**[Date]**

**[Client Name]**

**[Client Address]**

Re: *Engagement to Prepare and Review Financial Statements for* ***[Client Name]***

To the appropriate representative of management of **[Client Name(s)]**:[[1]](#footnote-1)

We are pleased to confirm our engagement with **[Client Name(s)]** (the “Compan**[y/ies]**”) for the year ended 20**[XX]]**, and to clarify the extent and limitations of the services we will provide.

1. **Prepare and Review Financial Statements**

You[[2]](#footnote-2) have requested that we prepare the financial statements of **[Client Name(s)]**, which comprise the statement of assets, liabilities, and equity—tax-basis as of December 31, 20XX, and the related statements of operations and retained earnings—tax-basis, and cash flows—tax-basis for the year then ended, and the related notes to the financial statements and to perform a review engagement with respect to those financial statements. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

***Our Responsibilities***

The objective of our engagement is to

1. prepare financial statements in accordance with the tax-basis of accounting based on information provided by you and
2. obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the tax-basis of accounting.

We will conduct our review engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and applicable ethical principles established by the AICPA's Code of Professional Conduct.

A review engagement includes primarily applying analytical procedures to your financial data and making inquiries of company management. A review engagement is substantially less in scope than an audit engagement, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review engagement does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records

by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents; or other procedures ordinarily performed in an audit engagement. Accordingly, we will not express an opinion regarding the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by error or fraud, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations. However, we will inform the appropriate level of management of any material errors and any evidence or information that comes to our attention during the performance of our review procedures that indicates fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our review procedures regarding noncompliance with laws and regulations that may have occurred, unless they are clearly inconsequential.

[Name of Firm Representative] is the engagement partner for the review services specified in this letter. Their responsibilities include supervising [Firm]’s services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the review report.

***Your Responsibilities***

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with the tax-basis of accounting and to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the tax-basis of accounting. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARSs:

1. The selection of the tax-basis of accounting as the financial reporting framework to be applied in the preparation of the financial statements
2. The preparation and fair presentation of the financial statements in accordance with the tax-basis of accounting and the inclusion of all informative disclosures that are appropriate for the tax-basis of accounting. This includes
3. a description of the tax-basis of accounting, including a summary of significant accounting policies, and how the tax-basis of accounting differs from accounting principles generally accepted in the United States of America, the effects of which need not be qualified
4. informative disclosures similar to those required by accounting principles generally accepted in the United States of America
5. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements

d. The prevention and detection of fraud

e. To ensure that the entity complies with the laws and regulations applicable to its

activities

f. The accuracy and completeness of the records, documents, explanations, and other

information, including significant judgments, you provide to us for the engagement

g. To provide us with

1. access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters
2. additional information that we may request from you for the purpose of the review engagement
3. unrestricted access to persons within the entity of whom we determine it necessary to make inquiries

h. To provide us, at the conclusion of the engagement, with a letter that confirms certain

representations made during the review

The information provided by management, including responses to our inquiries, will not be verified, corroborated or audited. You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

***Our Report***

[*Insert appropriate reference to the expected form and content of the accountant's review report. Example follows.*]

We will issue a written report upon completion of our review of **[Client Name(s)]** financial statements. Our report will be addressed to the board of directors of **[Client Name(s)]**. We cannot provide assurance that an unmodified accountant's review report will be issued. Circumstances may arise in which it is necessary of us to report known departures from the tax-basis of accounting, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If, for any reason, we are unable to complete the review of your financial statements, we will not issue a report on such statements as a result of this engagement.

You agree to include our accountant's review report in any document containing financial statements that indicates that such financial statements have been reviewed by us and, prior to inclusion of the report, to ask our permission to do so.

**II. General Terms of Engagement**

Our fees for the above services will be based on the time expended at our standard rates (available upon request **[or set forth here]**), plus out-of-pocket expenses, and will be billed to you **[monthly]**.

All invoices are due and payable **[“upon presentation” or “within 30 days” or other appropriate time period]**. Work may be suspended if your account becomes overdue and may not resume until your account is paid in full. If we elect to terminate our services for non-payment, our engagement will be deemed to have been concluded upon our providing you written notification of termination, even if we have not completed our work. 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, regardless of whether the services were completed by that point. If we stop work based on your account becoming overdue, we will not be responsible for any damages, tax, interest or penalties caused by or related to the work stoppage.

It is our policy to retain engagement documentation for a period of **[“seven” or other period of time consistent with applicable rule or regulation and the firm’s document retention policy]** years, after which time we will commence the process of destroying the contents of our engagement files. Through our engagement, we may gain possession of various original records, such as bank statements, invoices, cancelled checks, etc. If you would like us to return those records to you, please so advise. We may, however, need to retain copies of such records as are necessary or prudent in accordance with our professional obligations.

