information from and meeting with the business office staff.
- Establish a timetable for the fieldwork phase of the audit.
- Determine a protocol for using Interactive Data Extraction and Analysis (IDEA), our data extraction and analysis software, to facilitate timely receipt and analysis of reports from management.
- Compile an initial comprehensive list of items to be prepared by JAAZ and establish mutually agreed-upon deadlines.

One of the key elements in the planning of the audit engagements will be the heavy involvement of principals and directors. We will clearly communicate any issues in a timely manner and be in constant contact with JAAZ as to what we are finding and where we expect it will lead.

We will develop our audit programs during this phase. Utilizing the information, we have gathered, and the risks identified, we will produce an audit program specifically tailored to JAAZ. This program will detail by major section the nature and types of tests to be performed. We view our programs as living documents subject to change as conditions warrant. We will hold an entrance conference with the entities to discuss the audit timeframes and will meet the appropriate personnel at least one month prior to the start of each audit.

Phase 3: Systems evaluation

During the systems evaluation phase, we will gain an understanding of the internal control structure of JAAZ for financial accounting and relevant operations. Next, we will identify control objectives for each type of control that is material to the financial statements, and then identify and gain an understanding of the relevant control policies and procedures that effectively achieve the control objectives.

Our assessment of internal controls will determine whether the entities have established and maintained internal controls to provide reasonable assurance that the following objectives are met:

- Transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and to maintain accountability over assets
- Assets are safeguarded against loss from unauthorized acquisition, use, or disposition
- Transactions are executed in accordance with laws and regulations that could have a direct and material effect on the financial statements

We will finalize our audit programs during this phase. We will also provide an updated Prepared by Client Listing based on our test results and our anticipated substantive testing.



During the internal control phase, we will also perform a review of general and application Information Systems (IS) controls for the applications that are significant to the financial statements to conclude whether IS general controls are properly designed and operating effectively, and consider application controls as part of the internal control assessment in the financial statement audit. Our strategy for the IS review of the applications will involve reviewing all of the general control activities, including the computerized and manual processes. We will determine the scope of work by applying the concepts of materiality and risk assessment to effectively reduce examination inefficiencies. When planning this examination, we will gain an understanding of JAAZ's operations by reviewing its current controls and control objectives as documented and will also review the prior year's audit work and the status of corrective actions.

Based on our preliminary review, we will perform an initial risk assessment of each critical element in each general control category, as well as an overall assessment of each control category. We will then proceed to assess the significant computer-related controls.

For IS-related controls that we deem to be ineffectively designed or not operating as intended, we will gather sufficient evidence to support appropriate findings and will provide recommendations to improve internal controls. For those IS controls that we deem to be effectively designed, we will perform testing to determine if they are operating as intended through a combination of procedures, including observation, inquiry, inspection, and re-performance.

Phase 4: Testing and analysis

The extent of our substantive testing will be based on results of our internal control tests. It has been our experience that nonprofit like yours often have a system of internal control that, with appropriately designed tests and correlation to account balances, can be used to limit the extent of account balance substantiation testing.

Audit sampling will be used only in those situations where it is the most effective method of testing. Before deciding to sample, we will consider all possible approaches and audit techniques. Items where, in our judgment, acceptance of some sampling risk is not justified will be examined 100 percent. These may include unusual items or items for which potential misstatements could individually equal or exceed tolerable error.

After identifying individually significant or unusual items, we will decide on the audit approach for the remaining balance of items by considering tolerable error and audit risk. This may include (1) testing a sample of the remaining balance, (2) lowering the previously determined threshold for individually significant items to increase the percent of coverage of the account balance, or (3) applying analytical procedures to the remaining balance. When we elect to sample balances, we will use IDEA to efficiently control and select our samples.

Our workpapers during this phase will clearly document our work as outlined in our audit programs. We will also provide JAAZ with status reports during the course of the audit fieldwork. As in all phases of the audit, we will be in communication with JAAZ to identify and resolve issues in a timely manner. We will also hold a final exit conference with JAAZ to summarize the results of our fieldwork and review significant findings.

Phase 5: Reporting and follow-up

Reports to management will include oral and/or written reports regarding:

- Independent auditor's report
- Management letter, if necessary
- Written communication to those charged with governance
- Emerging issues
- Ongoing support for the governing board and JAAZ's management



Once the final reviews of working papers and financial statements are completed, which is a process that actually starts while the fieldwork is in process, our opinion, the financial statements, and management letter and other formal reports will be issued.

JAAZ will be provided a draft of any comments that we propose to include in the management letter, enabling you to review the comments for accuracy prior to final release. Any items that come to our attention that are not what we consider major items may be discussed verbally with management and not included in the management letter. Our management letter will include items noted during our analysis of your operations. We will also make a formal presentation of the results of the audit to those charged with governance.

When performing an audit, we are sensitive to and understanding of the fact that we report to those charged with governance. We maintain objectivity and independence in order to be able to issue our audit opinions. We will act within our philosophy of total client service, maintain the professional relationship refined with management, and fulfill our responsibilities with the utmost professionalism.

