

## FAU FINANCE CORPORATION

THURSDAY, AUGUST 12, 2010

**SUBJECT: REVIEW OF REVISED PROPOSALS AND SELECTION OF AN AUDITOR FOR FAUFC AUDIT AND TAX SERVICES FOR FISCAL YEAR 2010-11.**

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### PROPOSED BOARD ACTION

Review and recommend approval of proposals to provide professional audit and tax services for the FAU Finance Corporation for the fiscal year July 1, 2010 to June 30, 2011; and delegate to the Chair of the FAU Finance Corporation authority to enter into negotiations and execute or amend related documents and agreements.

### BACKGROUND INFORMATION

The FAU Finance Corporation By-laws, adopted November 13, 2009, require an audit to be made by an independent certified public accountant of the books of the Corporation as soon as possible after the close of the fiscal year of the Corporation, and to have the results reported to the Board of Directors at its next ensuring meeting. The annual audit report shall be submitted by the University President to the Board of Trustees for review no later than the end of the fourth month following the close of the organization's fiscal year. The annual audit report shall also be submitted to the Auditor General and to the Board of Governors no later than nine (9) months after the close of the Corporation's fiscal year. The audit shall be conducted in accordance with rules promulgated by the Board of Trustees and with the policies adopted by the Auditor General. The Board shall ensure that the financial records of the Corporation are maintained in accordance with generally accepted accounting principles, that consistent and reliable financial practices are followed and that the current financial status of the Corporation is reported to the Board of Directors regularly.

During the June 29, 2010 FAUFC Board meeting, the BOD requested that Ms. Semmel, FAUFC Treasurer/Secretary, enter re-negotiation of the costs proposed by McGladrey & Pullen, LLP. This has been completed and the proposal remains unchanged except for a fee reduction of \$20,700 to \$18,000.

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**Supporting Documentation:**

1. McGladrey & Pullen, LLP with New Pricing Information
2. Gerstle, Rosen & Goldenberg, P.A.

**Presented by:** Stacey Semmel, FAUFC Treasurer/Secretary

**Phone:** 561-297-3266

From: Dennis Crudele  
Sent: Friday, August 06, 2010 7:47 AM  
To: Linda Elliott  
Subject: FW: RE:FAU Finance Corporation

-----Original Message-----

From: Feldmann, Bob [mailto:Bob.Feldmann@mcgladrey.com]  
Sent: Thursday, August 05, 2010 10:47 PM  
To: Stacey Semmel  
Subject: RE: RE:FAU Finance Corporation

Hi Stacy -

Just to clarify, what I initially communicated to you is that we were willing to lower the audit fee to \$15,000 and that the tax fees would be \$1,500, coming to an aggregate fee of \$16,500. If the \$1,500 is going to make a difference, I'm sure we can work it out. Feel free to call me if you have any questions.

Best regards,

Bob

Robert R. Feldmann, CPA

Office Managing Partner

McGladrey & Pullen, LLP

Certified Public Accountants

201 Alhambra Circle Suite 810, Coral Gables, FL 33134-5108 D 305.569.7954

O 305.442.8801

F 305.442.7478 VOIP 327954

PLEASE NOTE MY NEW EMAIL ADDRESS BELOW

bob.feldmann@mcgladrey.com

Experience the power of being understood. SM

# The FAU Finance Corporation

## Proposal for Audit and Tax Services

June 18, 2010

RSM McGladrey, Inc./ McGladrey & Pullen, LLP  
100 N.E. Third Avenue, Suite 300  
Ft. Lauderdale, FL 33301  
O 954.462.6300  
F 954.462.4607  
[www.mcgladrey.com](http://www.mcgladrey.com)

Contact Person: Robert R. Feldmann  
[bob.feldmann@mcgladrey.com](mailto:bob.feldmann@mcgladrey.com)



RSM McGladrey, Inc.

McGladrey & Pullen, LLP  
Certified Public Accountants

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RSM McGladrey, Inc.

