

February 15, 2018

East Bay Innovation Academy
c/o Michelle Cho
3400 Malcolm Avenue
Oakland CA 94605

Re: Audit for the years ending June 30, 2018, 2019 and 2020

Dear Ms. Cho:

We are pleased to confirm our understanding of the services we are to provide for East Bay Innovation Academy (the “Organization”) as of and for the years ending June 30, 2018, 2019 and 2020. The following is a detailed description of the services that we will provide to the Organization as well as our estimated professional fees that relate to such services. This engagement letter (which is sometimes hereinafter referred to as the “Agreement”) is subject to completion of our acceptance or continuance procedures in accordance with professional standards and the policy of Squar Milner LLP (“Squar Milner,” or the “Firm”).

The Objective and Scope of the Audit of the Financial Statements

We will audit the statement of financial position of the Organization as of June 30, 2018, 2019 and 2020, and the related statements of activities and cash flows for the year then ended. Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

The supplementary information accompanying the basic financial statements will be subjected to the auditing procedures applied in our audit of such 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 (“GAAS”) issued by the American Institute of Certified Public Accountants (“AICPA”).

The Responsibilities of the Auditor

We will conduct our audit in accordance with GAAS; Government Auditing Standards issued by the Comptroller General of the United States (“GAS”); and the guidance provided in the audit guide titled 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting issued by Education Audit Appeals Panel, dated June 20, 2017. Those standards, regulations, supplements or guides require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and/or the other professional standards referenced in the immediately preceding paragraph. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, GAS do not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 Organization'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.

We will also communicate to the Board of Directors (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit unless they are clearly inconsequential.

Our report on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the professional standards and regulations identified above. Our reports on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts, and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with requirements of the professional standards and regulations identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

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



- For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”);
- To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that it will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
- 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;
- For establishing and maintaining effective internal control over financial reporting, and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge; and
- For providing us with:
 - Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - Additional information that we may request from management for the purpose of the audit; and
 - Unrestricted access to persons within the Organization from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit, including among other items:

- That management has fulfilled its responsibilities as set out in this Agreement; and
- That it believes 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.

Management is responsible for identifying and ensuring that the Organization complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the Organization involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the Organization received in communications from employees, former employees, analysts, regulators or others.



Management is also responsible for the preparation of the supplementary information in accordance with GAAP. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with 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 of the supplementary information and the auditor's report thereon.

The Board of Directors is responsible for informing us of its views about the risks of fraud or abuse within the Organization, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the Organization.

Records and Assistance

If circumstances arise relating to the condition of the Organization's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Organization's books and records. The Organization will determine that all such data, if necessary, will be so reflected. Accordingly, the Organization will not expect us to maintain copies of such records in our possession.

Our engagement assumes a high degree of assistance to be supplied by Organization personnel, including the preparation of schedules and analyses of accounts. A list of the specific schedules and analyses (including the dates when such information should be available to us) will be provided under separate cover. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Non-Audit Services

In connection with our audit, you have requested that we perform certain non-audit services necessary for the preparation of the financial statements. The GAS standards require that the auditor maintain independence so that opinions, findings, conclusions, judgments and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to the Organization, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in combination with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit services to be performed. The Organization has agreed that Michelle Cho, possesses suitable skill, knowledge or experience and that the individual understands all the aforementioned

non-audit services sufficiently to oversee them. Accordingly, the management of the Organization agrees to the following:

1. The Organization has designated Michelle Cho, as a member of management who possesses suitable skill, knowledge and experience to oversee the services;
2. The Organization will evaluate the adequacy and results of the services performed; and
3. The Organization accepts responsibility for the results and ultimate use of the services.

The scope of the aforementioned non-audit services does not constitute an audit under GAS. GAS require that we establish an understanding with the Organization's management and those charged with governance of the objectives of the non-audit services, the services to be performed, the Organization's acceptance of its responsibilities, the auditor's responsibilities and any limitations of the non-audit services. We believe this Agreement documents that understanding.

Other Relevant Information

We are also responsible for communicating with the Board of Directors about certain other matters related to our audit, including (1) our responsibilities under the standards of GAS and the AICPA; (2) the Organization's significant accounting policies; (3) the quality of the Organization's accounting principles; (4) management's judgments and sensitive accounting estimates; (5) significant audit adjustments; (6) any disagreements with management about matters that could be significant to the Organization's financial statements or our audit report; (7) any consultations management made with other accountants; (8) any issues discussed with management prior to our retention; (9) any significant difficulties encountered in performing the audit; (10) other information in documents containing audited financial statements, such as the Organization's annual report; and (11) other matters as considered necessary. Further, we are responsible for ensuring that the Board of Directors receives copies of certain written communications between us and management, including management representation letters and written communications on accounting, auditing, internal control or other matters.