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.

Summary of benefits

JAAZ will realize the following benefits from CLA's services:

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

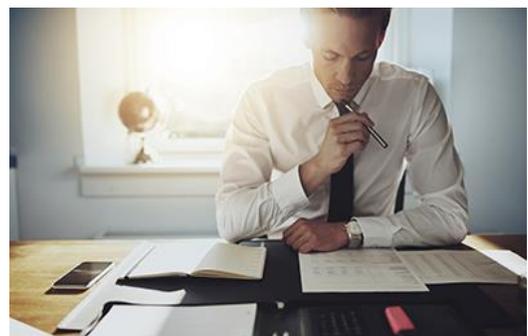
Compilation approach

We understand that JAAZ may need timely compiled financial statements on an annual basis. CLA has incorporated effective and efficient procedures for financial statement engagements. Compilation services do not provide any opinion on the reliability of the financial information presented.

During the course of our financial statement services, we may discover financial or operational concerns. As part of your strategic team, we will discuss any findings with you. Our communication will provide you with practical recommendations on how weaknesses can be strengthened, and any potential problems avoided.

For example, we may make recommendations to you that:

- Offer suggestions for improving operating efficiencies or new strategies for your organization. Help in establishing management reporting models including budgeting and cash flow projections.



- Identify opportunities to improve internal controls and accounting procedures, which increases the reliability of accounting records and financial statements.

Deliverables

CLA will provide JAAZ with the following:

- Annual compiled financial statements.
- **Practical recommendations** on how weaknesses can be strengthened, and potential problems avoided.
- **Valuable suggestions for improvements** in JAAZ's financial operations and other areas.

Ongoing Insight

- Answers to routine questions throughout the year at no additional charge.
- Proactive advice on new GAAP pronouncements and their potential impact to JAAZ.
- **Insight and advice** on organization issues and opportunities.

Benefits

JAAZ will realize the following benefits from CLA's financial statement compilation services:

- **An objective look** at operations to help you make sound business decisions.
- **A proven efficient and effective** process, thus minimizing your costs and reducing disruption to your organization.

Use of technology in the audit

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



Secure, Interactive Request Lists



Analytics and Insights



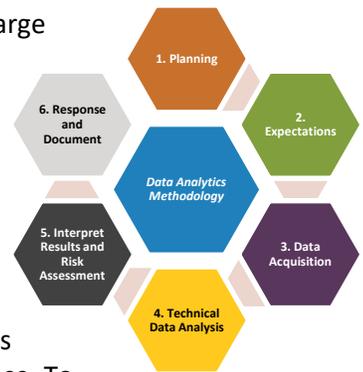
Impactful Interactions

Assurance Information Exchange (AIE) – To make working with CLA a seamless experience, our team utilizes a proprietary, secure web-based application to request and obtain documents necessary to complete client engagements. This application allows CLA and our clients to view live client assistance letter, which provides detailed information, including due dates for all of the open items CLA is requesting. Additionally, clients have the ability to attach electronic files and add commentary related to the document requests directly on the application. Follow the link to view a brief tutorial of the [Assurance Information Exchange](#).



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

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



d Proposed Timeline

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

Significant Milestones	Target dates
Planning meeting with Governance	June/July
Prepared by client list to JAAZ	30 days prior to fieldwork start
Field audit work	August
Draft reports	30 days after all fieldwork requests delivered
Presentation to finance and audit committees	September
Delivery and presentation of draft audited financial statements and required communication to JAAZ management and the finance and audit committees of the board, including Management Letter Comments	Completed within 75 days of each year end
Statement of Revenue Subject to License Fee	Completed within 90 days of the end of each fiscal year.



e Proposed Fee Structure

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 strategies. We propose to provide routine, proactive 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	Year 1	Year 2	Year 3	Option Year 1	Option Year 2
Financial Statement Audit	\$14,000	\$14,500	\$15,000	\$15,500	\$16,000
Compilation Report on the Statement of Revenue Subject to License Fee	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Technology and Client Support Fee (5%)	\$750	\$775	\$800	\$825	\$850
Fee	\$15,750	\$16,275	\$16,800	\$17,325	\$17,850

Our clients don’t like fee surprises. Neither do we. We commit to you, as we do all of our clients, that:

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

Fee considerations

The fee proposal is based on the following:

- JAAZ personnel will help 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 JAAZ’s deadlines.
- 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 JAAZ subsequent to the date of this proposal.

