

KEYSTONE FINANCIAL SOLUTIONS
47 Marchwood Road, Suite 2-G
Exton, PA 19341
(610) 594-2601
info@kfstax.com

Letter of Understanding for Preparing Business Tax Returns

Keystone Financial Solutions (“KFS”) is pleased to provide you with professional tax preparation services for your business. This letter confirms the entire agreement regarding the income tax preparation services KFS is to provide you, our client (“Client”).

We will prepare your company’s 2021 federal, _____, _____, _____ (insert other states if applicable), and PA business income tax return(s) and supporting schedules for the year ended December 31, 2021 (or fiscal year ended _____) and perform a limited amount of bookkeeping and analysis necessary for the preparation of these income tax returns. If you are a corporation, the federal return will be a Form 1120 or Form 1120S. If you are a partnership for federal tax purposes, we will prepare Form 1065.

Partnership and S Corporation tax returns are due March 15, 2022 and C Corporation returns are due April 15, 2022, unless an extension to file is requested. If your business is subject to any local income or gross receipts taxes, you must provide us with that jurisdiction’s original tax form if you want us to prepare that return. If your company is operating or conducting business in a state other than PA, you must notify us in writing of this fact. If you are unsure if your company is operating in a state other than PA, you may engage us to consult with you on this matter.

SCOPE OF ENGAGEMENT

The scope of this engagement is to prepare only the returns or work noted above. The services described herein will conclude with the delivery of these tax returns or as otherwise agreed in writing by both parties.

KFS will use its best efforts to prepare these returns as soon as possible, and Client agrees that it will devote his or her full resources to timely provide KFS with all the information it needs to prepare these returns.

If this letter or the Client’s tax documents are not received by February 20, 2022, KFS, at its sole discretion, will determine if it has sufficient time and information to file your returns by the due date or to request an extension of time to file. Client acknowledges that an additional fee of \$50 will be charged for filing an extension request in every tax jurisdiction for which a return is required to be filed and that KFS does not guarantee any tax jurisdiction’s acceptance of any extension request that may be filed on your behalf. You further acknowledge that any extension request does not grant you an extension of time to remit payment for any tax liability that you may owe.

DOES NOT COVER REVIEW BY TAX AUTHORITIES

KFS will use its professional judgment in preparing these returns. It is understood that all tax returns are subject to review by taxing authorities. The agreed fee for this engagement does not provide for assistance you might need in connection with inquiries, audit examinations, assessments by authorities, or amended tax returns. A separate engagement letter and fee arrangement will be required if you wish us to provide you with assistance in responding to any tax authority.

NO INDEPENDENT VERIFICATION

The above returns will be prepared based on information and documents supplied by you and by others designated by you. It is understood that no independent verification will be made of such records by KFS. The Client understands that KFS is not responsible for Internal Revenue Service (IRS) disallowance of deductions not supported by adequate documentation or for resulting taxes, penalties, and interest. Our work in connection with the preparation of your income tax returns does not include any procedures designed to discover fraud, defalcations, or other irregularities, should any exist. Because you have final responsibility for these returns, you need to review them carefully before you sign and file them and send tax reporting information to shareholders/partners.

IMPOSITION OF PENALTIES

The IRS imposes penalties on taxpayers, and on us as return preparers, for failure to observe due care when filing income tax returns. If you would like information about those penalties, please call this office. Because an S corporation or partnership is an entity whose tax items are generally reported by its shareholders or partners, any penalty for substantial understatement of tax relating to S corporation and partnership items may be imposed at the shareholder or partner level.

We will use our professional judgment in preparing your returns. Whenever we are aware that a possible applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts) we will explain the possible positions that may be taken on your return. We will follow whatever position you request on your return so long as it is consistent with the codes and regulations and interpretations that have been promulgated. If the IRS should later contest the position taken, there may be an assessment of additional tax plus interest and penalties.

We assume no liability for (1) any interest or penalty assessments resulting from late filing or late payment of taxes (IRS charges \$210 per shareholder or partner for any month or portion thereof that a return is not filed by the due date); (2) for any additional interest, penalties or tax assessments resulting from tax positions taken on your returns requested by you; or (3) for your failure to exercise due care in substantiating your income and deductions.

INFORMATION TO BE PROVIDED BY YOU

You agree to provide us with all the information requested as summarized on KFS's Tax Organizer for Preparing Business Income Tax Returns found on our website at www.keysolutions.us (using the "Forms" menu option) and timely responses to any additional requests for information. If you are a monthly client of KFS, we acknowledge receipt of this information providing that you have sent us all twelve (12) months of information as requested by us.