In accordance with GAS, a copy of our most recent peer review report that has been accepted by the AICPA is enclosed for your information and is available at AICPA.org. The AICPA no longer issues letters of comment with its peer review reports.

Reporting

We will issue a written report upon completion of our audit of the Organization's financial statements. Our report will be addressed to the Board of Directors of the Organization. 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, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In addition to our report on the Organization's financial statements, we will also issue the following types of reports:



- Reports on internal control related to the financial statements. These reports will describe the scope of testing of internal control and the results of our tests of internal control;
- Reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance that could have a material effect on the financial statements; and
- Reports on compliance with State of California requirements described in the applicable Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, published by the Education Appeals Panel; (The responsibility we take for the material included in these reports will be the same as what we assume for other supplementary information accompanying the financial statements.).

Reporting Deadline

We will work diligently to meet any financial reporting deadline that the Organization may have. However, due to the nature of our work, we cannot be responsible for any late reports that result from factors beyond our control.

As discussed herein, the engagement contemplated by this Agreement anticipates a certain level of assistance and cooperation by Organization personnel. This is an essential condition to our completion of the engagement, and will permit us to conduct our work effectively and efficiently. Failure by your personnel to do so on a timely and accurate basis could result in the Organization being unable to meet the deadline referenced in the preceding paragraph, prevent us from completing the engagement, and/or may be grounds for suspension of our services or the Firm's withdrawal from this engagement.

Professional Fees

Our fees will be based on the actual time required at our standard hourly rates (see enclosure). In addition to professional fees, our invoices will include any travel and other out-of-pocket expenses related to the engagement. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to the work. Our invoices for services are due when rendered, and interim billings may be submitted (usually on a monthly basis) as work progresses and expenses are incurred. Invoices are considered past due thirty days after the invoice date. Past due invoices are subject to the lesser of our current monthly late charge (1.25% per month), which is subject to change, or the maximum charge permitted by applicable law. Failure to remit payment for past due services may result in deferral of further work or termination of our engagement. In the event that collection procedures are required, the Organization agrees to be responsible for all expenses of collection including related attorneys' fees.

If additional time is required and/or the fieldwork is interrupted or postponed due to the Organization being unprepared thereby causing lost time, there may be additional charges billed at our regular rates.

We estimate professional fees as follows (excluding out-of-pocket expenses):

Audit of the June 30, 2018 financial statements	\$ 9,995
Audit of the June 30, 2019 financial statements	\$10,995
Audit of the June 30, 2020 financial statements	\$11,995

Our fee estimate for these services is contingent upon the Organization providing all necessary schedules, drafting the financial statements, and supporting documents requested by Squar Milner. The fee estimate is based on anticipated cooperation from your personnel, and the assumption that unexpected circumstances will not be encountered during the audit. The above fees are also based on our knowledge of the Organization's current business activities, and any additional hours will be billed at our standard hourly rates. If significant additional time is necessary, we will keep the Organization's management informed of any problems we encounter, and our fees will be adjusted accordingly.

As stated above, our invoices for services are due when rendered, but in no case are the fees for audit services payable any later than the following: one-third of the above fee estimate upon acceptance of this engagement letter, one-third of the then-current estimate of the total fees upon completion of our fieldwork, and the balance of all fees incurred prior to the issuance of our audit report. If our fees are not paid in full, Squar Milner reserves the right to not issue any report as a result of this engagement. In the event that our fieldwork is never completed and/or our audit report is not issued (for any reason), all invoiced fees are nevertheless payable by the Organization.

The Organization may terminate our services at any time, with or without cause. However, the Organization or you shall still be required to pay our invoices for services rendered up through the date of termination. We may terminate or suspend our services at any time for any reason including, but not limited to, non-payment of our fees or by reason of professional considerations, which in our judgment make it inappropriate to continue the engagement.