McGladrey & Pullen, LLP  
Certified Public Accountants

100 NE 3rd Avenue Suite 300  
Ft. Lauderdale, FL 33301  
O 954.462.6300 F 954.462.4607  
www.mcgladrey.com

June 18, 2010

Ms. Stacey Semmel, CPA, MAC, CBM  
Assistant Vice President for Financial Affairs and University Controller  
Florida Atlantic University  
Controller's Office  
777 Glades Road  
Adm 10/161  
Boca Raton, FL 33431

Dear Ms. Semmel:

RSM McGladrey, Inc./McGladrey & Pullen, LLP ("McGladrey") would like to thank you for the opportunity to submit our proposal to provide professional audit and tax services for The FAU Finance Corporation ("FAU Finance Corp") as of and for the period ending June 30, 2010.

We believe our proposal demonstrates differentiating factors needed to distinguish ourselves from our competitors. We are unique in that while we possess the expertise of a national firm, but our client service philosophy matches that of a local firm. Our growth has been the result of our ability to provide clients with expert personal attention, staff continuity, accessibility, and prompt quality services in a cost-effective and innovative manner.

We believe McGladrey is the best choice to serve FAU Finance Corp for the following compelling reasons:

**NATIONAL FIRM RESOURCES.** As one of the largest national accounting firms in the United States, we can offer you breadth of experience and depth of knowledge to deliver the proactive, industry specific service that you deserve. **We are the fifth largest accounting, tax and business consulting firm in the United States.** The combined firm has revenues in excess of \$1.4 billion and more than 7,000 employees in nearly 100 offices across the country.

**INDUSTRY EXPERIENCE.** McGladrey has targeted the public sector industry as one of our main industry focuses. **We serve over 200 not-for-profit organizations in Florida, including Feed the Children, the University of Miami, Lynn University, Florida International University and 2,700 such organizations across the country.** This demonstrates our commitment to the not-for-profit and higher-education industry and provides assurance that we have the expertise to address all of the accounting and auditing issues that may affect FAU Finance Corp. Approximately two-thirds of these entities are audit clients, many of whom rely on our firm for various advisory services including strategic planning, human resource consulting and accounting assistance. Having professionals dedicated to a particular industry ensures they will be up to date on trends, legislative changes, technological developments and issues pertinent to your industry. In addition, McGladrey has vast experience in the Construction industry and clearly understands the accounting intricacies that are involved. With over 15 years experience, we have developed the expertise to address the various risk factors such as misuse of funds, cost overruns and project delays.

**SENIOR LEVEL ATTENTION.** You can be assured you will receive senior-level attention throughout our service delivery. We take a team approach that is heavy on experienced senior management involvement. The engagement partner will challenge your thinking, come to you with potential solutions, and provide sound business advice. We regularly assist clients as they transition through many business changes. Having an actively involved partner is one of the keys to our success and a tangible benefit of the McGladrey client service philosophy. You will receive ample partner time throughout your engagement. While most large accounting firms have a ratio of approximately one partner to twelve or more professional staff, McGladrey has generally maintained a ratio of one to six. This enables us to provide each client, regardless of size, with services under the personal supervision of a partner.

**AUDIT SERVICES.** Many accounting firms cannot give their full attention to not-for-profit clients. That's why our audit services are designed to meet the needs of these organizations. We help you implement a system of internal checks and balances that integrates core business functions within a strong governance framework. We believe in open, honest reporting of financial statements. Every audit we perform incorporates three simple, but critical concepts: integrity, objectivity and competence.

**CONTINUITY OF YOUR ENGAGEMENT TEAM WILL BE A TOP PRIORITY FOR US.** Continuity of management and staff is a concern of any organization. We strive to maintain continuity for the benefit of both our clients and our Firm, so not to incur time by either party in "educating" engagement personnel about our clients' business, their operations and other aspects that may be unique to properly serving their account. The opportunity for our people to work on a client such as FAU Finance Corp will energize our team.

**TIMELY DELIVERY OF SERVICES.** We understand the importance of completing the engagements and issuing all related deliverables, in a timely manner. In addition, we have identified experienced staff members that will be dedicated to your engagement during that time period, and will not conflict with other assignments. Our goal is to meet or exceed your time specifications.

