

Standards of Services in Tax Matters for Not-for-Profit Organizations and Related Business Taxpayers



In the course of delivering tax services to our clients or to third parties (you), BST & Co. CPAs, LLP (we or us) applies customary practices intended to provide our services in a cost effective manner and in accordance with applicable law and professional standards. This document describes the standards for performance of our services (Standards of Services) relating to tax return preparation, tax advice and consultation, representation in any tax controversy matter, preparation of reports of foreign financial accounts and transactions, accounting for taxes under ASC 740 or any other Federal, state, local, or foreign tax matter. While these Standards are intended for not-for-profit organizations, many of those organizations have established subsidiary or affiliated for profit business entities. Accordingly, these Standards address matters applicable to business entities as well as to not-for-profit organizations.

These Standards do not constitute an agreement to provide tax services. Our agreement to provide specific tax services can only be made in the manner provided in an Engagement Letter. The scope of services for a particular project will be set forth in a Statement of Work delivered in the manner provided in the Engagement Letter (each, a Statement of Work). These Standards of Services may be modified for a particular project, but only to the extent we expressly agree in a Statement of Work signed by our duly authorized partner, principal, or employee. Modification of these Standards in a Statement of Work will apply only to the specific services described in that Statement of Work.

These Standards reference certain tax return, reporting, withholding, or other requirements frequently encountered by not-for-profit organizations and business taxpayers under Federal and state law. However, the description of any referenced requirement is only a summary as of the date these Standards were released and is not a comprehensive description of the referenced requirements. In addition, there are many other requirements under applicable law that are not referenced in these Standards.

We may revise these Standards of Services if necessary or appropriate to comply with applicable law or professional standards. Any revision to the Standards of Services will apply to all Statements of Work subsequently or simultaneously delivered to you.

References in these Standards to the "Code" mean the Internal Revenue Code of 1986, as amended. "Tax Advice" has the meaning set forth in Section 4.1. References to "income tax returns" include both the returns of organizations exempt from income tax and the income tax returns for taxable business entities.

1. Standards Applicable to all Tax Services

1.1 Scope of Our Services. The scope of our services will be limited to the services specifically described in the applicable Statement of Work. If you require services beyond those specifically described in a particular Statement of Work, these additional services would require either a separate Statement of Work or an expansion of an existing Statement of Work at an additional cost.

1.2 Decisions. While we may provide you with advice concerning tax return reporting and tax consequences of certain transactions, you will retain all authority and responsibility for making any decisions based on our advice.

1.3 Reliance on Information. Except as provided in the applicable Statement of Work, we will not investigate or verify any facts underlying the transactions reported on your tax return, but we will rely on the financial and other information that you provide us and any financial information that we receive in connection with any assurance services we provide to you. If the actual facts are different from the facts represented to or understood by us, or if there are other facts of which we are not aware, the tax return reporting of the transactions or the conclusions in our Tax Advice could be materially different than that reported on the returns prepared by us.

1.4 Possibility of Litigation. If the IRS or another tax authority adopts a position contrary to any analysis or conclusions in our Tax Advice or to any position reported on a tax return, it might be necessary to pursue administrative appeals or litigation. Decisions of whether and how to pursue administrative appeals or litigation may be based on considerations of cost, publicity, and other matters unrelated to the technical merits of a tax position. In some cases, taxpayers elect not to pursue appeals or litigation even though a reported position may ultimately be sustained on appeal or in litigation.

1.5 Changes in Law. Subsequent changes to applicable law or regulations, or the issuance of new case or ruling authority, could materially and adversely affect the analysis and conclusions in an item of Tax Advice or a position reported on a tax return. Neither the delivery of any Tax Advice nor the preparation of a tax return is an undertaking on our part to monitor or to advise you concerning any changes in law subsequent to of the date of the Tax Advice or the delivery of the tax returns.

1.6 Tax Strategy Patents. In the past, the U.S. Patent and Trademark Office has issued business method patents for certain tax planning strategies. Federal legislation in 2011 precluded future tax strategy patents, but did not terminate previously issued tax strategy patents. The validity of these previously issued patents and the coverage of any patent claims, involves legal interpretations and judgments concerning U.S. patent law, rather than professional judgment concerning the Code. Accordingly, we cannot advise you concerning the applicability of any tax strategy patents. If during the course of our providing tax services to you under a Statement of Work we actually become aware that the owner of any tax strategy patent is likely to assert that the patent extends to any of your tax planning or tax reporting positions, we will bring this to your attention so that you can seek legal counsel. However, we will not conduct separate due diligence procedures to identify potentially applicable tax strategy patents.

