

**PROPOSAL FOR AUDIT & TAX SERVICES
Allegiance STEAM Academy, Thrive**

**For the Fiscal Year Ending
June 30, 2020**



Respectfully Submitted by:

Michael Klein, CPA, CMA

Nigro & Nigro, PC

mklein@nncpas.com

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Let's Work Together!



*By applying our financial expertise,
we partner with our clients to build
valuable relationships that inspire success.*

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February 28, 2020

Sebastian Cognetta, Ed.D.
Chief Executive Officer
Allegiance STEAM Academy, Thrive
5862 C Street
Chino, CA 91710

Dear Mr. Cognetta:

Thank you for inviting us to propose our services to you. We welcome the opportunity to share our approach to helping Allegiance STEAM Academy, Thrive (the Academy) meet its need for annual financial audit and tax services. The enclosed proposal responds to your request for audit and tax services for the fiscal year ended June 30, 2020.

At Nigro & Nigro, PC, our greatest strengths correspond to your most critical needs; we possess the full spectrum of resources needed to most effectively help the Academy's management team and Board members meet their goals – all at a very competitive rate. We believe we are the most qualified firm to audit the Academy:

- **Credibility, Reputation, and Resources of a Large Firm** without sacrificing the small-firm touch. Our CPAs and consultants can help you analyze and address financial, operational, and regulatory issues so you can focus attention on serving your citizens.
- **State-Wide Reach with Local Presence.** At Nigro & Nigro, we have the benefit of having the resources of a state-wide firm while serving you from our Murrieta office. We also have an office in Walnut Creek for additional resources.
- **Efficiency.** Our goal is to provide exceptional client service. 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 Auditing California School Agencies.** Our experience includes serving more than 55 California school agencies annually. We understand the requirements of the California Education Code, the Rules of the State Controller's Office, and the unique reporting requirements for California charter schools.
- **An Efficient and Effective Work Plan.** We currently serve over 65 governmental entities state-wide, which enables our staff to understand the scope of the audit. We also understand the Academy's complexities, not just from a compliance standpoint but also from an operational point of view. We have developed an effective work plan that takes into consideration your needs for high quality audit services, as well as timely deliverables. As a result of our efficient work plan, we commit to meeting your deadlines to complete our auditing services within the time period you specify.

- **Thought Leadership.** Members of our firm have been actively involved as presenters in numerous industry conferences and programs, including the California Charter Schools Association (CCSA), the ACSA Professional Development Committee, CASBO, and CSBA. We have incorporated our experience with these committees into our audit framework.
- **Engagement Team.** We know that quality people drive quality results, which is why our commitment to you starts with the engagement team members who are selected based on their experience, focus on serving local government agencies, and who are the best fit for you. Each of the Academy's engagement team members have completed and exceeded the mandatory requirement for continuing professional education hours. Our goal is to provide quality client service by developing strong professional relationships with Charter staff. We are committed to providing services that are tailored specifically for the Academy and the objectives you look to achieve. Michael Klein, Partner, will be the main contact for the Academy regarding this project.
- **A Focus on Providing Consistent, Dependable Service to Government and Not-for-Profit Entities.** Nigro & Nigro is organized by industry, affording our clients with industry-specific expertise supplemented by valuable local service and insight. Therefore, the Academy will enjoy the service of members of our LEA Services Team who have experience with similar governmental and not-for-profit entities and understand the issues and environment critical to you.

You may have many options in selecting an auditor. By choosing Nigro & Nigro, you will gain value-added accounting and operational insights. We are the right fit for the Academy, as we have the expertise and depth of resources within our firm to offer you exceptional service while maintaining a sincere and honest relationship. We understand the work, we are committed to meeting your deadlines, and we would like the opportunity to be your auditors. We also commit to meeting or exceeding your expectations.

Thank you once again for the opportunity to present our qualifications. If you have any questions about our offerings, please do not hesitate to contact me.

Sincerely,



Michael Klein, CPA, CMA
Audit Services Partner

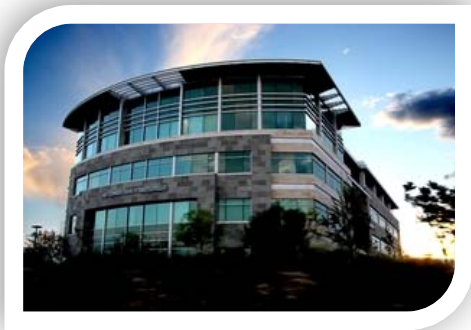


FIRM QUALIFICATIONS & EXPERIENCE

Size and Location of Offices

The firm was originally established in 1999. In 2013, we opened our second office in Northern California in order to better serve our growing client base in the San Francisco Bay Area. The Firm now has seven partners and a professional staff of 18 accountants and expects to add more in the coming years as we continue to grow. We are a full service firm, providing audit and review, tax, consulting, and accounting services to local government, non-profit organizations, charter schools, commercial businesses and homeowners' associations. The office serves clients of all sizes and industries, however, we focus on school districts and charter schools, just like yours.

We are prepared to do what it takes to provide the extra level of service required to maintain a long-term business relationship.



Murrieta Office



Walnut Creek Office

Range of Activities Performed

- Audit services for more than 60 local educational agencies
 - Includes charter schools, school districts, county offices, and JPAs
- Financial and performance audits under Prop. 39 for school districts
- Consulting and other services for numerous other agencies and not-for-profits
- Tax services for individuals, corporations, and non-profit organizations

Size of Our Firm

Firm-wide, we have the following staffing for our audit and tax services:

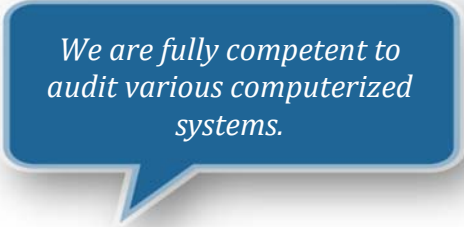
Position	Number of Employees	Number of Licensed CPA's
Partner*	7	7
Manager	1	1
Supervisor	1	-
Senior	3	2
Associates	11	-
Support Staff	3	-
Total	26	10

**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."*

FIRM QUALIFICATIONS & EXPERIENCE (CONTINUED)

Experience in Auditing Computerized Systems

Because the largest concentration of our audit practice involves working with school districts and charter schools, we are fully competent to audit various computerized systems. We are familiar with pulling necessary reports from the system and assist staff accordingly. We are also familiar with the most common software systems utilized by charter schools, such as Peoplesoft, Powerschool, and Aeries attendance accounting software and ASB Works and Blue Bear ASB accounting systems. We are also very experienced with Intuit QuickBooks accounting software. Our entire audit staff is qualified to evaluate and make recommendations for improvements to any of your systems.



We are fully competent to audit various computerized systems.

Independence

Our standards require that we be without bias with respect to your operations. The Firm is independent of Allegiance STEAM Academy, Thrive, as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's "Governmental Auditing Standards". In addition, the Firm shall give the Academy written notice of any relevant professional relationships entered into during the period of this agreement.

Licensed to Practice in California

The firm and its entire CPA staff hold licenses to practice in the State of California. The Firm's CPA's are all members in good standing with the California Society of CPAs and the AICPA. We will assign a California licensed CPA as the auditor in charge of the audit.

Our firm is listed and approved on the State Controller's Office CPADS system. We are proud of the fact that among our four largest competing firms, we have the fewest number of audit reports that were initially rejected by the SCO, and we are the only firm to have never filed a delinquent audit report.

Past Performance / Disciplinary Action

The Firm has not had any State desk reviews or field reviews of its audits in the last five years. We also have had no disciplinary action taken or pending against the Firm during the past five years with state regulatory bodies or professional organizations. All of our audit reports for the past three years have been accepted by the State Controller's Office.

PERSONNEL

The Certified Fraud Examiner (CFE) Designation

Jeff Nigro, who will be assigned as the review partner on the audit, has earned the distinguished CFE credential. Most auditing firms don't have CFEs to assign to your audit. CFEs have specialized training and experience in fraud detection and prevention techniques. Our unique approach to the audit considers the possibility that fraud could occur anywhere in the organization, and we design our audit procedures specifically based on identified fraud risks.

Meet Your Audit Leadership Team

Listed on the following pages are the resumes of the management team that will be assigned to your audit. As mentioned previously, our staff members have considerable governmental audit experience. This gives us a pool to draw on in addition to the group listed.

