PROFILE OF THE PROPOSING FIRM

Lindley and Company LLC, a small local firm located in Seattle Washington, was founded in 2000 by Martha Lindley CPA to serve organizations that serve the community. Employees include both tax, accounting services and audit professionals. The Firm serves nonprofit and government organizations, especially those receiving funding required to be audited under OMB Circular A-133 and Government Auditing Standards. We have served over a hundred non-profit organization clients, 90% of which require audit services. We have provided service for over seven government contracts, serving State and Local funders in both audit and program monitoring functions. We have over two hundred tax clients representing individual, corporate, partnership, exempt organizations and trusts/estates.

PRIOR EXPERIENCE AUDITING NOT-FOR-PROFIT ORGANIZATIONS

The Firm has personally performed, supervised or managed hundreds financial statement audits for over forty-five not-for-profit organizations. These audits include social service agencies, housing projects, outreach services, health services and community organizations. A majority of these organizations also received federal funding and were subject to the reporting requirements of OMB Circular A-133. This experience results in a quality, professional and most importantly, useful, product.

Martha has served since 2000 on the Washington Society of Certified Public Accountants (WSCPA) Not-for-Profit Committee. She was a national speaker for the American Institute of Certified Public Accountants on nonprofit and governmental issues for a listing of those classes. She has been a member of the United Way Audit Review Committee since 2000.

LINDLEY AND COMPANY LLC PARTIAL LISTING OF NOT-FOR-PROFIT ORGANIZATIONS WE HAVE SERVED:

- Multi-Service Center (A-133)
- Community Youth Services (A-133)
- Pacific Northwest Annual Conference of the United Methodist Church
- Transitional Resources (A-133) (Programs for people with mentally illnesses)
- King County Combined Federal Campaign (United Way of King County and Community Health Charities)
- SKCMSC Federal Way Assc LP (Low-income housing)
- Greenwood Home (Housing for the disabled)
- WithinReach (Formerly Healthy Mothers, Healthy Babies Coalition of WA State) (A-133)
- NAMI (National Alliance for the Mentally Ill) – Eastside
- Operational Emergency Center
- CAST for Kids (Programs for children with disabilities)
- Listen and Learn (Programs for children with disabilities)
QUALIFICATIONS

DESCRIPTION AND QUALIFICATIONS OF THE FIRM

You are taking a proactive and prudent step in seeking specialized assistance with your auditing needs. We feel our services strongly complement your needs. Our experience includes:

Financial audits – Audits of account balances with the purpose of issuing independent auditor’s reports stating that the financial statements fairly present, in all material respects, the financial position of the organization according to the guidelines of generally accepted accounting principals according to the American Institute of Certified Public Accountants or Government Auditing Standards.

Internal controls – Document and testing the accounting policies and procedures based on internal controls to determine if they can be relied upon to produce reliable financial information and meet the guidelines for adequate internal controls (GAO Yellow Book or generally accepted audit standards). This testing was performed in conjunction with a financial audit or as a special project for management to provide assessment of systems and make recommendations.

Compliance – Audits of a variety of regulations, including the Revised Code of Washington (RCW’s), the Washington Administrative Code (WAC’s), Federal Compliance Circulars (such as OMB Circulars A-87, A-110, A-120, A-128 and A-133) and Local Government compliance regulations. This would include state entities (such as Lake Washington Technical College), schools districts (such as the Seattle School District and South Seattle School District), municipal entities (such as King County) and local governmental entities (such as the cities of Lynnwood, Mukilteo, Monroe and Sultan).

QUALIFICATIONS AND EXPERIENCE OF STAFF

We realize the importance of having highly qualified and experienced personnel to conduct your audit. With this in mind, we have selected the key audit team members listed below.

The Firm meets the General Accounting Office’s (GAO) standards of independence. We have not and do not provide any consulting services to audit clients that would not meet those standards. The Firm does not perform SEC audits.

Neither the firm nor any individual auditors have been subject to disciplinary action by this or any other State. The firm is not a debarred or suspended vendor for Federal government contracting purposes. The firm has only changed key audit personnel once in eight years, due to the client’s unplanned re-scheduling request. We pride ourselves in efficient and effective planning where the client’s needs are the top priority.

Martha A. Lindley, CPA, Principal, has over 20,000 hours of audit experience, 10,000 hours of which is in not-for-profit organization auditing. She has performed, supervised, or managed over 500 audits since 1991.
Her role in the audit will include:

- Directing the on-site day-to-day performance toward the engagement objectives, participate in and review all phases of fieldwork. Martha is a hands-on principal and will be on-site essentially full-time during the audit fieldwork.

- Plan and direct the audit, including audit program development, administration, coordination of on-site activities and problem resolution.

- Coordinate the audit personnel and the Organization personnel regarding scheduling.

- Review financial statements, review draft with the Organization personnel, discuss changes and issue final report.

Audit Associates, with over three years of audit experience, will assist in audit procedures.

His/her role in the audit will include:

- Perform financial statement audit procedures.

- Assist in audit planning and audit program development, coordination of on-site activities and problem resolution.

- Assist in financial statement and compliance audit procedures.

- Work with the Organization staff to coordinate requested documents.

- Assist in test of transactions and compliance testing procedures.

PRIOR EXPERIENCE AUDITING NOT-FOR-PROFIT ORGANIZATIONS

While the mechanics of auditing and tax preparation are performed by many CPAs, it takes a professional with years of experience and depth to understand how an individual organization stacks up to others and can compete for funding dollars in the not-for-profit industry. The changing nature of funding sources and competition with private enterprise has contributed to the growing complexities faced by exempt organizations such as yours.

Martha has personally performed, supervised or managed almost five hundred financial statement audits for over forty not-for-profit organizations. These audits include social service agencies, housing projects,
outreach services, health services and community organizations. A majority of these organizations also received federal funding and were subject to the reporting requirements of OMB Circular A-133. This experience results in a quality, professional and most importantly, useful, product. Martha has served for over five years on the Washington Society of Certified Public Accountants (WSCPA) Government and Accounting and Auditing Committee and the Not-for-Profit Committee. She was a national speaker for the American Institute of Certified Public Accountants on nonprofit and governmental issues for a listing of those classes. She is a member of the United Way Audit Review Committee.

**SCOPE OF SERVICES AND PROPOSED PROJECT SCHEDULE**

We are familiar with reporting requirements for nonprofit organizations. Martha has taught such standards for the AICPA throughout the United States, both under FASB, GASB and OMB Circular A-133, since 2000. All required financial reporting; compliance reporting and supplementary information will be prepared according to applicable standards.

Our audit procedures will be structured as outlined below. We strive to inform management throughout the audit of information we receive in performing and any concerns we may have. We want a working relationship where all parties are comfortable and no miscommunications arise.

We utilize ProSystem E-Engagement and Trial Balance, ProSystem and ProSeries Tax, MS Word/Excel/Access/ PowerPoint/Publisher. We have an Information Technology person to assist clients if they have any problems in file transfers. We do not have specific file format requirements for clients. The technology used and technology skills of our clients are diverse. We match our needs to their capabilities.

**AUDIT APPROACH**

I. **PRELIMINARY PLANNING PROCESS - UNDERSTANDING AUDIT OBJECTIVES**

This stage establishes the foundation for the audit and/or other procedures. This increases effectiveness, thus decreasing costs. We will obtain information that highlights current issues and the needs of your staff. We will evaluate the environment in which the organization operates both inside and outside the Organization. Our planning objectives will include:

- Coordinate timing and staffing requirements based on the Organization's needs.
- Discussion of the audit's broad objectives with management.
- Enhance our understanding of the Organization's history, goals and objectives.

II. **PRELIMINARY PROCESS - AUDIT DESIGN**

This stage is to determine the overall procedures to perform the services requested. This will be instrumental in developing cost effective methods of meeting the audit objectives. This includes
preparing client request lists of requested information, obtaining preliminary information and
interviewing appropriate personnel. Our audit design objectives include:

   PROVIDE A LIST OF INFORMATION NEEDED FOR THE AUDIT FOUR WEEKS PRIOR TO FIELDWORK.
   GAIN A BROAD UNDERSTANDING OF, AND DOCUMENT OUR UNDERSTANDING OF INTERNAL CONTROLS.
   DEFINE HIGH-RISK AREAS THAT MAY REQUIRE ADDITIONAL AUDIT PROCEDURES.
   DEVELOP AND DOCUMENT AUDIT OBJECTIVES AND DETERMINE SPECIFIC AUDIT STEPS AND TESTS TO BE PERFORMED.

III. PERFORM AND DOCUMENT AUDIT PROCEDURES

During this phase, we review documents and evaluate the information collected in the preliminary
planning phase. We perform audit procedures as indicated to determine if account balances are fairly
stated in all material respects, in accordance with generally accepted accounting principles. We will send
letters of confirmation for cash, accounts receivable and other accounts as deemed necessary. We will
document our understanding, and may perform tests of, internal control. Our objectives in this phase
include:

   PERFORM AUDIT PROCEDURES THAT COMPLY WITH APPLICABLE STANDARDS AND COMPLIANCE REGULATIONS.
   DOCUMENT INTERNAL CONTROL POLICIES AND PROCEDURES. PERFORM TESTS OF SUCH CONTROLS, IF NECESSARY,
   AND DEVELOP RECOMMENDATIONS FOR STRENGTHENING SUCH CONTROLS.
   DISCUSS PROPOSED ADJUSTING JOURNAL ENTRIES, IF ANY, WITH MANAGEMENT.
   DOCUMENT AUDIT OUTCOMES IN INDEPENDENT AUDITOR'S REPORT.

IV. DOCUMENT AND PERFORM TESTS OF COMPLIANCE REQUIREMENTS DEEMED
MATERIAL TO THE FINANCIAL STATEMENTS (IF APPLICABLE)

Review Federal and State compliance regulations required to be documented and tested if material to the
financial statements. Document applicable compliance criteria and develop and perform tests of
compliance. After meeting with Organization personnel, gather information relevant to internal control
and documenting preliminary assessment, we will develop audit procedures to determine compliance
with such regulations. Our objectives are to:

   UNDERSTAND AND DOCUMENT SPECIFIC AREAS OF COMPLIANCE OF INTEREST TO REGULATORY AGENCIES, IF
   MATERIAL TO THE FINANCIAL STATEMENTS.
   DEVELOP AND PERFORM TESTS OF COMPLIANCE.
   DOCUMENT COMPLIANCE OR NONCOMPLIANCE TO DEVELOP MANAGEMENT LETTER OR FINDINGS.

V. DRAFT, CLIENT REVIEW AND FINAL REPORT

Upon the completion of audit procedures, a draft audit and other report(s) is prepared. This contains
preliminary conclusions and recommendations for improvement. The Organization will be asked to
review the draft and provide comments on its accuracy and content. Our objectives in this phase are to:

   PROVIDE THE ORGANIZATION THE OPPORTUNITY TO CORRECT ANY FACTUAL INACCURACIES, SUGGEST WORDING
changes, improve the report’s tone and suggest any changes or improvements.
Reach concurrence that the conclusions and recommendations are objective and reasonable.

After incorporating the results of the draft review process, we will prepare and submit the final report.
FEES AND COMPENSATION

PROPOSED AUDIT FEES

We provide cost-efficient audit services at a competitive price. We are pleased to provide the following fee quote for these services. We provide a fee discount for a three-year contract.

These proposed audit fees are valid for sixty days after the date of this letter. After that time, we request you contact our office for another quote.

In general, we estimate that our fees for audit and tax services will be as follows:

<table>
<thead>
<tr>
<th>Description of Service</th>
<th>Estimated Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audited financial statements</td>
<td></td>
</tr>
<tr>
<td>One year contract</td>
<td>$8,600</td>
</tr>
<tr>
<td>Three year contract, for each year</td>
<td>$7,500 + per year cost of living adjustments as established by the Bureau of Labor and Statistics</td>
</tr>
<tr>
<td>Tax return preparation</td>
<td>Hourly*</td>
</tr>
</tbody>
</table>

*Due to the new Form 990 that has been implemented for 2008, tax preparation services will be billed at the hourly rate for the applicable preparer. Fees are estimated to be from $1,200 to $1,900 depending on the complexity of the return.

The multiyear contract can be terminated by the payment of the 15% discount.

This fee is discounted as our commitment to your organization. We strongly support your mission and our fees reflect that support.

While more experienced audit personnel have a higher hourly rate, we believe they are more efficient overall and bring a higher level of expertise. It also reduces your time involvement with the audit, as you do not have to “train” the auditor.

Included in our fee, at no additional charge, are the following services:

- Preparation of financial statements and supplementary information in the format prescribed in the proposal.
- Quarterly not-for-profit newsletter subscription.
Proposal for Audit and Tax Services

This fee is based on the assistance of the Organization’s personnel in preparing documents to be outlined in our client information request letter. We do not expect this assistance to be extensive and will work with schedules and reports you may have already prepared for internal reconciliation. There are no hidden costs in our fee quote. If additional services are required during the audit (for example, to reconcile accounts or prepare schedules that are not available), we will discuss this with management before incurring any additional costs. These services will be billed at our hourly rate of $95 - 180. If additional costs are approved, they will be billed at our hourly rate.

In cases in which we can estimate our fees, our estimate is based on our experience as accountants and on certain assumptions about the amount and character of the work entailed and our involvement in the project. An estimate is not a fixed fee quote but it is our best estimate based on our discussions and review of the prior audit report and/or other financial information. It does not constitute a commitment, guaranty, or promise by us to perform the accounting services for that amount. Each situation is unique, and the actual fees may be more or less than estimated. The actual work required may vary from the assumptions due to complexities or other factors that we cannot foresee or additional services subsequently requested by you. As a result of additional complexities, unknown factors, additional or different facts of which we are not presently aware, changes which you may desire, or other circumstances, if the required accounting work has changed, the fees billed will be adjusted to reflect that change. Any changes will be discussed fully with you to reach mutual agreement. Any additional fees will be discussed prior to incurring any such charges. We do not anticipate that such discussion will be required.

Fees are invoiced monthly on the 30th, are due upon receipt and are based on the hours spent. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary or if the report contains substantial deviance from an unqualified opinion (such as fraud, significant findings or qualified opinion); we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

OTHER

We have not had any client which did not meet the 33% threshold for public support test in 10 years. We have filed hundreds of tax forms and IRS correspondences and can assist the Organization in preparing this filing.

CONCLUSION

I am pleased to respond to this proposal. The education and advocacy services provided by Pipeline Safety Trust are imperative to building healthy communities and the environment. We would be very proud to assist your mission.