Disputes

With the sole exception of a fee dispute of less than \$50,000 (referenced below), any dispute, claim, controversy, complaint or cross-complaint in any manner arising from or related to, or asserted as an off-set against amounts charged under, this Agreement, shall be submitted to resolution by arbitration before JAMS/Endispute. Arbitration shall be binding and final. The arbitration shall be governed by JAMS' Comprehensive Arbitration Rules and Procedures. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees in excess of \$50,000, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury, as well as any right to appeal, and instead are accepting the use of binding arbitration for resolution. The arbitrator may, in the award, allocate in whole or in part the fees and costs of the arbitration, including the fees of the arbitrator, and order in whole or in part recovery of the reasonable attorneys' fees of the prevailing party. The arbitrator shall not have authority to award punitive damages, any claim for which is hereby waived. The arbitrator may not award non-monetary or equitable relief of any sort. In no



event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitrator have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction. All aspects of the arbitration shall be treated as confidential. Neither the parties nor the arbitrator may disclose the existence, content or results of the arbitration, except as necessary to comply with legal or regulatory requirements. Before making any such disclosure, a party shall give written notice to all other parties and shall afford such parties a reasonable opportunity to protect their interests. Judgment on the award may be entered by any court having appropriate jurisdiction.

For a dispute involving solely a dispute of fees of \$50,000 or less, we agree to resolve the matter in the Superior Court or Small Claims Court, whichever is appropriate (this exception shall not affect the fact that any other or additional dispute, claim, controversy, complaint or cross-complaint shall be arbitrated in accordance with the terms set forth above).

Other Limitations of Liability

The Organization and Squar Milner agree that no claim arising out of the services rendered pursuant to this Agreement shall be filed more than two years after the date of the audit or other report issued by Squar Milner or the date of this engagement letter if no report has been issued. Squar Milner's liability for any and all claims, damages and costs (including legal fees) of the Organization arising from this engagement is limited to the amount of fees paid by the Organization to Squar Milner for the services rendered under this engagement letter. In addition, without limiting the punitive damages waiver set forth in the "Disputes" section of this Agreement, the Organization expressly agrees to waive (among other damages) any and all punitive and exemplary damages in any proceeding.

During the course of providing the services described in this Agreement, Squar Milner will utilize information developed from the Organization's records. We will rely upon management for the accuracy and completeness of such records, as well as all other information supplied by management including verbal and written representations by management and their representatives. The Organization agrees to release, indemnify and hold Squar Milner, its partners, principals, employees, heirs, executors, personal representatives, successors and assigns harmless from any liability for any and all damages or costs (including legal fees) resulting from, in whole or in part, fraud caused by or participated in by management and/or from knowing misrepresentations by the Organization or its representatives.

The provisions in "Other Limitations of Liability" herein shall survive the termination of this Agreement.

Record Retention and Ownership of/Access to Workpapers

It is our Firm's policy to retain the workpapers (as defined below) related to this engagement for seven years after the related services have been performed. Squar Milner does not retain any original client records; so we will return such records (including any "supporting records," as defined below) to you at the completion of the services rendered under this engagement. We may request a signed itemized receipt in connection with delivering the records described in the preceding sentence. When such records are returned to you, it is the Organization's responsibility to retain and protect its



accounting and other business records for future use, including potential review by any government or other regulatory agencies. By your signature below, you acknowledge and agree that upon the expiration of the seven-year period Squar Milner shall be free to destroy our workpapers related to this engagement.

As defined by the AICPA, “workpapers” include (but are not limited to) audit programs, analytical audit/review schedules, and statistical sampling results, analyses and schedules prepared by Organization personnel at our request. The term workpapers also includes “audit documentation” as defined by the California State Board of Accountancy (the “State Board”). Based on the State Board’s regulations, “workpapers” do not include records which would ordinarily constitute part of your books and records and that are not otherwise available to the Organization. An example of the records described in the preceding sentence are “supporting records,” which are defined by the AICPA as information not reflected in the Organization’s books and records that is otherwise not available to you, with the result that the Organization’s financial information is incomplete without such documents. [For example, supporting records include adjusting journal entries (and the computations supporting such entries) proposed by the Firm in relation to this engagement.] It is the responsibility of management to determine that all supporting records are properly reflected in the Organization’s books and records.

Engagement workpapers are the property of Squar Milner, and will not be provided to any third parties unless the Firm is required to do so by state or federal law and/or contractual agreement. In our sole discretion, upon your request, we may provide the Organization with copies of certain engagement workpapers (some or all of which may be redacted) if the Firm is reasonably compensated for the time and expenses incurred to retrieve and copy such documents. We are also entitled to charge a reasonable fee for accessing and copying Organization-provided records before returning them to you, and for copying supporting records before providing those documents to the Organization.

