\*Today’s Date\*

\*To the Board of Directors\*

c/o \*Contact\*

\*Client Name\*

\*Address\*

You have requested that we audit the financial statements of \*Client Name\*, which comprise the balance sheet as of date, and the related statements of income and retained earnings, and cash flows **OR VARIABLE** statements of income, changes in stockholders’ equity, and cash flowsfor the year then ended, and the related notes to the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

**OR USE PARAGRAPH BELOW FOR OCBOA STATEMENTS**

You have requested that we audit the basic financial statements of the \*Client Name\*, which comprise the statement of assets, liabilities, and equity -- modified cash basis OR income tax basis as of date, and the related statements of operations and retained earnings -- modified cash basis OR income tax basis and cash flows-- modified cash basis OR income tax basis for the year then ended, and the related notes to the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

The identify accompanying supplementary information will be presented for purposes of additional analysis and is not a required part of the financial statements. Such information will be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Our auditor’s report will provide an opinion on the supplementary information in relation to the financial statements as a whole.

The objectives of our audit are to obtain reasonable, but not absolute, assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Our services are not designed to provide assurance on internal controls or to identify reportable conditions, that is, significant deficiencies or material weaknesses in the design or operation of internal control. Accordingly, we have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal control as part of this engagement, and our engagement cannot be relied upon to disclose the same. However, during the procedures, if we become aware of such reportable conditions, we will communicate them to you. You are responsible for developing and implementing internal controls applicable to your operations.

**AUDITOR RESPONSIBILITIES**

We will conduct our audit in accordance with GAAS. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
* Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with third parties (e.g., creditors or financial institutions). As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.
* Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about \*Client Name\*’s ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected by our firm, even though our audit is properly planned and performed in accordance with GAAS. 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 you of any material errors that come to our attention, and we will inform you, or the appropriate level of management, of any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

We will maintain our independence in accordance with the standards of the American Institute of Certified Public Accountants.

As this engagement is not designed to be a fraud audit, management understands and accepts the inherent limitations of the audit services described in this agreement. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

**MANAGEMENT RESPONSIBILITIES**

Our audit will be conducted on the basis that management and those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; **OR** the modified cash basis of accounting; **OR** the income tax basis of accounting;

2. 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;

3. To provide us with:

a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, including the disclosures, such as records, documentation and other matters;

b. Additional information that we may request from management for the purpose of the audit;

c. Unrestricted access to persons within the entity with whom we determine it necessary to obtain audit evidence.

d. A written acknowledgement of all the documents that management expects to issue that will be included in the annual report and the planned timing and method of issuance of that annual report, if applicable; and

e. A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor’s report, if applicable.

4. For including the auditors’ report in any document containing financial statements that indicates that such financial statements have been audited by us;

5. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;

6. For 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 current year under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;

7. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;

8. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;

9. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials;

10. For the accuracy and completeness of all information provided; and

11. For informing us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and those charged with governance, written confirmation concerning representations made to us in connection with the audit.

**Nonattest Services**

As part of our engagement, we will also perform the following nonattest services:

EXAMPLES:

1. Preparation of financial statements based on your trial balances.
2. Preparation of tax returns, as outlined in a separate engagement letter.
3. Preparation of depreciation schedules.
4. Preparation of deferred tax calculations.
5. Consulting on PPP loan application and forgiveness.

We will not assume management responsibilities on behalf of \*Client Name\*. However, we will provide advice and recommendations to assist management of \*Client Name\* in performing its responsibilities.

With respect to any nonattest services we perform, \*Client Name\*’s management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the nonattest services are as follows:

• We will perform the services in accordance with applicable professional standards, including (insert the appropriate standard reference, i.e., the Statements on Standards for Tax Services issued by the AICPA).

• The nonattest services are limited to the services previously outlined above. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our firm will advise \*Client Name\* with regard to tax positions taken in the preparation of the tax return, but \*Client Name\* must make all decisions with regard to those matters.

**REPORTING**

We will issue a written report upon completion of our audit of \*Client Name\*’s financial statements. Our report will be addressed to the governing body of \*Client Name\*. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s) to our auditor’s report, or if necessary, withdraw from the engagement.

**Tax Services**

Our services under this Arrangement Letter do not include services for tax return preparation, tax advice or representation in any tax matter. Nevertheless, we may discuss with you certain tax considerations or provide you with tax information that may be relevant to our services. Any such discussions or information would be based upon limited tax research, limited due diligence and limited analysis regarding the underlying facts. Because additional research or a more complete review of the facts could affect our analysis and conclusions, the information provided during these discussions shall not be used as the basis for proceeding with any transaction or any tax return reporting.

Separate arrangements, including fee arrangements, are required for tax preparation, tax advice or tax representation services.