FEES FOR THIS ENGAGEMENT

If KFS prepared your returns last year, the fee for this engagement should not increase significantly from what you paid last year providing that the returns are comparable, the information you submit to us is complete and accurate, and that there have not been any significant tax law changes. If you have been a monthly client for less than a full twelve-month period, the monthly fees you paid will be credited against the total amount invoiced to prepare these returns.

For new clients, our fees will be based upon the number of hours needed to complete your returns multiplied by our standard billing rate of \$220 per hour, plus any out-of-pocket expenses (e.g., an

overnight delivery fee charge). Any unforeseen conditions or time requirements that could cause the fee to exceed our estimate will not be assessed without your prior authorization.

Payment for this engagement will be due immediately upon presentation of the draft returns we prepare for you or when invoiced. Amounts not paid within 5 days of the date invoiced will bear a minimum \$25 monthly handling fee.

MAINTENANCE OF TAX RECORDS

KFS will return to Client all original tax and financial records used to prepare these returns. It is Client's responsibility to retain a copy of (1) these returns permanently and (2) the company's supporting tax and financial records until the IRS and the state authorities are barred by the statute of limitations from making adjustments to the returns filed. KFS recommends that you retain these supporting documents for a minimum of seven years. Our working papers, including any photocopies of your records, are our property and will be retained by KFS in accordance with our records retention policy. This policy currently states that we will retain these working papers for three years.

CONFIDENTIALITY & PRIVACY POLICY

All information you provide to us in connection with this engagement will be maintained by us on a strictly confidential basis. We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients or as required by law. We maintain physical, electronic, and procedural safeguards to guard your non-public personal information.

OTHER MATTERS

We were not engaged to, nor did we, determine whether state sales tax rules apply to your business. Determination of whether state sales tax rules apply to your activity are your responsibility unless we have a separate written engagement letter acknowledging our responsibility to determine or apply sales tax rules for an individual state. Failure to register and file with an appropriate state may expose you to severe penalties.

You hereby indemnify this firm, its partners, principals, employees, and agents, and hold them harmless, from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing or reckless misrepresentation by you. In addition, you agree that we shall not be liable for ordinary negligence.

In the event we are requested by you, or are required by government regulations, subpoena, or other legal process, to produce documents or our personnel as witnesses with respect to our engagement for you, you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for professional time and expense, as well as the fees and expenses of our representation, incurred in responding to such requests.

While we do not expect there to be any problems whatsoever with our relationship, misunderstandings can occur. We believe that most disagreements can be resolved to mutual satisfaction in a friendly manner. Accordingly, in the event of any dispute arising out of, or relating to, this engagement, the parties agree to submit the dispute to binding arbitration administered by the American Arbitration Association in accordance with its Professional Accounting and Related

Services Dispute Resolution Rules. The place of arbitration shall be held in Exton, PA and the arbitration shall be governed by the laws of the Commonwealth of PA.

Both parties agree that the non-prevailing party in such arbitration proceeding, if any, shall pay the attorneys' fees, expert witness fees and out-of-pocket costs incurred by the prevailing party in connection with such proceedings. The arbitrator(s) shall not award consequential damages in any arbitration initiated under this agreement. Any award in an arbitration initiated under this clause shall be limited to monetary damages and shall include no injunction or direction to any party other than the direction to pay a monetary amount. The award of the arbitrator(s) shall be accompanied by a reasoned opinion. Except as may be required by law, neither party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

Please note that any individual, corporation, partnership, trust, and estate having a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts having an aggregate value exceeding \$10,000 at any time during the calendar year in a foreign country, shall report such a relationship. The tax filing requirements for reporting foreign accounts is beyond the scope of this engagement. If you have such accounts, by signing below you accept full responsibility for informing us in writing of the existence of such accounts; see our Tax Organizer for Preparing Business Income Tax Returns for additional details.

We will be pleased to discuss this letter with you. You received this letter because we understand you are the person responsible for the tax matters of your company. If that is not correct, please tell us who that person is so that we can coordinate return preparation work with the correct party.

This four-page letter confirms my understanding of the services to be performed and the limitations of those services.

Signature of Officer, Owner or Partner

Date

Printed Name of Officer, Owner or Partner

Title

Printed Name of Company