November 8, 2018

The Episcopal Church in the Diocese
of El Camino Real
P. O. Box 689
Salinas, California 93902

Attention: The Rt. Rev. Mary Gray-Reeves

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of The Episcopal Church in the Diocese of El Camino Real (the Diocese), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, and cash flows and supplementary information for the year then ended, and the related notes to the financial statements. We have also been engaged to report on supplementary information other than RSI that accompanies the Diocese’s financial statements. We will subject the supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards 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. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.
In making our risk assessments, we consider internal control relevant to the Diocese’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 Diocese’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 Audit Committee (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 services under this arrangement letter do not include services for tax return preparation, tax advice or representation in any tax matter. Nevertheless, we may discuss with you certain tax considerations or provide you with tax information that may be relevant to our services. Any such discussions or information would be based upon limited tax research, limited due diligence and limited analysis regarding the underlying facts. Because additional research or a more complete review of the facts could affect our analysis and conclusions, the information provided during these discussions should not be used as the basis for proceeding with any transaction or any tax return reporting.

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

Our audit will be conducted on the basis that management acknowledge and understand that it has responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;

2. 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 they will not evaluate subsequent events earlier than the date of the management representation letter referred to below;

3. 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; and

4. To provide us with:
   a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
   b. Additional information that we may request from management for the purpose of the audit; and
   c. Unrestricted access to persons within the Diocese 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:
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1. That management has fulfilled its responsibilities as set out in the terms of this letter; and

2. 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 Diocese 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, and for informing us about all known or suspected fraud affecting the Diocese involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the Diocese received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that 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 Audit Committee is responsible for informing us of its views about the risks of fraud within the Diocese, and its knowledge of any fraud or suspected fraud affecting the Entity.

Because Hayashi Wayland will rely on The Episcopal Church in the Diocese of El Camino Real and its management and Audit Committee to discharge the foregoing responsibilities, The Episcopal Church in the Diocese of El Camino Real holds harmless and releases Hayashi Wayland and its partners and employees from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing misrepresentation by a member of The Episcopal Church in the Diocese of El Camino Real's management that has caused, in any respect, Hayashi Wayland's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

Records and Assistance

If circumstances arise relating to the condition of the Diocese'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 Diocese's books and records. The Diocese will determine that all such data, if necessary, will be so reflected. Accordingly, the Diocese will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Diocese personnel is described in the attached client participation list, which outlines the specific schedules and analyses that should be completed by the Diocese personnel, including the time when the information should be available to us. The participation list will be discussed and agreed to by
the Rev. Brian P. Nordwick, Diocesan Administrator and Tiffany Martin, Accountant. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

If, in connection with our audit, you request us to perform accounting services necessary for the preparation of the financial statements (such as maintaining depreciation schedules, computing the provision for income taxes, drafting the financial statements, etc.), you agree to designate an appropriate individual to oversee the services, make all management decisions involved in those services, evaluate the adequacy and results of the services, and accept responsibility for the results of the services.

**Fees, Costs, and Access to Workpapers**

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work are based upon the following criteria:

1. Anticipated cooperation from Diocese personnel

2. Timely responses to our inquiries

3. Timely completion and delivery of client assistance requests

4. Timely communication of all significant accounting and financial reporting matters

5. The assumption that unexpected circumstances will not be encountered during the engagement.

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Our fee for the services described in this letter will not exceed $32,000, unless the scope of the engagement is changed or any of the aforementioned criteria are not met, in which case we will discuss the situation with you before proceeding. Accounts not paid within 30 days from the date of the invoice are subject to a .8333% monthly finance charge. Accounts remaining unpaid will also be liable for reasonable collection costs.

ASU 2016-14 *Presentation for Financial Statements for Not-for-Profit Entities* is effective for the Diocese now and will be implemented as part of this year’s financial reporting. The financial statements are those of the Diocese and we are providing financial procedures over those financial statements. Hayashi Wayland has offered numerous trainings and resources over the last two years in an effort to prepare our clients for implementation of this new standard. As part of our planning process we will be meeting and discussing with you the progress you have made on completing the key changes of the standard. If it is determined that you need assistance with implementation of this standard we will be able to provide those consulting services at our standard rates of work and those will be charged separately from the audit fee noted above.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the Diocese agrees it will compensate Hayashi Wayland for any additional costs incurred as a result of the Diocese’s employment of a partner or professional employee of Hayashi Wayland.

The Episcopal Church in the Diocese of El Camino Real agrees not to make any offers of employment to Hayashi Wayland employees. If for any reason our employees should obtain employment with your organization during
the period of this engagement, you agree to pay our firm an Employment Firm Placement Fee of 35% of the first year’s annual compensation of the respective Hayashi Wayland employee.