2. Tax Return Preparation

2.1 Scope of Return Preparation Services. Our services in preparing your tax returns are limited to tax return preparation, and our preparation of a return should not be viewed as assurance that any particular reported position is likely to prevail in the event of a challenge by the IRS or another tax authority. If we become aware of a return position for which we believe a penalty under the Code is likely to apply, we will bring that position to your attention. If you would like us to advise you concerning any specific matter on your tax return, please contact us to discuss expanding the scope of our services. Any Tax Advice rendered in connection with the preparation of any tax return is subject to the provisions described under “4. Tax Advice” below. Tax return preparation and tax advisory services do not include representation in the event of an examination by the IRS or other tax authorities.

Tax return preparation services do not constitute accounting or auditing services. In addition, tax return preparation services are not designed to disclose defalcations or other irregularities, should any exist. Conversely, financial statement audits and reviews are not designed or intended to examine or address every potential income or franchise tax issue. In addition, certain potential adjustments that are deemed immaterial for financial statement reporting purposes may be required for tax reporting purposes. Please contact us if you would like us to analyze any specific financial statement items for compliance with applicable tax laws.

In the course of preparing tax returns, we may prepare schedules or perform accounting work as we deem necessary to prepare your returns in accordance with applicable law and professional standards. These schedules and accounting work are solely for the support of our tax return services, and may not be appropriate for financial statement or other purposes.



2.2 Our and Your Respective Responsibility for Accuracy. We will exercise due professional care and judgment to include all required information in your tax returns. The Code provides that by signing or authorizing the electronic filing of your returns, you are verifying that they are true, correct, and complete. Accordingly, you should review each tax return carefully before signing the return or any e-filing authorization and bring any questionable items or any omissions to our attention.

2.3 Jurisdictions for Returns. We will prepare tax returns for those Federal, state, local and foreign jurisdictions described in the applicable Statement of Work. We will advise you if we believe, based on the information that you provide us, that a tax return should be filed in any other jurisdiction, but we will not prepare any such tax return without your approval of the expansion of our scope of services. It is important that you inform us of any new or expanded activities that could trigger filing requirements in additional state(s), such as the acquisition of property or the hiring of employees in a new state. Activities of a partnership, LLC, trust, or other pass-through entity in which you are an owner or beneficiary may also trigger additional state tax filings, so please contact us if you have acquired an interest in a new pass-through entity over the past year.

2.4 Deductions, Credits and Other Tax Incentives. If we determine that you are eligible for any tax credit, exclusion, or deduction, we will either apply any such tax benefit in preparing your tax returns or we will advise of its availability and any related considerations to permit you to decide whether to take advantage of the tax benefit. Your eligibility for certain tax benefits will, in some cases, depend on the existence of certain documentation and may require tax research beyond the scope of tax return preparation services.

There are numerous tax credits, exclusions, and deductions for which a detailed analysis of business or investment activities would be required to determine their availability. Such a detailed analysis is beyond the scope of tax return preparation. If you would like us to undertake a detailed review of your activities to identify tax credits, exclusions, or deductions, please contact us to discuss the terms of an engagement for these services.

2.5 Level of Assurance and Return Disclosures. The Code prohibits tax preparers from signing any tax return known to report any position (i) that is not supported by “substantial authority” unless certain disclosures are made concerning the position or (ii) attributable to certain “tax shelters” or “reportable transactions” that the preparer does not reasonably believe is more-likely-than-not correct. Because of the limited scope of analysis in evaluating a reporting position, a conclusion that disclosure is not required to enable us to sign a return may not be sufficient to avoid the application of tax penalties under the Code. Except as expressly provided in an applicable Statement of Work, we will not review any reporting position or perform any tax research for the purpose of either (i) determining whether a position can be reported without disclosure or (ii) determining whether tax penalties may apply. If you wish to report a position without disclosure on the return, or if you are concerned about the potential application of tax penalties, please contact us to discuss expanding the scope of our services to include Tax Advice that may address your concerns. Tax return disclosure may, in some cases, reduce the taxpayer’s risk of penalties attributable to a substantial understatement.

2.6 Disclosure of Transactions and Other Financial Information. The Code and certain state laws require that you disclose on or with your tax return certain transactions or other financial information. There are significant financial penalties for failure to disclose these matters and these penalties may apply even if there is no understatement of tax. Our tax return preparation services do not include any separate investigation to evaluate whether there are any transactions or other matters that must be disclosed on your returns, but we will advise you if we conclude that any such disclosure is required. If you would like us to specifically analyze any transaction or matter to evaluate whether specific reporting is required, please contact us to discuss expanding the scope of our services.