Name	Role	Years of Experience
Michael Klein, CPA, CMA	Lead Partner	11
Jeff Nigro, CPA, CFE	Review Partner	27
Susan Taylor	Audit Associate	1

Michael Klein, CPA, CMA

Partner In Charge

Michael dedicates himself to serving the not-for-profit and charter school community with issues related to governance and financial management. Having extensive experience volunteering and working with several of these organizations, Michael provides valuable insight to his clients, helping them navigate challenging economic times and understand the complex accounting rules applicable to special districts and not-for-profit organizations. A 2007 graduate of UC Berkeley, Michael pursued a career in public accounting and obtained his Certified Public Accountant and Certified Management Accountant designations to provide greater expertise and knowledge in the field.



Audit Services:

Michael Klein began his auditing career with Nigro & Nigro in 2011, participating in audits of local government agencies, including special districts, charter schools, nonprofit organizations and agreed-upon procedure engagements. Michael has recently focused almost exclusively on charter and nonprofit organizations. His extensive background as an auditor brings valued insights to all his consulting engagements.

Consulting Services:

Michael has experience in a variety of governmental, charter school and not-for-profit accounting, tax, and audit concerns, derived from his audit and consulting experience with those industries. He regularly consults with clients in the areas of:

Financial Reporting:

- Preparation of interim reports, cash flow statements, and multi-year projections
- Consulting and training on year-end closing procedures and audit preparation
- Capital assets and depreciation schedules
- GASB and FASB
- Internal control studies and best practices
- Bank reconciliations
- Not-for-Profit reporting standards

Additional Areas:

- State and Federal compliance
- Advanced QuickBooks knowledge
- Tax preparation
- Financial statements
- Other accounting needs
- Good governance practices
- Operational studies

Education:

Bachelor of Arts, Economics and Political Science, University of California, Berkeley, 2007

Licenses and Certifications:

- Certified Public Accountant, California
- Certified Management Accountant, California

Professional Affiliations:

- American Institute of Certified Public Accountants (AICPA)
- Institute of Management Accountants (IMA)

Continuing Education:

- School District Conference
- CASBO Annual Conference
- SSC Finance & Management Conferences
- Government Accounting & Auditing Conference
- In-house training for audit staff (presenter)



Jeff Nigro, CPA, CFE

Review Partner

Jeff has more than 28 years of experience auditing school districts, county offices of education and special districts. This experience, garnered from nine years with a major local audit firm and now as a founding partner at Nigro & Nigro since 1999, is in addition to his real world experience as a Fiscal Services Manager in a large unified school district. In addition to his extensive knowledge of school business and financial issues, Jeff has a passion for helping clients to establish and maintain sound anti-fraud programs and procedures.



Local Educational Agency Audits:

Jeffrey Nigro was a Senior Audit Manager with a southern California CPA firm that specializes in K-12 audits for the first nine years of his career. He then moved to a school district fiscal management position to acquire hands-on experience before starting his own firm in 1999. Mr. Nigro is an expert in all aspects of governmental auditing and accounting, having worked on a variety of assignments and issues.

Consulting Services:

Mr. Nigro has experience in a variety of LEA issues, garnered from his public accounting experience and experience as the Fiscal Services Manager at Lake Elsinore Unified School District. He regularly consults with clients in areas of:

Training:

- GASB 68 and new State Audit requirements
- ASB workshops and training
- Attendance accounting
- Fraud prevention and detection

Financial Reporting:

- Single Audits
- Prop. 39 Bond Performance Audits
- Year-end closing procedures
- Cash flows
- Budget development and projections
- Multi-Year projections

Additional Areas:

- Anti-fraud program implementation
- Enrollment projections
- Asset safeguard and control
- CAFR development

Education:

Bachelor of Business Administration,
Accounting
California State University, Fullerton,
1991

Licenses and Certifications:

- Certified Public Accountant, California
- Certified Fraud Examiner
- School Business Management Certificate, California State University, Fullerton

Professional Affiliations:

- California Association of School Business Officials (CASBO) Eastern Section, Associate Member
- Association of Certified Fraud Examiners

Continuing Education:

- School District Conference (past presenter)
- CASBO Annual Conference (past presenter)
- SSC Finance & Management Conferences
- ACSA School Business Academy (presenter)
- Government Accounting & Auditing Conference
- In-house training for audit staff (presenter)
- Annual CFE Fraud Conference



PERSONNEL (CONTINUED)

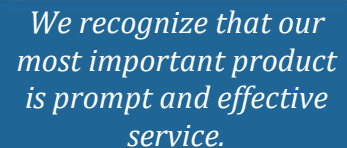
Training & Resources

The Firm is committed to a continuing professional education program, which emphasizes the areas of expertise of each member of our professional staff. The Firm is required to comply with the *Government Auditing Standards* for each professional practicing in the area of governmental accounting and auditing. We are committed to follow those standards, which result in quality audit services, including continuing education for all staff of 60-80 hours each year. As required by *Government Auditing Standards*, all governmental audit staff receives the required continuing education in the area of governmental auditing and accounting. These policies are monitored internally, reviewed annually and certified periodically by independent peer review.