We may from time to time and depending on the circumstances and nature of the services we are providing, share your confidential information with third-party service providers, some of whom may be cloud-based, but we remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality terms with all service providers to maintain the confidentiality of your information and will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure appropriate confidentiality terms with a third-party service provider, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Although we will use our best efforts to make the sharing of your information with such third parties secure from unauthorized access, no completely secure system for electronic data transfer exists. As such, by your signature below, you understand that the firm makes no warranty, expressed or implied, on the security of electronic data transfers.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted, read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, or disclosure or communication of confidential or proprietary information.

In the event we are requested by **[“you” or “Company”]**, or are required by government regulations, subpoena, or other legal process, to produce documents or our personnel as witnesses with respect to our engagements for **[“you” or “Company”]**, **[“you” or “Company”]** 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 expense, as well as the fees and expenses of our counsel, incurred in responding to such requests.

This engagement ends upon delivery of [**“the Company’s final financial statements and review report” or other appropriate description]**. Follow up communications or responses to inquiries shall not be construed as a continuation of the engagement. Any subsequent services will be considered a separate engagement and will **[use “may” if your practice does not consistently use engagement letters]** be confirmed in a separate engagement letter.

**[Some jurisdictions do not allow the shortening of the statute of limitations and others only allow it to be shortened to a specific or reasonable time. Consult your risk management professional to determine if and to what extent the following provision is appropriate for you and complies with the law in your jurisdiction.]**

**[**All claims relating to the performance of the services rendered under this agreement must be asserted within [x years] of the delivery of the workproduct contemplated under this engagement or they will be time-barred as a matter of law.**]**

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, non-threatening environment. Accordingly, in the event of any dispute arising out of, or relating to, this engagement, the parties will first attempt in good faith to settle the dispute through non-binding mediation administered by the American Arbitration Association under its mediation rules, before resorting to litigation or similar action.

In the event that the parties fail to settle the dispute through mediation, all parties agree that any further action arising out of or relating to this engagement shall be decided by a court of competent jurisdiction **[Consider identifying a specific court to hear the dispute if local practices permit.]** by a judge sitting without a jury. **WE BOTH ACKNOWLEDGE AND AGREE THAT WE ARE WAIVING ANY AND ALL RIGHTS WE MAY HAVE TO HAVE SUCH DISPUTE DECIDED BY A JURY [please check to see if this is permissible under local state law].**

**[If you determine, after consultation with your risk management professional, that arbitration is a more appropriate dispute resolution forum, use the following paragraphs.]**

**[**Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association in accordance with its Professional Accounting and Related Services Dispute Resolution Rules and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

The place of arbitration shall be **[specify appropriate location]**. The arbitration shall be governed by the laws of the State of [state]. The arbitrator(s) shall not award consequential damages in any arbitration initiated under this section. 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 arbitrators shall be accompanied by a reasoned opinion. Except as may be required by law, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties. **]**

Our liability relating to the performance of the services rendered under this letter is limited solely to the direct damages sustained by [the client]. In no event shall we be liable for the consequential, special, incidental or punitive loss, damages or expenses suffered by [the client] (including without limitation, lost profits, opportunity costs, etc.). Notwithstanding the foregoing, our maximum liability relating to the services rendered pursuant to this engagement shall be limited to the fees actually received by us for this engagement.

[The Client] hereby indemnifies its partners, principals, employees and agents, and holds them harmless, from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing or reckless misrepresentation by [the Client], its management, employees or agents, regardless of whether that person was acting in a manner adverse to [the Client’s] interests.

If any provision of this letter is unenforceable, the remaining provisions shall be enforced to the fullest extent possible. If any provision of this letter is deemed overbroad or unreasonable by a court of law **[or arbitrator]**, such provision shall be given effect to the maximum extent possible by narrowing or removing that aspect of the provision found overbroad or unreasonable, and enforcing the remaining portions to the fullest extent permissible under the law.

After reviewing this letter, please sign in the space designated and return it to us to confirm your receipt of this letter and your understanding of the scope, terms and conditions of this engagement. If you have any questions, do not hesitate to contact us.

We look forward to working with you and enjoying a mutually beneficial relationship.

Very truly yours,

[Insert Firm Signature}

**[Accounting Firm]**

Agreed and acknowledged:

**[Client Representative]**

**[Client Name]**

1. The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the review engagement, including the relevant jurisdiction. [↑](#footnote-ref-1)
2. Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *accountant* would be used or amended as appropriate in the circumstances. [↑](#footnote-ref-2)