2.7 Tax Return Extensions. If for any reason we are unable to complete the preparation of any tax return by the original due date, it may be necessary to file for an extension of the time to file that return. In seeking any extension of time for filing any tax return, you will be required to pay the estimated amount of any taxes due by the original due date in order for the extension to be effective and to avoid significant tax penalties.

2.8 Amended Tax Returns. If you engage us to prepare any amended tax returns, our services will be limited to the reporting of the items on the amended returns that are changed from the position reported on the original (or last filed amended) returns. We will rely without investigation on the previously filed returns with respect to any position that is not amended and we will have no obligation or responsibility under this letter with respect to any such position. Notwithstanding the foregoing, professional standards require that in preparing an amended return we address all known errors and omissions giving rise to an understatement on the original tax return.

2.9 Electronic Filing of Tax Returns. Federal and state tax laws mandate the electronic filing of certain tax returns and requests for extension. In some cases, a taxpayer may elect to file a tax return in paper format and in other cases an election to opt out of electronic filing is not available. Occasionally, technical limitations prevent the electronic filing of a particular return.

We will use our best efforts to electronically file your tax returns. Prior to electronic filing, we will provide you with the information to be included on your return for your review and approval. Federal and state laws require that we obtain your written authorization prior to electronically filing a return, so it is critical that you sign and return the authorization form to permit electronic filing by the return's due date.

If we cannot electronically file any tax return, whether due to technical limitations or for any other reason, we will provide you with those returns for filing in paper format. If you would like to opt out of electronic filing and file your returns in paper format, you must contact us immediately so that we can determine whether such an opt out is legally permissible and provide you with any required documentation. If any return is provided to you in paper format for filing, it is critical that you sign, date and mail that return by its due date.

2.10 Your Copy of Your Tax Returns. Federal law requires that we provide the taxpayer with a copy of any paper-filed Federal tax return for which we are the paid preparer. For electronically filed Federal returns for which we are the paid preparer, we are required to provide the taxpayer with the information contained on the return.

2.11 Notices. Occasionally, the IRS or other tax authority will send a notice recalculating tax liability or requesting additional documentation following the filing of a tax return. If you receive such a notice, you should forward a copy of the notice to us as soon as possible since a notice may in some cases affect future tax services. In addition, we will at your request assist you in responding to any notice relating to any of your tax returns that we prepare.

2.12 Use of Tax Returns. Because of their special purpose, nature and format, income tax returns do not constitute financial statements prepared in accordance with generally accepted accounting principles. The tax returns should be used only for income tax purposes and must not be used as a substitute for financial statements.



3. Estimated Taxes

3.1 Estimated Taxes. Federal and state laws require taxpayers to make estimated tax payments relating to their current year tax liability, and a failure to make adequate estimated tax payments to the IRS or to a state tax authority could result in tax penalties. Generally, there are safe harbors that may avoid these penalties for certain payments based on prior year or current year tax liability.

An engagement to prepare annual income or franchise tax returns will not include services for estimated tax planning or preparation unless expressly stated. If you engage us to assist you in calculating estimated tax payments, you must provide us with the information we request and with any other information relevant to your tax liability (including information concerning the allocation or apportionment between states) at least 30 days prior to the due dates of your estimated payments. If you would like us to assist you with estimated tax planning, you should contact us at least 45 days prior to the due date of the next estimated tax payment.

In calculating the amount of any estimated tax payment, we will rely on information that you provide and we will not audit or otherwise verify this information. In the event that the information you provide is different from the actual amounts of income, gain, deduction or loss, the amount of income or franchise tax liability on your tax returns may be different from the aggregate amount of the estimated tax payments made. If the actual amount of that liability to any jurisdiction exceeds the aggregate estimated tax payments made to that jurisdiction for any period, it is possible that an estimated tax penalty could apply.

3.2 Schedules of Estimated Tax Payments. At the time we deliver your income or franchise tax returns to you, we may provide you with a schedule of estimated tax payments for the current year. Unless otherwise expressly stated on the schedule, the payments on any such schedule will be based solely on your prior year tax liabilities from the Federal and state income tax returns that we prepare on your behalf. While the payments will be intended to avoid Federal and state penalties for the underpayment of estimated taxes, your actual current year income or franchise tax liabilities could be materially different from the aggregate amount of these payments. In that event you may owe tax penalties.

4. Tax Advice

4.1 What Constitutes Tax Advice. Any definitive advice concerning any tax matter depends on the particular facts of your situation, as well as the law and related authorities (e.g., regulations, case law, rulings etc.) that apply to those facts. Our professional standards require that we exercise appropriate due diligence in providing tax advice, taking into consideration the scope of our engagement and the type and specificity of the advice that you request. This due diligence may require analysis or confirmation of certain facts and research concerning applicable tax authorities. In order to confirm our mutual understanding regarding material facts and to provide you with an understanding of any particular risks associated with any tax positions addressed, all definitive advice that we provide concerning any tax matter (Tax Advice) must be in writing in the form of a letter or a memorandum.

We are happy to discuss with you our views regarding the tax treatment of certain items. We may also provide you with tax information in the body of an email. However, any communication or information delivered to you orally or in the body of an email (as opposed to a letter or memorandum delivered as an email attachment) will be based upon limited tax research and a limited discussion and analysis of the underlying facts. Additional research or a more complete review of the facts could affect our analysis and conclusions.

Because of these limitations and the related risks, oral, and email communications will not be deemed Tax Advice, and it may not be appropriate for you to proceed with any transaction or any tax return reporting solely on the basis of any oral or email communication. We recognize that in some cases you may choose



to proceed without obtaining Tax Advice due to considerations of cost, timing, and your evaluation of potential risks. If you choose to proceed with any transaction or tax return reporting position without obtaining Tax Advice from us, then you accept all responsibility for any loss, cost or expense resulting from your decision (i) not to have us perform the research and analysis necessary to reach a more definitive conclusion and (ii) to instead rely on an oral or email communication. The limitation in this section will not apply to an item of Tax Advice that is delivered to you as a document attached to an email.

In providing our tax services, we may provide you with tax or financial schedules and calculations. These schedules and calculations, standing alone, cannot adequately describe the merits and risks of any tax position or the assumptions underlying the schedule or calculations. Accordingly, these schedules and calculations should not be viewed as assurance of the correctness of any particular tax position. If you would like assurance regarding the tax positions upon which any schedule or calculation is based, please contact us to discuss the merits of our providing you with Tax Advice to support those calculations.

4.2 Facts and Assumptions. Our investigation to confirm or verify any facts described in any Tax Advice will be limited to the investigation described in the body of the Tax Advice, and we will rely on the facts, assumptions, and representations described in the Tax Advice. Any change in or addition to these facts, assumptions or representations could materially and adversely affect our analysis and conclusions. If you, for any reason, believe that any facts, assumptions, or representations in any Tax Advice are incorrect or incomplete, you must notify us immediately to discuss the impact on our analysis and conclusions. You should not rely upon any item of Tax Advice that is based on facts, assumptions or representations that you believe to be incorrect or incomplete.

4.3 Applicable Law. A majority of our Tax Advice addresses Federal income tax matters. Unless expressly stated in our Tax Advice, our analysis and conclusions will relate solely to Federal income tax consequences under the Code as of the date of our Tax Advice. If you would like us to address tax consequences to you under any other applicable tax law, please contact us to discuss expanding the scope of our services.

4.4 Issues Addressed. Each item of Tax Advice will be limited to advice concerning the tax issues described in the Tax Advice, and it may not consider all of the issues that may arise in connection with the subject matter of the advice. Except as expressly stated in an item of Tax Advice, our advice is not an endorsement of any particular transaction structure or accounting method, nor is it a recommendation that any addressee proceed with any transaction or other matter described in the Tax Advice.

4.5 Reportable Transactions and Other Disclosures. The Code and certain state laws require that you disclose on or with your tax return certain transactions or other matters. There are significant financial penalties for failure to disclose these matters, and these penalties may apply even if there is no understatement of tax. We will not review any transaction or matter to determine whether reporting is required except as expressly provided in the Tax Advice. If you would like us to review any transaction or matter to determine whether it must be separately reported, please contact us to discuss expanding the scope of our services.

4.6 Level of Assurance for Tax Advice; No Guarantee. Many areas of tax law are unclear, and the application of the tax law to any particular facts may be subject to more than one interpretation. Our Tax Advice will be based upon our interpretation of applicable law and regulations and certain case and ruling authority as of the date of the Tax Advice. The level of assurance for any particular item of Tax Advice will depend on the underlying facts, the clarity of applicable law, regulations, case and ruling authority, and the extent of factual due diligence and tax research performed. The conclusions in our Tax Advice will be based on our good faith belief that they meet the level of assurance stated in the Tax Advice. Obtaining Tax Advice at a particular level of assurance may in some cases provide a defense to certain tax penalties,



but you should not assume that an item of Tax Advice will offer you protection from penalties except as expressly stated in the Tax Advice.

A Statement of Work may indicate a desired level of assurance for Tax Advice addressing a particular tax position. Because the ultimate level of assurance with respect to any tax position will depend on our findings with respect to the underlying facts and the results of our tax research, no Statement of Work should be viewed as a binding commitment to deliver Tax Advice concerning any tax position at a particular level of assurance.

Our analysis and conclusions will be based upon our professional judgment, will not be a guarantee of the ultimate tax consequences of the transactions described in the Tax Advice and will not be binding on the IRS, any state, local, or foreign tax authority, or any court. If you would like greater certainty regarding the tax treatment of any particular transaction, please contact us to discuss the possibility of obtaining a ruling from the appropriate tax authority.

4.7 Reliance and Distribution. Each item of Tax Advice is rendered only for the benefit of the named addressee(s), and does not address the tax consequences to any other person or entity that is not an addressee. No person or entity other than the named addressee(s) may rely on the Tax Advice.

To avoid confusion regarding matters of reliance, our Tax Advice may not be delivered to any other party unless you advise the recipient of these limitations on reliance. You may not include any item of Tax Advice in any prospectus, private placement memorandum or other document used to offer any securities or to otherwise obtain financing.

Unless expressly provided in an item of Tax Advice, but subject to the limitations in the preceding paragraph, you are free to share the Tax Advice with any third party. You may deliver a copy of any Tax Advice to the IRS or any state, local, or foreign tax authority for the purpose of demonstrating good faith and reliance on the analysis and conclusions expressed therein. You should be aware that the delivery of any item of Tax Advice to a third party may act as a waiver of any otherwise available claim of privilege. Before delivering an item of Tax Advice to a third party, we recommend that you consult with legal counsel to assess the matters relating to claims of privilege.

5. Tax Controversy Matters

5.1 Examinations and Appeals. (a) In connection with any examination of a return by the IRS or any other tax authority, we will perform the following services as we deem appropriate to properly respond to the examination:

- (i) Assist you in responding to requests for information from the tax authority;
- (ii) Conduct tax research and advise you concerning the merits of your reported tax position(s) and the merits of any potential challenge to your reported position(s);
- (iii) Participate in meetings and conference calls with you and with representatives of the tax authority;
- (iv) Prepare any amended tax returns required as a result of the examination;
- (v) Prepare and file any taxpayer protest or other documents necessary for any administrative appeal;
and
- (vi) Assist you in evaluating the terms of any proposed assessment, settlement, or appellate determination.



(b) We will consult with you throughout the examination or appeal concerning all significant services that we plan to perform. Except as required by law or by applicable professional rules, we will not perform any service that you have specifically asked that we not perform.

5.2 Power of Attorney and Decisions. (a) In connection with any examination, appeal, or other tax controversy matter, you may grant to one or more of our partners, principals, or employees a power of attorney. Such a power of attorney will allow us to communicate with the tax authority, and it authorizes us to take certain actions on your behalf. Notwithstanding any grant of a power of attorney, all significant decisions concerning any examination, appeal or other tax controversy matter, such as whether to pursue an administrative appeal or whether to assert a privilege, will be decisions to be made by you in your sole discretion.

(c) In any examination, appeal, or litigation, decisions whether to contest or to concede an assessment or a particular tax position are often affected by considerations other than the technical merits of a position (e.g., the costs of proceeding). We will use our best efforts to assist you in evaluating these other considerations.

5.3 Litigation. Should you ultimately choose to pursue litigation as a result of any assessment arising out of an examination, we would not be able to represent you in any court. If you choose to pursue litigation at any point, we strongly recommend that you retain legal counsel experienced in tax litigation matters. Although we cannot represent you in court, we would be able to assist your legal counsel in understanding the facts of your case, the technical merits of your position and other matters we encounter during the course of our services.

6. Tax Withholding Matters.

6.1 Nonresident and Foreign Owner Withholding. Tax laws in some cases require taxpayers to withhold taxes on behalf of nonresident or foreign owners or beneficiaries and remit the taxes withheld. A failure to remit taxes required to be withheld may result in tax penalties and interest. If you engage us to assist you in calculating nonresident or foreign owner withholding tax payments, we will perform those calculations for those taxpayers identified in the applicable Statement of Work under Federal law and the laws of the states in which those taxpayers expect to file income or franchise tax returns. For us to calculate these amounts, you must provide us with the information we request, including information regarding nonresident or foreign owners or beneficiaries and the allocation or apportionment of income between states, at least 30 days prior to the date of any payment to a nonresident owner or beneficiary.