Library facilities are maintained which include current professional literature and specific information for the industries that we serve. The Firm library is also reviewed as part of the external quality review program. The Firm has in-house training programs specific to our governmental agency clients. We also perform auditing and accounting updates for our clients that are organized by our staff. These practices ensure the quality of our staff over the term of the engagement.

Our staff participates in activities relating to government and not-for-profit accounting and reporting issues through our membership and involvement with the following organizations:

- a. California Charter School Association (CCSA)
- b. American Institute of CPA's Governmental Audit Quality Center (GAQC) and Not-for-Profit Section
- c. California Society of CPAs (CalCPA)
- d. California Special Districts Association (CSDA)
- e. Government Finance Officers Association (GFOA)
- f. California Society of Municipal Finance Officers (CSMFO)
- g. Government Accounting Standards Board (GASB)
- h. California School Boards Association (CSBA)
- i. California Association of School Business Officials (CASBO)



We recognize that our most important product is prompt and effective service.

Through our participation in these organizations and continuing education provided by them, the Firm continues to stay abreast of all current governmental and not-for-profit accounting and reporting issues.

We recognize that our most important product is prompt and effective service. We believe the Academy should work with its CPA firm throughout the entire year. We are available at any time throughout the year to provide any assistance you may need.

REFERENCES

We have had long-term relationships with many charter schools in California over the years. Some of our current charter school clients listed below would be good references, although any of our clients listed on the following page could serve as a reference too. We are very proud of the consistently “high marks” we receive from our clients.

Organization Name:	Santa Rosa Academy
Contact Person:	David Graves, CBO
Address:	28237 La Piedra Road Menifee, California 92584
Phone:	(951) 672-2400 x 1209
Project(s):	Financial Statement Audits and Tax Preparation
Client Since:	2007-08

Organization Name:	Great Valley Academy
Contact Person:	Marisa Meeks, COO
Address:	3200 Tulley Road Modesto, California 95350
Phone:	(209) 576-2283 x 105
Project(s):	Financial Statement Audits and Tax Preparation
Client Since:	2008-09

Organization Name:	High Desert Partnership in Academic Excellence
Contact Person:	David Gruber, CFO
Address:	17500 Mana Road Apple Valley, California 92307
Phone:	(760) 946-5414
Project(s):	Financial Statement Audits and Tax Preparation
Client Since:	2003-04

SPECIFIC AUDIT APPROACH

We will audit the basic financial statements of the Allegiance STEAM Academy, Thrive for the fiscal year ended June 30, 2020, in accordance with the following standards:

- Auditing Standards Generally Accepted in the United States of America
- Government Auditing Standards, issued by the Comptroller General of the United States
- *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, if necessary
- Education Audit Appeals Panel's "Guide for Annual Audits of K-12 LEAs and State Compliance Reporting"

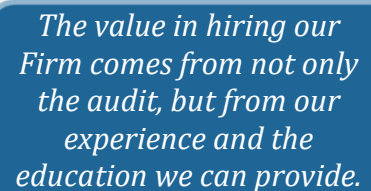
Our audit will be for the purpose of expressing an opinion on the basic financial statements, and will include such auditing procedures as considered necessary to accomplish this purpose. We will also provide an "in-relation-to" opinion on the other supplemental information and statistical schedules. We anticipate issuing the following reports:

- Independent Auditors' Report on the basic financial statements.
- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- Independent Auditors' Report on State Compliance pursuant to the Education Audits Appeals Panel's "Audits of California K-12 Local Educational Agencies".
- A summary of auditor's results and a Schedule of Findings and Responses, if any

Also, we will assist the Academy with preparation of the following:

- Statement of Financial Position
- Statement of Activities
- Statement of Cash Flows
- Statement of Functional Expenses
- Notes to the financial statements
- Federal and State tax filings

In addition, we will provide the Academy with a management letter that will give written appraisals of its accounting and related systems. This letter will identify any control deficiencies, significant control deficiencies or material weaknesses that are identified during the audit. We will work with management before audit fieldwork and during the course of the audit to assess internal controls and review mitigating controls in place in an effort to reduce the control deficiencies, significant control deficiencies and material weaknesses that need to be reported to management in writing, assuming there are mitigating controls in place. The letter will also offer recommendations for the eliminations of weaknesses that we identify and we will suggest any methods we discover to help improve efficiency and effectiveness.