**FEES.** We recognize that engaging an accounting and consulting firm is an important investment for your organization. You can expect that we are competitively priced and that your investment in us will add value to your organization.

Thank you for considering our services.

If you have any questions about this proposal, please do not hesitate to contact me at 954.462.6300

Sincerely,

**RSM MCGLADREY, INC./MCGLADREY & PULLEN, LLP**



Robert R. Feldmann  
Managing Director/Partner



## Description of Firm

### NATIONAL FIRM STRENGTHS

RSM McGladrey, Inc./ McGladrey & Pullen, LLP is one of the nation's largest accounting firms and traces its history to 1926, when Ira B. McGladrey started his own accounting firm in Cedar Rapids, Iowa. McGladrey & Pullen, LLP (a licensed CPA firm doing business in the United States) provides audit and attest services. RSM McGladrey, Inc. is a leading provider of non-regulated consulting, tax and accounting services. The two firms have an alternative practice structure. Though separate and independent legal entities, McGladrey & Pullen, LLP and RSM McGladrey, Inc. (hereinafter collectively referred to as "McGladrey") work together to serve clients' business needs. The two companies practice from nearly 100 offices and have more than 7,500 employees. **When considered together, the two companies rank as the 5th largest provider of accounting, tax and consulting services nationwide with revenues exceeding \$1.4 billion.**

The 2010 Accounting Today -Top 10 Firms America's 100 Largest Public Accounting Firms					
2010 Rank by Revenues	Firm	Headquarters	Offices	FYE	FYE U.S. Net Rev (\$ mil)
1	Deloitte LLP	New York City	102	May	10,722.00
2	Ernst & Young	New York City	80	June	7,620.00
3	PricewaterhouseCoopers	New York City	76	June	7,369.44
4	KPMG LLP	New York City	88	Sept	5,076.00
<b>5</b>	<b>McGladrey</b>	<b>Bloomington</b>	<b>93</b>	<b>April</b>	<b>1,460.72</b>
6	Grant Thornton	Chicago	52	Dec	1,147.81
7	BDO	Chicago	37	June	620.00
8	CBIZ/Mayer Hoffman McCann	Cleveland	180	Dec	600.66
9	Crowe Horwath	IL	25	March	508.00
10	BKD, LLP	Springfield, Mo.	31	May	393.00

RSM International is represented in 75 countries by established firms offering the combined skills of over 20,000 professional staff in nearly 600 offices.

### LOCAL PRESENCE

Our Florida Practice employs more than 350 professionals and will be responsible for conducting the audit and tax services for FAU Finance Corp. We have been serving the Florida marketplace for more than 30 years from our Fort Lauderdale, Coral Gables, West Palm Beach, Naples, Melbourne, Orlando and Jacksonville offices. The size of our local professional staff, along with the number of professionals with experience serving not-for-profit organizations, provides us with the resources to respond quickly and efficiently to any client requests for assistance.

## Qualifications of Firm and Team Members

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### INDUSTRY FOCUS - WE SPECIALIZE IN SERVING NOT-FOR-PROFITS

McGladrey has made the Public Sector Practice, which includes services to not-for-profit organizations, one of its main industry focuses. **In fact, our Public Sector Practice is our largest industry in Florida.** As a result, the local team that will serve you has extensive experience, dedication and passion to serve this type of entity. Having our professionals dedicated to a particular industry ensures they will be up to date on trends, legislative changes, technological developments and accounting issues pertinent to your industry.

Our firm's Florida Practice is proud to provide services to a wide range of not-for-profit organizations that contribute significantly to both local communities and those around the world. Several of our not-for-profit clients include:



**Feed the Children** receives donations in excess of \$1.1 billion and is one of the nation's largest international, nonprofit relief organizations. They deliver food, medicine, clothing and other necessities to individuals, children and families who are without these essentials due to famine, war, poverty or natural disaster.