In the event we are requested or authorized by The Episcopal Church in the Diocese of El Camino Real or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for The Episcopal Church in the Diocese of El Camino Real, The Episcopal Church in the Diocese of El Camino Real will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Information Security - Miscellaneous Terms

Hayashi Wayland is committed to the safe and confidential treatment of The Episcopal Church in the Diocese of El Camino Real proprietary information. Hayashi Wayland is required to maintain the confidential treatment of client information in accordance with relevant industry professional standards which govern the provision of services described herein. The Episcopal Church in the Diocese of El Camino Real agrees that it will not provide Hayashi Wayland with any unencrypted electronic confidential or proprietary information, and the parties agree to utilize commercially reasonable measures to maintain the confidentiality of The Episcopal Church in the Diocese of El Camino Real information, including the use of collaborate sites to ensure the safe transfer of data between the parties.

Hayashi Wayland may terminate this relationship immediately in its sole discretion if Hayashi Wayland determines that continued performance would result in a violation of law, regulatory requirements, applicable professional standards or Hayashi Wayland client acceptance or retention standards, or if The Episcopal Church in the Diocese of El Camino Real is placed on a verified sanctioned entity list or if any director or executive of, or other person closely associated with, The Episcopal Church in the Diocese of El Camino Real or its affiliates is placed on a verified sanctioned person list, in each case, including but not limited to lists promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the United Nations Security Council, the European Union or any other relevant sanctioning authority.

If any term or provision of this arrangement letter is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

Claim Resolution

Any claim arising out of services rendered pursuant to this agreement shall be resolved in accordance with the laws of California. It is agreed by The Episcopal Church in the Diocese of El Camino Real and Hayashi Wayland or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of The Episcopal Church in the Diocese of El Camino Real shall be asserted more than two years after the date of the last audit report issued by Hayashi Wayland.

If any term or provision of this Agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

Reporting

We will issue a written report upon completion of our audit of The Episcopal Church in the Diocese of El Camino Real’s financial statements. Our report will be addressed to the Board of Trustees of The Episcopal Church in the Diocese of El Camino Real. 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.
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This letter constitutes the complete and exclusive statement of agreement between Hayashi Wayland and The Episcopal Church in the Diocese of El Camino Real, superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties.

Electronic Signatures and Counterparts

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities or (iv) a digital signature. This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or “printouts,” of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

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

Sincerely,

Michael T. Briley, CPA, CGMA
Managing Partner
Hayashi Wayland

Confirmed on behalf of The Episcopal Church in the Diocese of El Camino Real:

Rt. Rev. Mary Gray-Reeves

Date

Nov. 30, 2019
THE EPISCOPAL CHURCH IN THE DIOCESE OF EL CAMINO REAL

CLIENT PARTICIPATION LIST

DECEMBER 31, 2018

Items Needed for Preliminary Fieldwork:

1. The 2018 Fair Share report, reconciled to the general ledger.
2. The 1st and last check numbers in 2018 for the operating and temporarily restricted checking accounts.
3. Listing of all pay dates, all hourly employees, and all salary employees for the year 1/1/18 through 12/31/18. Please also include any hired and/or terminated employees (if any) during the year.

We will make our selections for our test of controls from the above items and provide the selections to you. We will need the selections pulled and ready for us when we come out to do the preliminary fieldwork.

Items Needed for Final Fieldwork:

General Items:

2. Copy of the annual budget.
4. Any new contracts, agreements or loans entered into during the year ended December 31, 2018.
5. Board and Finance Committee minutes for 2018.

Cash/Investments:

1. Copies of bank reconciliations, including the bank statements at December 31, 2018, reconciled to the general ledger.
2. Copy of January 2019 bank statements
3. Copy of all investment statements at December 31, 2018, reconciled to the general ledger.

Receivables/Revenue:

1. Pledge reports as of December 31, 2018 reconciled to the general ledger.
2. Schedule of notes receivable as of December 31, 2018 reconciled to the general ledger.
3. Supporting documentation on any bequests received during 2018.

Payables/Expenses:

1. Accounts payable listing as of December 31, 2018, reconciled to the general ledger.
Fixed Assets:

1. A rollforward schedule for December 31, 2018 reconciled to the general ledger.
3. A list of asset disposals for the year ended December 31, 2018.
4. A copy of the depreciation schedule for the year ended December 31, 2018 reconciled to the rollforward schedule.
5. The general ledger cetail for the year ended December 31, 2018 for the following accounts:
   a. 62500
   b. 27300D-95000
   c. 27300D-96100
   d. 29002D-95000
   e. 29002H-95000

Net Assets:


All items listed as "Items needed for final fieldwork" will be needed prior to our coming out for the final fieldwork. If you need clarification on any of the items listed we will be happy to provide you with what was used last year.