SAMPLE COMPILATION ENGAGEMENT LETTER

Name of Client
Address
City State Zip

Dear (Client):

This letter will confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will compile, from information you provide, the balance sheet as of (Balance Sheet Date), and the related statements of income, retained earnings (deficit), and cash flows of (Client Name) for the year then ended in accordance with current Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We will not audit or review such financial statements. Our services will be limited to presenting in financial statement form information that management represents to us.

Our report on the financial statements of (Client Name) for (Date) is currently expected to read as follows:

We have compiled the accompanying balance sheet of (Client Name) as of (Balance Sheet Date) and the related statements of income, retained earnings, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

If management elects to omit substantially all disclosures from the financial statements, we will include an additional paragraph that reads as follows:

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles and the statement of cash flows. If the omitted disclosures and the statement of cash flows were included in the financial statements, they might influence the users conclusions about the company’s financial position, results of operations and cash flows. Accordingly these financial statements are not designed for those who are not informed about such matters.

If for any reason we are unable to complete the compilation of your financial statements, we will not issue a compilation report on such statements as a result of this engagement.
A compilation differs significantly from a review or an audit of financial statements. A compilation does not include performing any analytical procedures, inquiry or other procedures performed in a review. In addition, in a compilation one does not seek to obtain an understanding of an entity’s internal control or assess fraud risk; test accounting records or examine source documents or other, more detailed procedures ordinarily performed in an audit. As a consequence, we will not express an opinion or provide any assurance regarding the financial statements being compiled.

Our engagement cannot be relied on to disclose errors, irregularities, or illegal acts, including fraud or embezzlements, that may exist. However, we will inform the appropriate level of management of any material errors that come to our attention and any irregularities or illegal acts that come to our attention, unless they are clearly inconsequential.

You are responsible for adopting sound accounting policies, for maintaining an adequate and efficient accounting system for safeguarding assets, for authorizing transactions and retaining supporting documentation for those transactions and for devising an internal control system that will help assure the proper preparation of financial statements.

You are also responsible for the design and implementation of programs and controls to prevent and detect fraud and informing us about all known or suspected fraud affecting the Company. In addition, you remain responsible for identifying and ensuring that the Company complies with applicable laws and regulations.

Our fee for these services will be based on the amount of time required at the standard billing rate plus out of pocket expenses. However, if we encounter unexpected circumstances that require more staff time than anticipated, we will discuss the matter with you. All invoices are due and payable upon presentation.

If any dispute arises (between/among) the parties hereto, the parties agree first to try in good faith to settle the dispute through non-binding mediation. The costs of mediation shall be shared equally by the parties.

The parties agree that, if any dispute cannot be settled through mediation, the dispute may then be brought before a court of competent jurisdiction, but the matter will ultimately be decided by the court, sitting without a jury. **The parties recognize they have knowingly and voluntarily agreed to waive all rights to have any such dispute determined by a jury**, but otherwise retain all rights afforded under the applicable civil justice system.

This Agreement, and the rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws (enter state or other jurisdiction) (without giving effect to its provisions on conflict of laws).
This Agreement is fully and voluntarily entered into by the Parties. Each Party states that he, she, or it has read this Agreement, has obtained advice of counsel if he, she, or it so desired, understands all of this Agreement, and executes this Agreement voluntarily and of his, her, or its own free will and accord with full knowledge of the legal significance and consequences of this Agreement.

If this letter correctly expresses your understanding, please sign the enclosed copy where indicated and return it to us.

We appreciate the opportunity to serve you and trust that our association will be a long and pleasant one.

Sincerely,

______________________________
Signed on behalf of
(Firm Name)

ACCEPTED AND AGREED TO BY:
(Insert Client Name)

______________________________ Date: ______________________
(Client Signature)

Please be advised that this sample letter/information is provided as a service from your insurance carrier. These are risk management suggestions from your insurer and are not to be construed as legal advice from an attorney to a client. We strive to provide sound risk management advice and suggestions and hope this information is helpful to you in this matter.

Please be further advised that neither Markel nor All Risks, Ltd. can be responsible for material changes to this document or information supplied in the blanks currently provided. If you would like to have a proposed finished product reviewed in advance of utilization of this document please contact our Accountants' Professional Liability Advice "Hotline" at 866-306-3607.