The value in hiring our Firm comes from not only the audit, but from our experience and the education we can provide.

We will schedule an appearance with the Board that allows an opportunity for us to present the audit and management letter. This is an excellent time for the Academy to resolve any questions they have regarding our audit or management letter. As mentioned earlier, the value in hiring our Firm comes from not only the audit, but from our experience and the education, we can provide. We hope that as questions or concerns arise throughout the year, the Academy's staff will contact us and draw on our knowledge and experience.

SPECIFIC AUDIT APPROACH (CONTINUED)

Non-significant deficiencies discovered during the audit process shall be reported in a separate letter to management and the Board, which shall be referred to in the report(s) on internal controls. This separate letter also informs the Board of the following:

- 1) The auditor's responsibility under auditing standards generally accepted in the United States of America.
- 2) Significant accounting policies.
- 3) Management judgments and accounting estimates.
- 4) Significant audit adjustments.
- 5) Other information in documents containing audited financial statements.
- 6) Disagreements with management.
- 7) Management consultation with other accountants.
- 8) Major issues discussed with management prior to retention.
- 9) Difficulties encountered in performing the audit.

The Firm has been paperless since 2008. In addition, we have purchased a trial balance and financial reporting software for producing financial statements that are directly linked to your trial balance, which we will download from your system at the start of the audit. Likewise, we expect to extract various other information from your accounting system and other electronic documents that the Academy's staff has prepared.

All working papers and reports will be retained at the Firm's expense for a minimum of seven (7) years, unless the Firm is notified in writing by the Academy of the need to extend the retention period. The auditor will be required to make working papers available, upon request, whether or not the auditor is engaged by the Academy, to the following parties or their designee:

- 1) Allegiance STEAM Academy, Thrive
- 2) Chino Valley Unified School District
- 3) San Bernardino County Office of Education
- 4) State Controller's Office
- 5) California Department of Education
- 6) U.S. General Accounting Office (GAO)
- 7) Parties designated by the federal or State governments or by the Academy as part of an audit quality review process.

Segmentation of Engagement

Preliminary Fieldwork

Our goal in preliminary fieldwork is to gain a thorough understanding of your internal controls, processes and procedures. Our goal is to accomplish as much interim fieldwork as possible so that our stay during final fieldwork is kept to a minimum. Our preliminary work focuses on planning and internal control documentation.



SPECIFIC AUDIT APPROACH (CONTINUED)

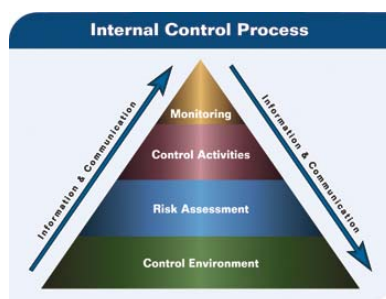
Segmentation of Engagement (continued)

Preliminary Fieldwork (continued)

Planning

We envision the following process during preliminary fieldwork:

- 1) Establish understanding of services to be performed.
- 2) Complete our client continuance procedures and address any independence issues.
- 3) Document our understanding of your entity and compile risks identified.
- 4) Document significant processes and activities.
- 5) Perform required fraud "brainstorming" with audit team.
- 6) Conduct interviews with management and others within the Academy regarding their knowledge of fraud and the risks of fraud.
- 7) Assess risk of material misstatement arising from errors or fraud at entity level.
- 8) Agree on timing and deliverables through an entrance meeting.
- 9) Develop overall audit strategy.