Subpoena or Summons for Information in Squar Milner’s Possession

If, in relation to pending or possible litigation, a regulatory investigation/informal inquiry, or an administrative, arbitration or similar proceeding to which the Firm is not a party, we receive a validly issued and enforceable subpoena or summons requesting that we (1) produce any of our workpapers or other documents in our possession relating to this (or a prior or future) engagement, (2) provide other information about any such engagement, and/or (3) testify about any such engagement, we will notify the Organization prior to responding to it if we are legally allowed to do so. If management does not take any legal action within the time permitted for us to respond, or if such action does not result in a judicial order protecting us from providing the requested documents and/or information, we may construe the inaction or failure as the Organization’s consent to comply with such request. Under these circumstances, we will release the requested documents and/or provide the requested information. In certain proceedings, an accountant-client privilege may exist. However, you agree that we are not under any obligation to assert such privilege to prevent the release of Organization information.

If the above occurs, our efforts in complying with such demands or requests will be deemed a separate engagement and accordingly we shall be entitled to compensation for our time and reimbursement of our reasonable out-of-pocket expenses (including any legal fees) in complying with any such demand or request. However, nothing discussed herein is intended to relieve us of our duty (except as otherwise provided by applicable law) to observe the confidentiality requirements of the public accounting profession in the United States of America.

Other Matters

Squar Milner may mention the Organization's name and provide a general description of the engagement in the Firm's client lists and marketing materials.

This letter shall serve as the Organization's authorization for the use of e-mail and other electronic methods to send and receive information, including confidential information, between the Firm and the Organization and between the Firm and any outside specialists or other entities/persons engaged by either the Organization or the Firm. The Organization acknowledges that e-mail travels over the public Internet, which is not a secure means of communication; thus, the confidentiality of the transmitted information could be compromised through no fault of the Firm. The Firm will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of the transmitted information described in this paragraph. We are satisfied that applicable third-party service providers have appropriate procedures in place to reasonably prevent the unauthorized release of confidential information to others. When considered necessary, the Firm seeks to enter into confidentiality agreements with such third parties.

The Organization recognizes that Squar Milner has incurred a great deal of time and expense in acquiring and training its staff. In the event that the Organization hires (either as an employee or as an independent contractor) any Squar Milner employee who has worked on this engagement in the six-month period prior to the Organization's employment of that individual, the Organization agrees to pay Squar Milner 60% of that individual's projected first-year compensation with the Organization.

Squar Milner is a limited liability partnership comprised of both certified public accountants and certain partners and/or principals who are not currently licensed as CPAs. Such partners and principals may participate in the engagement to provide the services described in this engagement letter.

Squar Milner is a legally independent member of Allinial Global, an association of over 100 independent accounting and consulting firms. Allinial Global (formerly PKF North America) offers international support by connecting its member firms to providers and global networks of accounting firms worldwide. Neither the other member firms nor Allinial Global are responsible or accept any liability for the work or advice which Squar Milner provides to its clients. In signing and returning to us this engagement letter, you acknowledge and accept that such other member firms and Allinial Global do not owe the Organization any duty in relation to the work or advice which we will from time to time provide to the Organization or are required to provide to the Organization.



Any provision of this Agreement that could otherwise impair the Firm’s independence under the aforementioned Audit Guide or any of the professional standards cited in the first paragraph of “The Responsibilities of the Auditor” section of this engagement letter is null and void. If any of the provisions in this Agreement are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by law.

This engagement letter constitutes the complete and exclusive statement of agreement between Squar Milner and the Organization, superseding all proposals (both oral and written) and all other communications regarding the terms of the engagement between the parties. Except as expressly provided herein, this Agreement does not modify the terms or provisions of any other engagement letter for professional services issued by the Firm which was agreed to by the Organization before the date noted below.

We are available to meet with you and/or other members of management to discuss current business, operational, accounting and auditing matters affecting the Organization. Whenever you feel such meetings are desirable, please let us know. Subject to the independence requirements of our profession, we are prepared to provide services to assist you in any of these areas.

We appreciate this opportunity to be of service to 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 the enclosed duplicate original and return it to us.

Sincerely,

SQUAR MILNER LLP

James A. Rotherham
Partner
Audit and Assurance Services

JR:BH:kg
 East Bay 06.30.18-2020 CA Charter Schools Org Non-UG-A-133 (5.2017) Eng Ltr

RESPONSE:

This letter correctly sets forth the understanding of **East Bay Innovation Academy:**

Signature

Date

Name

Title



Schedule of Hourly Rates

(Effective July 1, 2017)

Partners	\$ 350.00 to \$675.00
Managers	\$ 230.00 to \$435.00
Seniors	\$ 165.00 to \$275.00
Account Managers	\$ 155.00 to \$255.00
Professional Staff	\$ 125.00 to \$280.00
Administration	\$ 50.00 to \$250.00

Administrative fees and out-of-pocket expenses apply in addition to the above hourly rate.

(Note: Rates are subject to change without notice)