**Children's Home Society of Florida (CHS)** is the oldest not-for-profit in the state of Florida. CHS has successfully built upon its strong reputation to become a multi-service organization aiding children and families. CHS receives over \$121,000,000 in donations and grants. CHS provides programs to provide education and support services to teen and first-time mothers, single and struggling parents, intergenerational and extended families, runaway and throwaway teens, at-risk children and youth, and developmentally, emotionally and medically challenged children.



**The Diocese of Orlando in Florida** and its numerous missions and charities contribute to the educational and spiritual needs and quality of life throughout the Central Florida region. With assets in excess of \$200 million, the Diocese is continually working to be a good steward in our community.



**The University of Miami** is a vibrant community of exceptionally talented individuals engaged in the pursuit of academic excellence, the discovery of new knowledge and service to the region and beyond. The University has more than 15,400 undergraduate and graduate students from around the world and has grown tremendously since its inaugural class of 560 students in 1926. UM is the second largest private employer in Miami-Dade County.





The Young Men's Christian Association of Broward County, Florida, Inc. is an entity organized for the benefit of its members and the community with the purpose of putting Judeo-Christian principles in practice through programs that build healthy spirit, mind, and body for all. With assets in excess of \$22 million, they offer a variety of programs for all ages and have an operation which generates \$32 million in annual unrestricted revenue.

In addition to the clients listed above, the following is a partial listing of other not-for-profit clients served:

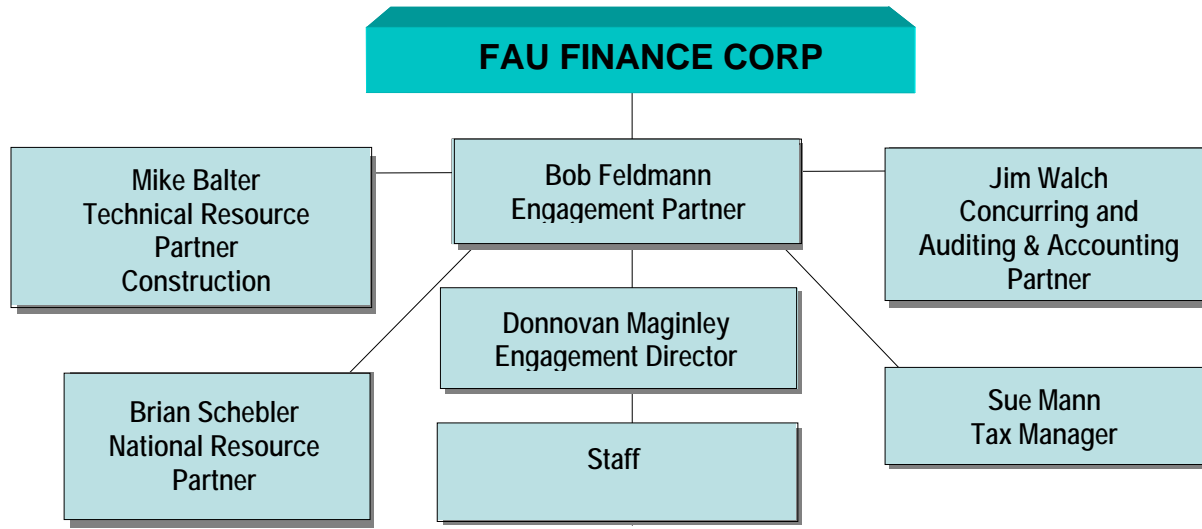
- Agricultural and Labor Program
- Alzheimer's Association Southeast Florida Chapter, Inc.
- Archdiocese of Miami Education Endowment
- Astronaut's Hall of Fame Foundation
- Astronaut's Memorial Foundation
- Astronaut Scholarship Foundation
- Boys & Girls Club of Palm Beach County, Inc.
- Brevard Cultural Alliance
- Bridges of Light Foundation, Inc.
- Business Development Board of Palm Beach County, Inc.
- Caldwell Theatre Company, Inc.
- Community Based Care of Brevard County, Inc.
- Comprehensive AIDS Program of Palm Beach County, Inc.
- Exchange Club Center for the Prevention of Child Abuse, Inc.
- Family Services of Metro Orlando
- Florida International University
- Florida Stage, Inc.
- Golden Rule Foundation, Inc.
- Good Shepherd School Foundation, Inc.
- Harid Conservatory of Music, Inc.
- Health First Foundation, Inc.
- Healthy Start Coalition of Brevard County, Inc.
- Heart of Florida United Way
- In God We Trust Foundation, Inc.
- Jess Parrish Medical Foundation, Inc.
- Junior Achievement of Palm Beach County, Inc.
- Lynn University
- National Kidney Foundation, Inc.
- Opportunity, Inc.
- Rosarian Academy
- South Florida Workforce Alliance
- SunFest of Palm Beach County, Inc.
- The Broward Alliance
- The Catholic Foundation of Central Florida
- The Greater Miami Convention and Visitor's Bureau
- The Sunrise Foundation, Inc.
- Whitehall Foundation
- Workforce Alliance, Inc.