**Third-party Litigation, Requests, and Inquiries**

**If required to defend our audit conclusions in litigation, including, but not limited to, depositions, subpoenas, court appearances and testimony, our fee for these services will be based on our standard billing rate. Prior to our testimony, all outstanding invoices will be paid in full for all work performed to date and the estimated time and expenses through testimony. In addition, all hourly rates are reviewed on an annual basis. Any changes to these rates will be reflected in our subsequent billings.**

**In the event that we receive a subpoena or summons requesting that we produce documents from this engagement or testify about the engagement from a third party, we will notify you prior to responding to it if legally permitted to do so. You may, within the time permitted for us to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your action does not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request.**

In the event that we become obligated to pay any judgment or similar award, you agree to pay any amount in settlement, and any costs incurred as a result of any inaccurate or incomplete information that you provided to us during the course of this engagement.You agree to hold our firm and its shareholders, heirs, executors, personal representatives, successors and assigns harmless from any and all claims that arise from known misrepresentations to us by you, or the intentional withholding or concealment of information from us by you.  You also agree to indemnify our firm for any and all claims made against our firm by third parties, which arise from any of these actions by you.  You agree that if any part of this agreement is found to be non-binding or illegal, all other parts of this agreement shall remain binding.

**Dispute Resolution**

**You agree that any dispute (other than our efforts to collect an outstanding invoice) that may arise regarding the meaning, performance, or enforcement of this engagement or any prior engagement that we have performed for you, will, prior to resorting to litigation, be submitted to mediation, and that the parties will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement. The costs of any mediation proceeding shall be shared equally by the participating parties.**

**If mediation fails to resolve the dispute or claim, the parties hereby agree to submit any action, claim, or counterclaim whether based in contract, tort, statutory rights, or otherwise to the [City] County Superior Court. The parties also agree that the laws of the Commonwealth of [State] shall govern all legal proceedings arising from this engagement.**

**You agree that our firm’s liability for any and all claims, damages, losses and costs of any nature arising from this engagement is limited to the total amount of fees paid by you to our firm for the services rendered under this agreement.**

**OTHER**

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers’ proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

In accordance with the terms and conditions of this agreement, \*Client Name\* shall be responsible for the accuracy and completeness of all data, information and representations provided to us for purposes of this engagement. Because of the importance of oral and written management representations to the effective performance of our services, \*Client Name\* releases and indemnifies our firm and its personnel from any and all claims, liabilities, costs and expenses attributable to any misrepresentation by management and its representatives.

In connection with this engagement, we may communicate with you or others via email transmission. We take reasonable measures to secure your confidential information in our email transmissions. However, as email can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom it is directed and only to such parties, we cannot guarantee or warrant that email from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of email transmissions, or for the unauthorized use or failed delivery of email transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of sales or anticipated profits, or disclosure or communication of confidential or proprietary information.

We may from time to time and depending on the circumstances and nature of the services we are providing, share your confidential information with third-party service providers, some of whom may be cloud-based, but we remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality terms with all service providers to maintain the confidentiality of your information and will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure appropriate confidentiality terms with a third-party service provider, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Although we will use our best efforts to make the sharing of your information with such third parties secure from unauthorized access, no completely secure system for electronic data transfer exists. As such, by your signature below, you understand that the firm makes no warranty, expressed or implied, on the security of electronic data transfers.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

The timing of our audit will be scheduled for performance based on the completion dates as follows:

|  |  |
| --- | --- |
|  | *Complete* |
| Received requested information from \*Client Name\* |  |
| Observe physical inventories |  |
| Received requested information from \*Client Name\* |  |
| Perform year-end audit procedures |  |
| Provide draft financial statements for review |  |
| Issue audit report |  |

\*Partner\*, CPA, is the engagement partner for the audit services specified in this letter. His/Her responsibilities include supervising [Company]’s services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees are based on the amount of time required by the individuals assigned to the engagement and value of services provided, plus direct out-of-pocket expenses. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Invoices will be rendered as work progresses and expenses are incurred and are payable upon presentation. We estimate that our fee for the audit will be $ amount plus direct confirmation.com charges. We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. The 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, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. This fee includes tax services addressed in a separate engagement letter.

In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not resume until your account is paid in full. \*Client Name\* further acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of \*Client Name\*’s failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable for any damages that occur as a result of our ceasing to render services. If we elect to terminate our services for nonpayment, our engagement will be deemed complete 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 costs through the date of termination.

We reserve the right to withdraw from this engagement without completing the work if you fail to comply with the terms of this engagement letter or if we determine professional standards require our withdrawal for any reason.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

The audit documentation for this engagement is the property of [Company] and constitutes confidential information. However, we may be requested to make certain audit documentation available to various regulators pursuant to authority given to them by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of [Company]’s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to various regulators. The various regulators may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

It is our policy to keep records related to this engagement for seven years. Original client records will be returned to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for any future use, including potential examination by government or regulatory agencies. Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete and that upon the expiration of the seven-year period, [Company Name] shall be free to destroy our records related to this engagement.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

We appreciate the opportunity to be your certified public accountants and look forward to working with you and your staff.

Respectfully,

[Company]

\*Partner\*

**RESPONSE:**

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of **\*Client Name\*** by:

Name:

Signature:

Title: