



CPAs & BUSINESS ADVISORS

April 27, 2021

Denise Griffin
Chief Executive Officer
Encore Junior and Senior High School for the Arts
16955 Lemon St.
Hesperia, CA 92345

RE: Forensic Accounting Examination

This letter is to confirm our understanding of the services that we are to provide.

Scope of Engagement

We will conduct a forensic accounting examination of Encore Junior and Senior High School for the Arts for the fiscal years 2016/2017 – 2020/2021. The services we are to provide include, and are limited to:

- Estimate the Unlawful Pupil Fees to be returned to the providers.
- Conduct a transactional examination of revenues, that include deposits, revenue reports, and bank transfers.
- Compare accounting entries to bank records and note inconsistencies.
- Employ forensic accounting methodologies commonly used during an examination to search for misuse or misappropriation of assets.
- Conduct interviews with employees, as deemed necessary, to gain an understanding of the job responsibilities, processes, and procedures.
- Communicate our findings to you (orally and/or in writing as desired).

Should additional items surface during our examination, we will only proceed after consultation with you.

Our engagement will be conducted in accordance with lawful forensic accounting techniques which include, but are not limited to: forensic examination of books and records; voluntary interviews of appropriate personnel; and other such evidence-gathering procedures as necessary under the circumstances. Due to the hidden nature of fraud, we cannot provide assurances that fraud, if it exists, will be uncovered as a result of our engagement. However, we will report to you on a regular basis, thus providing you with a sense of progress in terms of cost and findings.

You understand that any written reports or other documents we may prepare are to be used only for the purpose of litigation and/or internal use associated with any findings discovered, as a result of our engagement. Such reports or other documents may not be published or used for any other purposes without our written consent. We may employ, contract with or use the service of any third party in connection with the performance of the services, we deem reasonably necessary or desirable to complete this engagement.

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Timeline

We will begin our procedures upon acceptance of this engagement agreement. If delays are experienced in receiving information, the delivery of the report will be delayed accordingly. Should we experience difficulties in these areas we will inform you promptly and discuss the effect on our timetable with you.

You also agree that we may discuss this engagement with other partners or associates in our firm for the purpose of obtaining expertise, research materials or other matters essential to this engagement. You agree to accept the limiting conditions as listed in our report and to the scope of the report. You also agree that we may disengage ourselves from this engagement for any reason.

Fees

Eide Bailly LLP is dedicated to professionalism and service to our clients. While professional fees should be reasonable, they must be representative of the professional quality of the services to be provided. Our fees are based upon the amount of time required to complete the assignment and the level of personnel assigned. The fees for our forensic accounting services will be as follows: \$320/hour for partners/directors/senior managers, \$250/hour for managers and \$180/hour for staff associates. If you request that we issue a report or provide testimony, we will be paid in full in advance for our total estimated time and expenses for the completion of such report or testimony.

We will bill out-of-pocket expenses as incurred. Expenses to be reimbursed to us include, but are not limited to: travel, lodging, food, telephone, photocopying and facsimile charges. Automobile mileage will be reimbursed at the rate of \$0.56 per mile. Travel time will be charged at half the standard hourly rates identified. Due to inflation or other cost-of-living increases, hourly rates may increase slightly annually. One month advance notice will be provided of any rate changes.

We will utilize progressive billings in increments of \$5,000 for the forensic accounting examination. This will allow us to give you up-to-date oral progress reports and be able to have a better estimate of the time frame in which we will need to conclude our work. Please note that we may require payment in full prior to the issuance of our final report/deliverable.

In addition, we will be compensated for any time and expenses, including time and expenses of legal counsel, we may incur in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings as a result of our Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

In accordance with our firm policies, work may be suspended if your account becomes 30 or more days 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.

Should our relationship terminate before our examination procedures are completed and a report issued, you will be billed for services to the date of termination. All bills are payable upon receipt. A service charge of 1% per month, which is an annual rate of 12%, will be added to all accounts unpaid 30 days after billing date. If collection action is necessary, expenses and reasonable attorney's fees will be added to the amount due.

Dispute Resolution

The following procedures shall be used to resolve any disagreement, controversy or claim that may arise out of any aspect of our services or relationship with you, including this engagement, for any reason ("Dispute"). Specifically, we agree to first mediate.

Mediation

All Disputes between us shall first be submitted to non-binding mediation by written notice ("Mediation Notice") to the other party. In mediation, we will work with you to resolve any differences voluntarily with the aid of an impartial mediator. The mediator will be selected by mutual agreement, but if we cannot agree on a mediator, one shall be designated by the American Arbitration Association ("AAA").

The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the Dispute. Mediation will be conducted with the parties in person in Pasadena, California.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties. Either party may commence suit on a Dispute after the mediator declares an impasse.

Governing Law and Venue

We also both agree to submit any unresolved Dispute to a trial by a federal or state court venued in Minneapolis, Minnesota. This agreement shall be governed by and construed in accordance with the laws of the State of Minnesota (regardless of the laws that might be applicable under the principles of conflict of law) as to all matters including without limitation, matters of validity, construction, effect, and performance.

Limitation of Damages and No Punitive Damages

The exclusive remedy available to you in any adjudication proceeding shall be the right to pursue claims for actual damages that are directly caused by acts or omissions that are breaches by us of our duties under this agreement and/or under applicable professional standards, such damages will be limited to no more than two times fees paid under this agreement. In no event shall we be liable to you for any punitive or exemplary damages, or for attorneys' fees.

Time Limitation

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any Dispute. We both agree that, notwithstanding any statute of limitations that might otherwise apply to a Dispute, it is reasonable that you may not bring any legal proceeding against us unless it is commenced within twenty-four (24) months

("Limitation Period") after the date when we deliver our report, return or other deliverable under this agreement to you, regardless of whether we do other services for you or that may relate to the report. The Limitations Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a Dispute.

Indemnity

You agree that none of Eide Bailly LLP, its partners, affiliates, officers or employees (collectively "Eide Bailly") shall be responsible for or liable to you for any misstatements in your financial statements and/or tax return that we may fail to detect as a result of knowing representations made to us, or the concealment or intentional withholding of information from us, by any of your owners, directors, officers or employees, whether or not they acted in doing so in your interests or for your benefit, and to hold Eide Bailly harmless from any claims, losses, settlements, judgments, awards, damages and attorneys' fees from any such misstatement, provided that the services performed hereunder were performed in accordance with professional standards, in all material respects.

If a claim is brought against you by a third-party that arises out of or is in any way related to the services provided under this engagement, you agree to indemnify Eide Bailly against any losses, including settlement payments, judgments, damage awards, punitive or exemplary damages, and the costs of litigation (including attorneys' fees) associated with the services performed hereunder provided that the services were performed in accordance with professional standards, in all material respects.

Assignments Prohibited

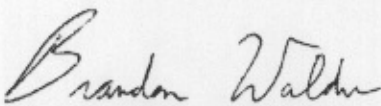
You agree that you will not and may not assign, sell, barter or transfer any legal rights, causes of actions, claims or Disputes you may have against Eide Bailly, its partners, affiliates, officers and employees, to any other person or party, or to any trustee, receiver or other third party.

Conclusion

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign this copy and return it to us. If the need for additional procedures arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter.

Very truly yours,

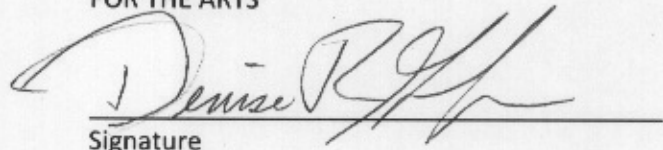
Eide Bailly LLP



Brandon Waldren, CPA, CFE, CFI
Senior Manager, Forensic Services

Accepted By:

ENCORE JUNIOR AND SENIOR HIGH SCHOOL
FOR THE ARTS



Signature

CEO / EXECUTIVE DIRECTOR

Title

5/19/2021

Date