Whenever JAAZ personnel call, even during the height of a busy season, it is our policy to return that communication promptly. CLA’s personnel are always available to help without additional cost to you. If the person you need to talk to is not available at the time you call, we will contact them 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 the scope of our services. At CLA, it's more than just getting the job done.



f Determining Materiality

Our determination of materiality includes both a qualitative and quantitative perspective based on our professional judgment. Some of the key factors we consider when determining our materiality thresholds are:

- The intended users of the financial statements and any particular financial statement amounts the user may focus their attention on
- The financial statement amounts and the elements that comprise the amounts
- The nature of the entity
- The industry in which the entity operates



g Billing rates and Technical Questions

We do not anticipate JAAZ will receive additional billings related to the annual audit procedures, as we anticipate cooperation from staff and receipt of information for timely completion of your audit. It is also our policy not to bill you for routine telephone calls. Our quoted fee includes routine general consultation throughout the year, however, if you seek a written opinion, or if the issue requires us to perform research, we will bill you at our standard rates for these services. We will discuss these fees with you before we conduct our work.

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

The table below shows our standard hourly billing rates by classification follows:

Level	Standard Hourly Rates
Principal	\$335
Manager/Director	\$200
Senior Associate	\$160
Associate	\$125

Additional services which are not included in scope of the audit or compilation of the statement of revenue subject to license fee will be billed using our standard hourly rates less a courtesy discount based on our ongoing relationship.



h Engagement Team Qualifications

Roles and responsibilities

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

Engagement Team	Title	Role
Jacqueline Eckman, CPA	Principal	Client relationship and engagement principal
Jason Parish	In-Charge	Oversee and management fieldwork

Detailed biographies are available in the Appendix of this proposal.

Continuity of service

We are committed to providing continuity throughout this engagement. As you have experienced over the years, it is our policy to maintain the same staff throughout an engagement, providing maximum efficiency and keeping the learning curve low. With a solid, steady engagement team, each year brings the additional benefits of trust and familiarity. We are also flexible in exploring alternative strategies to non-mandatory rotation policies.

In any business, however, turnover is inevitable. If and when it happens, we will provide summaries of suggested replacements and will discuss re-assignments prior to finalizing. We have a number of qualified staff members to provide JAAZ with quality 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. 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.



i Peer Review Report

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

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

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





Report on the Firm's System of Quality Control

November 21, 2019

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

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

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

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

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

Opinion

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

Cherry Bekaert LLP



Appendix

Engagement team biographies



Jacqueline Eckman, CPA

CLA (CliftonLarsonAllen LLP)

Principal, Regulated Industries, Nonprofit
Phoenix, Arizona

602-604-3538
jackie.eckman@CLAconnect.com



Profile

Jackie is a principal in the regulated industries group, focusing her time on serving nonprofit clients. Jackie's primary background is in audit and accounting, but she has spent a significant amount of time consulting on issues affecting nonprofits. Jackie has more than 20 years of public accounting experience. She has extensive experience serving a wide variety of clients of all sizes, from large, complex national organizations to local religious organizations. Jackie also serves as an audit and accounting instructor internally for CliftonLarsonAllen, training staff on accounting and auditing changes and other topics affecting nonprofits. She has also taught at a number of seminars on various topics, including sessions on upcoming FASB reporting standards changes for nonprofits, financial reporting for church business administrators, and best practices for documenting nonprofit compensation.

Education and professional involvement

- Bachelor of arts in accounting from Concordia College-Moorhead, Minnesota
- American Institute of Certified Public Accountants
- Certified Public Accountant in the state of Arizona
- Arizona Society of Certified Public Accountants
 - Not-for-Profit Conference Committee Chairperson
- CLA Public Sector Roundtable and Conference Initiative Lead

Speaking engagements

- Frequent presenter at CLA's Regulated Industry Roundtables and Annual Government and Nonprofit Training Academy on topics ranging from upcoming FASB reporting changes for nonprofits, common 990 mistakes and other nonprofit topics
- Common 990 mistakes for the Arizona Society of CPA's Annual Nonprofit Conference
- Financial management at National Association of Church Business Administrator's Certified Church Administrator program
- Holistic view of risk for the Arizona Society of Association Executives
- Nonprofit accounting and board governance for the Arizona Society of CPA's
- Audit preparation and presenting your audit to the board for the Arizona Charter School Association
- Audit and accounting update and cost allocations for Catholic Charities USA Annual Gathering
- Benchmarking for the American Society of CPA's Financial Executive Forum

Continuing professional education statement

- Attends a minimum of 20 hours annually of continuing professional education classes, including a minimum of 8 hours of audit and accounting classes, resulting in 120 hours for three-year requirement. Every two years, a minimum of 24 hours of CPE specifically related to Yellow Book requirements is completed.



Jason Parish

CLA (CliftonLarsonAllen LLP)

Associate
Phoenix, Arizona

602-604-3594
jason.parish@CLAconnect.com



Profile

Jason has been with CLA since 2018 and is an associate in our nonprofit assurance group. He specializes in financial statement audits and reviews within state and local government and nonprofit entities. Jason previously worked at the University of Arizona as a research grant accountant.

Technical experience

- State and local government (municipalities)
- Higher education
- Nonprofit entities

Education and professional involvement

- Bachelor of science in accounting from University of Arizona, Tucson, Arizona
- Master of science in accounting from University of Arizona, Tucson, Arizona

CLAconnect.com

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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