Our Firm's personnel actively participate in not-for-profit activities. We are volunteer instructors at seminars conducted by Government Management Information Services ("GMIS"), the Government Finance Officers Association ("GFOA"), local Chambers of Commerce, the Institute of Public Service, various governmental associations and other meetings of Government officials. We actively participate in many state and local Chapters of GFOA and GMIS, the American Institute of Certified Public Accountants ("AICPA") and serve on the not-for-profit committee of the Florida Institute of Certified Public Accountants ("FICPA").

We participated as an advisor to the President's Council on Integrity and Efficiency through the Quality of Audit Roundtable. Numerous relationships are maintained with officials in the Office of Inspector General and most federal service departments and agencies, and close working relationships exist with key officials of the General Accounting Office and the Office of Management and Budget.

At the regional level, we participate as members or as observers of intergovernmental audit forums. In those forums, where such active participation is allowed, we have had representatives on the Executive Board. Participation in forum activities gives additional sources of information and opportunities to express the opinions of our clients and ourselves on questions of audit policy, practices and standards. But most importantly, it helps us establish close relationships with top officials of the regional offices of the Inspector General and state audit officials.

Our membership in AICPA committees, such as the Federal Government Accounting and Auditing Committee and the State and Local Government Committee, also provides our clients and us with a source of information and a means to express our respective views. In addition, our AICPA membership on the senior AICPA committees that establish accounting principles, auditing standards and the Code of Ethics assures that matters of concern to our governmental clients also receive consideration at the highest professional level.



#### ENGAGEMENT TEAM ROLES AND RESPONSIBILITIES

The contributions the key members of the team will make are described below and their complete biographies are printed in the Appendix.

**Engagement Partner – Bob Feldmann** will serve as the lead partner and will be the primary point of contact for FAU Finance Corp. As the Engagement Partner, Bob will oversee all services provided to the organization and will ensure required professional services are delivered in a timely and efficient manner. Bob will coordinate the communications between the audit engagement team, management and the Audit Committee. He has over 22 years of not-for-profit auditing experience. Bob is a certified public accountant and is licensed to practice in the State of Florida. Bob also serves as the Leader of the Florida Public Sector practice, which includes not-for-profit organizations, governments, educational institutions and tribes.

**Audit Director - Donovan Maginley** will coordinate the activities of the professional staff members assigned to the engagement, participate in planning and developing the overall audit approach and monitor all phases of the audit to ensure timely completion. He will direct the day-to-day performance and conduct of the audit. Donovan has over 15 years of not-for-profit experience and spends 100% of his time serving the Public Sector, including numerous not-for-profit organizations. He is a certified public accountant and licensed to practice in the State of Florida.

**Concurring and Auditing & Accounting Partner – Jim Walch** will be assigned to provide technical support and a concurring review to ensure we are complying with applicable auditing standards. He will ensure that the audited financial statements are prepared in accordance with generally accepted accounting principles. Jim will be involved in the risk assessment and audit planning process and will be available as a resource to the engagement team in all stages of the engagement. He has over 32 years of not-for-profit and governmental experience, is a certified public accountant and is licensed to practice in the State of Florida.

