



Financial Statement Services Terms & Objectives

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## **ENGAGEMENT ADMINISTRATION, FEES & OTHER (Applicable to all engagements)**

Our price & terms for this engagement are as set forth in the accompanying letter and are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

All invoices are due and payable upon presentation.

You agree to pay reasonable attorney fees and collection costs incurred relating to collection for services performed under this engagement.

In the event that we are required to respond to subpoenas or legal actions, you will be billed for time, travel and other out-of-pocket costs such as report production, word processing, postage, etc.

If any dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes, before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, in the event of a dispute over the fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

In accordance with our firm policies, work may be suspended if your account becomes overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you the scope of the additional services and the estimated fees. We may also issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

It is our policy to keep records related to this engagement for seven years for current clients and five years for non-current clients. However, we do not keep any original client records, so we will return those to you at completion of the services rendered. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies. Upon expiration of disclosed retention period we are free to destroy our records related to this engagement.

We may electronically submit to you records associated with this engagement. We are not responsible for any damage that might be caused by the electronic submission of this data.

### **Non-solicitation of Employees**

Each party to this engagement letter has spent considerable resources on the selection and development of their respective personnel, such that the personnel of each party constitute valuable "assets" of each of the parties. Each recognizes it would be detrimental to the other for either party to convert such assets of the other party by hiring

away personnel from the other. In recognition that said detriment would be substantial and real, although that detriment would be difficult to measure, each therefore agrees to pay compensation for any such detriment. Accordingly, during the term of this engagement letter and ending one year after all services to be provided hereunder have been performed, neither party will solicit for employment, personnel of either party assigned to the engagement covered by this engagement letter without first obtaining the written consent of the other party. Neither party will breach its obligation hereunder by generally advertising available positions or hiring personnel who either respond to such advertisements or come to either party on their own initiative, without direct or indirect encouragement from either party. In the event you or the Firm intentionally or materially breaches the provisions of this engagement letter resulting in the Firm or your employee's acceptance of an offer of employment by the other, either written or oral, without the prior written consent of the Firm or you in direct violation of the provision herein, the violating party agrees to pay to the other as liquidated damages a sum equal to one (1) times the current annual salary of the Firm's or your employee accepting such offer of employment.

To ensure that independence is not impaired under the AICPA Code of Professional Conduct, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

Our engagement ends on delivery of our report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

## **MANAGEMENT RESPONSIBILITIES (Applicable to all engagements)**

The engagement to be performed is conducted on the basis that you acknowledge and understand the role that we are performing.

You have the following overall responsibilities that are fundamental to our undertaking the engagement:

- The selection of accounting principles generally accepted in the United States of America or the other comprehensive basis of accounting described in the accompanying letter as the financial reporting framework to be applied in the preparation of the financial statements.
- The preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America or the other comprehensive basis of accounting described in the accompanying letter and the inclusion of all informative disclosures that are appropriate for accounting principles generally accepted in the United States of America, if applicable.
- The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements.
- The prevention and detection of fraud.
- To ensure that the Company complies with the laws and regulations applicable to its activities.
- The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.
- To provide us with access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
- To provide us with additional information that we may request

from you for the purpose of the engagement.

- To provide us with unrestricted access to persons within the Company of whom we determine it necessary to make inquiries.
- Including our report in any document containing financial statements that indicate that we have performed an engagement on such financial statements and, prior to the inclusion of the report, to ask our permission to do so.

## **ENGAGEMENT TYPE (refer to accompanying letter)**

### **PREPARATION**

#### **Preparation Objective**

The objective of preparation services is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America or the other comprehensive basis of accounting described in the accompanying letter based on information provided by you.

#### **Preparation Procedures**

We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or conclusion or provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

Prepared financial statements will not be accompanied by a report. However, you agree that the financial statements will clearly indicate that no assurance is provided on them.

### **COMPILATION**

#### **Compilation Objective**

The objective of a compilation is to apply accounting and financial reporting expertise to assist you in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America or the other comprehensive basis of accounting described in the accompanying letter.

#### **Compilation Procedures**

We will conduct our compilation engagement in accordance with the Statements on Standards for Accounting and Review Services (SSARS) promulgated by the Accounting and Review Services Committee of the AICPA and comply the AICPA's Code of Professional Conduct, and its ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity

or noncompliance with laws and regulations.

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

If, for any reason, we are unable to complete the compilations of your financial statements, we will not issue reports on such statements as a result of this engagement.

### **REVIEW**

#### **Review Objective**

The objective of a review engagement is to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America or another comprehensive basis of accounting as defined in the accompanying letter.

#### **Review Procedures**

We will conduct our review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA and comply with applicable professional standards, including the AICPA's Code of Professional Conduct, and its ethical principles of integrity, objectivity, professional competence, and due care.

A review engagement includes primarily applying analytical procedures to your financial data and making inquiries of management. A review engagement is substantially less in scope than an audit engagement, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review engagement does not contemplate obtaining an understanding of the Company's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or other examination of source documents; or other procedures ordinarily performed in an audit engagement. Accordingly, we will not express an opinion regarding the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the Company or noncompliance with laws and regulations. However, we will inform the appropriate level of management of any material errors and any evidence or information that comes to our attention during the performance of our review procedures that fraud may have occurred. In addition, we will inform you of any evidence or information that comes to our attention during the performance of our review procedures regarding any wrongdoing within the Company or noncompliance with laws and regulations that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies or material weaknesses in your internal control as part of this engagement.

As part of our review procedures, we will require at the conclusion of the engagement, a letter that confirms certain representations made during the review.

We will issue a written report upon completion of our review of the financial statements. We cannot provide assurance that an unmodified accountant's review report will be issued. Circumstances may arise in which it is necessary for us to report known departures from accounting principles generally accepted in the United States of America or the other comprehensive basis of accounting described in the accompanying letter, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

If, for any reason, we are unable to complete our review of your financial statements, we will not issue a report on such statements as a result of this engagement.

## **AUDIT**

### **Audit Objective**

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles or another comprehensive basis of accounting as defined in the accompanying letter.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of the financial statements. Our report will be addressed to those charged with governance. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

### **Audit Procedures**

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Company or to acts by management or employees acting on behalf of the Company.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Company

and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

### **Additional Management Responsibilities in Audit Engagement**

You are responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the company from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Company involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the Company complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles (or another comprehensive basis of accounting as defined in the accompanying letter). You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

### **OTHER NONATTEST SERVICES (Performed in conjunction with another service type defined above)**

Other services are limited to financial statement and tax services defined in the accompanying letter.

The objective of financial statement assistance services associated with a Compilation, Review or Audit engagement is strictly to assist management in preparing financial statements in accordance with accounting principles generally accepted in the United States of America or the other comprehensive basis of accounting described in the accompanying letter based on information provided by you.

Tax services will be performed in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants.

You agree to assume all management responsibilities for the tax services, financial statement assistance services, and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.