Internal Control Documentation

Our internal control documentation usually occurs during interim fieldwork. Our documentation process will be as follows:

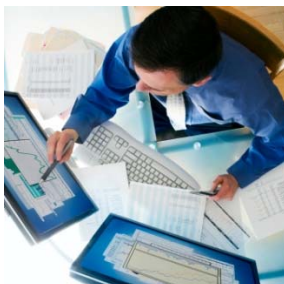
- 1) Gather or update documentation for significant processes defined in our preliminary fieldwork.
- 2) Perform a "walk-through" of these significant processes.
- 3) Ask "what can go wrong" questions.
- 4) Identify controls in place. This will include both preventative and detective controls.
- 5) Evaluate the design of internal controls.
- 6) Decide whether to test and rely on controls.

SPECIFIC AUDIT APPROACH (CONTINUED)

Segmentation of Engagement (continued)

Final Fieldwork

We assess risks, design procedures and obtain evidence to support financial statement amounts and disclosures during final fieldwork. Our Firm utilizes a methodology designed specifically for charter schools. Our process emphasizes continuous communication with our staff.



Assess Risks and Design Procedures

As outlined in the risk based suite of audit standards (SAS 104 to 111), our Firm uses a risk-based approach to the audit. Our procedures to assess risks and design procedures are as follows:

- 1) Assess risk of material misstatement from errors or fraud based on internal controls combined with inherent risk of significant accounts.
- 2) Design procedures to test controls if considered necessary.
- 3) Design procedures to test details of account balances and classes of transactions based on risk.

Interim and Year End Testing

- 1) Perform tests of controls if considered necessary.
- 2) Perform tests of details of account balances and classes of transactions.
- 3) Perform tests of compliance as required by Uniform Guidance and the K-12 State Audit Guide.
- 4) Evaluate quality and sufficiency of audit evidence.
- 5) Evaluate misstatements.

Preparation of Audit Report and Management Letter

After reviewing the financial statements, notes and supplementary schedules, we will agree the data to our working papers and provide a thorough review of all information by using written Firm standards and checklists. We will also review and incorporate any statistical data. This will verify appropriate presentation and disclosure. We will also at this time prepare our management letter that identifies financial trends and recommendations for improvement, reports required communications to the Board and discusses change in the environment in which the Academy operates.



SPECIFIC AUDIT APPROACH (CONTINUED)

Segmentation of Engagement (continued)

Audit Completion

After the previous segments mentioned are complete, we will be ready to finalize our audit. During this stage we will complete the following procedures:

- 1) Complete subsequent events review procedures and review legal and representation letters.
- 2) Complete final overall analytical review procedures.
- 3) Communicate significant deficiencies and material weaknesses.
- 4) Conduct exit conference.
- 5) Issue audit opinion.
- 6) Assemble audit documentation.

Use of Technology

In order to facilitate the exchange of data between us and our clients in a secured manner throughout the course of the audit, we employ the use of an online secured portal. Our clients have appreciated this unique and forward-thinking platform which helps minimize duplicate requests and unnecessary email and phone exchanges to request and receive audit documentation. The software is very user-friendly and easy to understand. This ensures the audit process runs smoothly.

ADDITIONAL INFORMATION

Client Testimonial

"Nigro & Nigro has been conducting and managing our Charter School audit for several years. We rely on their professional expertise and are confident in the audits they produce. They work around our schedule and make their audit team available to us when we need them. With Nigro & Nigro, the audit process has become a seamless interaction where information flows on a productive and efficient timeline."

*Marisa Meeks
Chief Operating Officer
Great Valley Academy*

Fraud Hotline

Throughout the audit process, we will make available our fraud hotline reporting service at no additional charge over the period of the contract to ensure the Academy has an effective anti-fraud program.



COST PROPOSAL

Proposed Maximum Audit Fees

2019-20			
STAFF LEVEL	Hours	Standard Hourly Rates	Total
Partner	21	\$ 190	\$ 3,990
Senior	40	\$ 110	\$ 4,400
Staff	35	\$ 90	\$ 3,150
Clerical	2	\$ 65	\$ 130
TOTAL AUDIT HOURS	98		\$ 11,670
<i>Less: Nonprofit Discounted Fees</i>			\$ (1,170)
<i>Proposed Maximum Cost, Annual Audit: FY 2019-20</i>			\$ 10,500
Tax Return Preparation Fees:			
Allegiance STEAM Academy, Inc.			\$ 1,300

While we anticipate the majority of the work will be conducted electronically and over the phone, we will bill the Academy for any out-of-pocket costs for travel. Travel costs, including standard IRS mileage reimbursement, will be billed up to \$500 for the period.