**Tax Manager – Sue Mann** will assist with the preparation of the Form 990 and 990T tax returns and also be available to provide assistance, as needed, related to tax reporting requirements. Sue serves numerous not-for-profit clients, is a certified public accountant and is licensed to practice in the State of Florida.

**Technical Resource Partner – Mike Balter** is the leader of the firm’s Florida Construction practice. He has authored various articles that have been featured in numerous construction industry publications. Mike, as a technical resource partner, will provide additional construction accounting and auditing related technical support and guidance pertaining to the financial aspects of the audit when requested by the audit team. He is a certified public accountant and is licensed to practice in the State of Florida.

#### **PARTNER/ DIRECTOR AND MANAGER INVOLVEMENT**

Our original concept of service, predicated upon the personal attention of partners to the needs of our clients, has remained unchanged. While most large accounting firms have a ratio of approximately one partner to twelve or more professional staff, McGladrey has generally maintained a ratio of 1 to 6. This enables us to provide each client, regardless of size, with services under the personal supervision of a partner. We want to support management in making their organization a success. We do this by working hard to provide the best possible service, at the highest levels of quality, in a cost effective manner.

We are large enough to offer breadth and depth of experience in solving accounting problems and providing innovative ideas, yet small enough, despite our growth, to pay attention to our clients and to their needs.

**THE AVERAGE ANNUAL TIME SPENT BY OUR PARTNERS ON DIRECT CLIENT SERVICE EXCEEDS 1,200 HOURS. THIS STATISTIC ALONE DISTINGUISHES US FROM OTHER NATIONAL FIRMS, AND IS A MAJOR FACTOR IN OUR ABILITY TO PROVIDE THE HIGHEST QUALITY SERVICE. OUR PARTNERS ARE CLIENT-SERVERS, NOT ADMINISTRATORS, AND THEIR INDUSTRY EXPERIENCE IS DIRECTED TOWARDS OUR CLIENTS.**

#### **OTHER SERVICES PROVIDED TO OUR NOT-FOR-PROFIT CLIENTS**

The following list describes a sampling of services performed by our Florida offices:

- Financial and Compliance Audits
- Operational Reviews
- Bookkeeping and Reporting Assistance
- Strategic Planning
- Board Training
- Payroll and Federal Tax Assistance
- Accounting Policies and Procedure Manuals
- Recruiting
- Disaster Recovery Planning
- Compensation Studies
- Network Security
- Cost Containment and Productivity Improvement

**WE RECOGNIZE THE INDIVIDUALITY OF THE CLIENTS WITH WHOM WE WORK. WE ARE NOT PROVIDING, NOR ATTEMPTING TO PROVIDE, IDENTICAL SERVICES TO EVERYONE. WE LISTEN TO EACH CLIENT AND ADJUST OUR SERVICES AND THE MANNER OF THEIR DELIVERY TO THE DESIRES OF THE CLIENT, RATHER THAN EXPECT THE CLIENT TO ADJUST TO US. WE FIND THAT OUR SERVICES ARE RECEIVED MORE FAVORABLY, AND USED MORE EFFECTIVELY, WHEN WE ARE VIEWED AS A POSITIVE AND SUPPORTIVE FORCE.**

#### CONTINUITY OF STAFF

Our goal is to maintain 100% continuity on your engagement. If this is not possible due to staff turnover, we will obtain the approval from FAU Finance Corp before adding any new member to the engagement management team.

#### STAFF ROTATION

Continuity of management and staff strengthens our client relationships and helps FAU Finance Corp avoid inconveniences and loss of productivity caused by personnel changes. It is our policy to maintain the integrity of the audit team from year to year. McGladrey has no formal rotation requirements for engagement team members in our public sector industry.

