



CliftonLarsonAllen

CliftonLarsonAllen LLP  
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Board of Directors  
California Association for Bilingual Education  
Walnut, California

We have audited the financial statements of California Association for Bilingual Education (CABE) as of and for the year ended June 30, 2018, and have issued our report thereon dated October 23, 2018. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CABE are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2018.

##### *New Accounting Pronouncements Effective in Future Accounting Periods*

ASU 2016-14 Not-For-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. This standard was issued to improve the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. It is effective for fiscal years beginning after December 15, 2017 (e.g., 6/30/2019). Management will be evaluating the effects of this new standard.

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. It is effective for fiscal years beginning after December 15, 2018 (e.g., 6/30/2020). Management will be evaluating the effects of this new standard.

ASU 2018-08 Not-For-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions received, the effective date is for annual periods beginning after December 15, 2018; for contributions made, the effective date is for annual periods beginning after December 15, 2019. Management will be evaluating the effects of this new standard.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. Management will be evaluating the effects of this new standard

We noted no transactions entered into by CAFE during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of depreciation is based on the estimated useful lives of the buildings, building improvements, equipment, and furniture. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the functional allocation of expenses shared between programs, management and general, and fundraising is based on a reasonable and consistent basis using factors such as direct payroll allocation, square footage, full time equivalents within each department, and total direct expenses. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the investments is based on quoted market prices.
- Management's estimate of the allowance for uncollectible accounts receivable is based on prior experience as well as specific identification of accounts. No allowance for uncollectible accounts receivable was established at year-end.

We evaluated the key factors and assumptions used to develop the estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

#### Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were notes payable, temporarily restricted net assets and disclosure of investments and fair values. The financial statement disclosures are neutral, consistent, and clear.

**Difficulties encountered in performing the audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Uncorrected misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

**Corrected misstatements**

The following material and immaterial misstatements detected as a result of audit procedures were corrected by management:

Adjusting Journal Entry		Debit	Credit
To recognize unconditional promise to give from Sobrato Family Foundation			
1280	Pledges Receivable	375,000.00	
4921	Grant Income		375,000.00
		<u>375,000.00</u>	<u>375,000.00</u>

**Disagreements with management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors’ report. No such disagreements arose during our audit.

**Management representations**

We have requested certain representations from management that are included in the management representation letter dated October 23, 2018.

**Management consultations with other independent accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to CABA’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Significant issues discussed with management prior to engagement**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as CABA’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

This communication is intended solely for the information and use of the board of directors and management of CABE and is not intended to be, and should not be, used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Pasadena, California  
October 23, 2018



October 23, 2018

2018-2019  
CABE Board of Directors

CliftonLarsonAllen LLP  
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Pasadena, California, 91101

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García, Hernández,  
Sawhney, LLP

This representation letter is provided in connection with your audit of the financial statements of California Association for Bilingual Education, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 23, 2018, the following representations made to you bring your audits of the financial statements as of and for the years ended June 30, 2018 and 2017.

**Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April, 14, 2018 for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control over the receipt and recording of contributions.

We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.

- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- No events have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
- We have reviewed and approved the adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- Material concentrations have been properly disclosed in accordance with U.S. GAAP. Concentrations refer to individual or group concentrations of contributors, grantors, clients, customers, suppliers, lenders, products, services, fund-raising events, sources of labor or materials, licenses or other rights, or operating areas or markets for which events could occur that would significantly disrupt normal finances within the next year.
- Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the financial statement date and have been reduced to their estimated net realizable value.
- We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
- We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and, when necessary, have appropriately recorded the adjustment.
- The cost allocation methods used to allocate the entity's expenses to the appropriate functional classification as program services, management and general, and fundraising are properly supported by the entity's books and records. The cost allocation methods used are rational, systematic, and consistently applied. The bases used for allocation of functional expenses are reasonable.

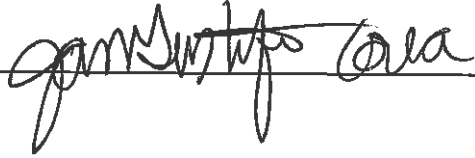
### Information Provided

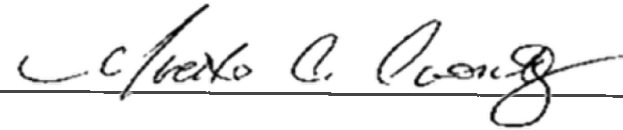
- We have provided you with:
  - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.

- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to California Association for Bilingual Education; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- California Association for Bilingual Education is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the entity's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- We are responsible for determining whether we have received, expended, or otherwise been the beneficiary of any federal awards during the period of this audit. No federal award, received directly from federal agencies or indirectly as a subrecipient, was expended in an amount that cumulatively totals from all sources \$750,000 or more. For this representation, "award" means financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors.
- Our interpretation of the laws governing restrictions on net appreciation of donor-restricted endowments is based on the Uniform Prudent Management of Institutional Funds Act, as adopted by the State of California. Consequently, all unappropriated endowment fund earnings are considered temporarily restricted until authorized by the board or the spending rate policy.
- As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- In regards to the preparation of federal forms (990) and applicable state filings services performing by you, we have:
  - Made all management judgments and decisions and assumed all management responsibilities.
  - Designated an individual who possesses suitable skill, knowledge, or and/or experience to understand and oversee the services.



- Evaluated the adequacy and results of the services performed.
- Accepted responsibility for the results of the services.

Signature:  Title: CEO

Signature:  Title: Consultant