



## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Rick Caruso for Mayor 2022, a candidate committee registered in the City of Los Angeles (the "Committee")

We have performed the procedures enumerated below on the review of certain tax returns, general ledgers, accounting records, audited and unaudited financial statements and tax assessments of Rick J. Caruso and the business entities owned and controlled by Rick J. Caruso (such entities, "Caruso Business Entities") for the calendar years 2017 through 2021 (the "Accounting Records"). Management of the Caruso Business Entities and Mr. Caruso's other accountants and attorneys (collectively referred to as "Caruso Representatives") are responsible for all the information and records provided to us for the purposes of conducting these agreed upon procedures. The Committee has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of summarizing and detailing the total taxes of Rick J. Caruso and the Caruso Business Entities for the years 2017 through 2021 in the following categories: (a) state and federal income taxes, (b) property taxes and other taxes on personal assets, (c) employer's share of payroll taxes; and (d) miscellaneous business taxes (e.g., city business tax, parking tax, state use tax, and excise taxes.) This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. The procedures and associated findings are as follows:

1. Armanino will receive from the Caruso Representatives a schedule (the "Provided Schedule") detailing certain taxes of Rick J. Caruso and the Caruso Business Entities for the years 2017 through 2021 resulting in total aggregate taxes of \$114,464,422 in the following categories: (a) state and federal income taxes, (b) property taxes and other taxes on personal assets, (c) employer's share of payroll taxes; and (d) miscellaneous business taxes (e.g., city business tax, parking tax, state use tax, and excise taxes.)

Findings: Armanino received and reviewed the Provided Schedule as described above.

2. Armanino will verify the mathematical accuracy of the Provided Schedule from No. 1 above, i.e., total aggregate taxes of Rick J. Caruso and the Caruso Business Entities of \$114,464,422.

Findings: Armanino obtained the Provided Schedule from No. 1 above in the form of an excel spreadsheet from the Caruso Representatives and verified the mathematical accuracy of the column for total taxes from various sources such as (a) state and federal income taxes, (b) property taxes and other taxes on personal assets, (c) employer's share of payroll taxes; and (d) miscellaneous business taxes (e.g., city business tax, parking tax, state use tax, and excise taxes) noting that the sum of all taxes for the years 2017 through 2021 was \$114,464,422.

3. Armanino will obtain and review the Accounting Records of Rick J. Caruso and the Caruso Business Entities.

Findings: Armanino obtained and reviewed the Accounting Records provided which included:

- a. Federal and State income tax returns for the years 2017 through 2020 for Rick J. Caruso and Caruso Business Entities and the 2021 Form W-2 issued to Rick J. Caruso. The 2021 income tax returns have not been completed as of the date of this report.



- b. Property tax assessments from various counties relating to real property tax and personal property tax for Rick J. Caruso and Caruso Business Entities for the years 2017 - 2021.
  - c. Payroll tax returns, client prepared ledgers, and proof of certain payments relating to payroll taxes from 2017 through 2021 for Rick J. Caruso and Caruso Business Entities.
4. Armanino will agree all taxes set forth in the Provided Schedule to the Accounting Records of Rick J. Caruso and the Caruso Business Entities and trace to a third-party source document (such as income tax returns, payroll tax returns, property tax bills, and other tax-remittance or assessment documents) not less than 75% of the total taxes as summarized in the Provided Schedule from No. 1, above.

Findings: Armanino traced not less than 75% of the total taxes as summarized in the Provided Schedule directly to third-party source documents. Armanino traced \$87,917,284 of taxes (77% of \$114,464,422) to third party source documents at which point Armanino stopped tracing because the 75% requirement was met. The tracing procedures completed by Armanino included the following steps:

- a. Traced and agreed the federal and state income taxes reported on the Provided Schedule to the federal and state income tax returns for the years 2017 through 2020 for Rick J. Caruso and the Caruso Business entities. Traced and agreed federal and state income taxes to the 2021 Form W2 tax payments to verify 2021 income tax on wages for Rick J. Caruso.
- b. For each year beginning with 2017 and ending with 2021, Armanino reviewed Annual Secured Property Tax Bills for Cities, County, Schools, and all other Taxing Agencies in Los Angeles County (referred to as "LA County Property Tax Bill") for real property owned by Rick J. Caruso and Caruso Business Entities. Armanino traced and agreed the property taxes to the LA County Property Tax Bills.
- c. For each year beginning with 2017 and ending with 2021, Armanino reviewed Property Tax Statements for the County of Santa Barbara (referred to as "SB County Property Tax Bill") for real property owned by Caruso Business Entities. Armanino traced and agreed the property taxes to the SB County Property Tax Bills.
- d. For each year beginning with 2017 and ending with 2021, Armanino reviewed Property Tax Statements for the County of Orange (referred to as "Orange County Property Tax Bill") for real and personal property owned by Rick J. Caruso and Caruso Business Entities. Armanino traced and agreed the property taxes to the Orange County Property Tax Bills.
- e. For each year beginning with 2017 and ending with 2021, Armanino reviewed Property Tax Statements for Ventura County (referred to as "Ventura County Property Tax Bill") for real property owned by Caruso Business Entities. Armanino traced and agreed the property taxes to the Ventura County Property Tax Bills.
- f. For each year beginning with 2017 and ending with 2021, Armanino reviewed source documents including online payment confirmations for tax paid to the City of Newark, NJ (referred to as "Newark, NJ Property Tax Bill") relating to real property owned by Caruso Business Entities. Armanino traced and agreed the property taxes to the Newark, NJ Property Tax Bills.
- g. For each year beginning with 2017 and ending with 2021, Armanino reviewed Unsecured Property Tax Bills from the Los Angeles County Tax Collector (referred to as "Unsecured Property Tax Bill") for personal property owned by Rick J. Caruso and Caruso Business Entities. Armanino traced and agreed the personal property taxes to the Unsecured Property Tax Bills.
- h. Armanino traced and agreed the employer's share of payroll taxes to payroll tax returns filed for the Caruso Business Entities.

We were engaged by the Committee to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Accounting Records of Rick J. Caruso and the Caruso Business Entities for the years 2017 through 2021. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We are required to be independent of the Committee and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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Los Angeles, California

April 14, 2022