In calculating the amount of any nonresident or foreign withholding or payments, we will rely on information that you provide and we will not audit or otherwise verify this information. If the information you provide is different from the actual amounts of income, gain, deduction, or loss allocated to any nonresident or foreign owner or beneficiary, the amount of the required withholding may be different from the amounts withheld or remitted. If the actual amount of the required withholding for any jurisdiction exceeds the aggregate withholding tax payments made to that jurisdiction for any period, it is possible that penalties and interest could apply.

6.2 FATCA Compliance. The Foreign Account Tax Compliance Act (“FATCA”) creates a new information reporting and withholding regime for payments made by or to certain foreign financial institutions and other foreign entities. The FATCA rules are quite complex, and a failure to comply could result in a 30% withholding tax on certain types of U.S. source investment income. The existence of a foreign financial account does not determine the need for FATCA compliance. Due to the complex nature of FATCA, services in evaluating and advising you regarding FATCA compliance are beyond the scope of normal tax return preparation.



6.3 FIRPTA Withholding. The Federal Foreign Investment in Real Property Tax Act of 1980 and similar state laws may in some cases require taxpayers to withhold and remit a portion of the purchase price for certain interests in real property or in entities owning real property payable to a foreign entity, a foreign individual, or an entity having foreign entities or individuals as owners or beneficiaries. A failure to withhold and remit a required amount may result in tax penalties and interest. We encourage you to contact us concerning potential withholding requirements prior to the purchase of any interest in real property.

If you engage us to assist you in evaluating withholding requirements and calculating the amounts required to be withheld, we will perform those services based upon the information that you provide to us. You must provide us with the information we request, including information regarding the seller(s) of real property, at least 30 days prior to the earlier of the date of any payment to those sellers or the date of any payment to the IRS or any other tax authority.

7. Foreign Financial Reporting

7.1 Foreign Account Reporting Requirements. U.S. citizens and residents and certain nonresidents (including individuals, corporations, partnerships, trusts, and estates) who have a financial interest in or signature or other authority over any “financial accounts” in a foreign country are required to make a separate filing if the aggregate value of these accounts exceeded \$10,000 at any time during a year. Filing requirements also apply to those with direct or indirect control over a foreign or domestic entity with foreign financial accounts, even if the taxpayer does not have foreign financial accounts of its own. Foreign “financial accounts” include a wide variety of items such as: bank accounts, mutual funds, life insurance, credit cards, retirement plans, securities or brokerage accounts, and interests in partnerships, trusts or other pass-through entities having foreign accounts.

Because persons with a financial interest and persons with signature authority are required to submit filings, a single account can require multiple filings. For example, a corporate-owned foreign account would require filings by the corporation and by the individual corporate officers with signature authority. For financial interests held during 2015, these filings must be made by June 30, 2016, and the time for filing is not extended by a tax return extension. Filings for financial interests held during 2016 and thereafter will be due on April 15, with a six-month extension until October 15 in a manner similar to extensions for income tax returns. There are severe civil and criminal penalties for non-compliance with these filing requirements. Even an inadvertent failure or incomplete filing can result in a \$10,000 civil penalty, and the IRS has been enforcing these penalties.

7.2 Preparation of Reports. If you engage us to prepare FinCEN Form 114, *Report of Foreign Bank and Financial Accounts* (the FBAR), we will prepare this form for those taxpayers identified in the applicable Statement of Work for which we prepared a Federal income tax return. Upon request, we will also prepare FBARs for the officers and employees of those taxpayers who are signatories on the foreign accounts owned by those taxpayers. The FBARs will be prepared based solely on information that you provide to us and we will not conduct an independent review of your books and records to identify potential FBAR filing requirements. We will not prepare any regulatory filings other than the tax returns and FBARs described in this arrangement letter.

If we prepare FBARs for individuals for whom we do not prepare tax returns (e.g., officers or employees who are signatories on your accounts), those FBARs may not include all accounts which those individuals may be required to report. If any of those individuals has an interest in any other foreign account (e.g., a personal account), then he or she may be required to file additional FBARs. We recommend that these individuals consult with their personal tax preparers or legal counsel to address any additional filing requirements.