#### COMPLIANCE WITH EDUCATIONAL REQUIREMENTS

In order to maintain our high level of technical competence, we have continuing education programs for all partners and professional staff members, which exceed national and state standards. All of the audit professionals of McGladrey comply with the education requirements as set forth by the Florida State Board and the Government Auditing Standards, published by the Comptroller General of the United States.

We are committed to continuous learning and professional growth. Our Firm's competitive edge is the high level of professional competence that we provide to our clients. All employees are expected to continually maintain "state of the art" skills for client service. In order to maintain our high level of technical competence, we have continuing education programs for all partners and professional staff members.

McGladrey's Audit and Accounting programs train audit professionals to provide the basic accounting and auditing services which have become the cornerstone of our client relationships. This knowledge of historical services provides FAU Finance Corp for many of the expanded services that clients are currently seeking.

All professional employees receive at least 40 hours of continuing professional education ("CPE") per year. Most professionals exceed that amount since each office location also conducts extensive training throughout the year.

## Proposed Terms of Engagement

# 3

### TERMS OF ENGAGEMENT

Our fees are based on hourly rates, determined by each professional's level of experience and actual time. Significant changes in the nature and scope of the business will result in professional fee increases. Significant changes may include the following: significant expansion of business operations, addition of new locations; material changes in financial reporting; and changes in scope of work due to regulations, audit and accounting standards, or income tax laws.

Audit & Tax Services	Estimated Professional Fees
Audit of the June 30, 2010 financial statements	\$19,200
Preparation of Form 990, Return of Organization Exempt from Income Taxes; and Form 990T, Exempt Organization Business Income Tax Return	\$1,500

Out-of-pocket costs, including travel and lodging, are billed at actual cost in addition to the fee quoted above. Billings are prepared monthly and are due upon submission.

We realize clients occasionally need to call for information or ideas that require quick, concise responses. In the interest of strengthening the trust and working relationship between our organizations, we believe your personnel should feel comfortable calling for necessary information without fear of punitive phone charges. Therefore, we do not charge for short, routine phone calls.

Our proposed fees above are also based on the following assumptions:

- The overall condition of your financial and accounting records is satisfactory
- Our receipt of support from your accounting personnel necessary for the preparation of requested schedules and other supporting documentation before we commence fieldwork
- No material adjustments required to the trial balance provided by your staff
- No significant deficiencies or material weaknesses in internal controls
- There will not be a need for substantial research of any unforeseen technical issues or new accounting or auditing pronouncements in order for us to complete our audit

#### CLIENT ACCEPTANCE

Client acceptance criteria are in place because there is a higher level of engagement responsibility in serving certain types of companies. Prior to engaging in the organization's audit, we execute all due diligence and thoroughly complete all procedures with respect to organization acceptance. We manage the completion of all acceptance forms and prevent critical delays based upon incomplete or omitted information. Our acceptance of this engagement would be subject to the completion of our acceptance procedures.

## Audit Approach

## Section

# 4

### THE AUDIT PROCESS

The audit process involves planning an overall audit strategy for the expected conduct, organization and staffing of the audit. Although many planning activities are performed prior to the commencement of field work, planning is not a discrete phase of the audit – rather it is an iterative process that begins with engagement acceptance and continues throughout the audit. Our communication with the board of directors or those charged with governance also takes place during every phase of the audit, as necessary. As part of our two-way communication with the board of directors, we will communicate an overview of the planned scope and timing of the audit. At the conclusion of the audit, we will communicate our audit findings. We begin the audit process by meeting with the board of directors and senior management to clearly identify needs and expectations, including inquiries about risks and concerns.

**Step 1 — Understanding the organization:** We must first obtain a broad and deep understanding of the nature of the organization's business in order to understand the account balances, classes of transactions and disclosures relevant to its activities. Our understanding also encompasses relevant industry, regulatory and other external factors. We seek to understand the entity's objectives and strategies, along with the related business risks that may result in material misstatement of the financial statements. We gain an understanding of the policies and procedures management uses to measure and review financial performance in order to better understand how management monitors these risks.

We consider whether the organization's selection and application of accounting policies are appropriate and consistent with generally accepted accounting principles. We obtain an understanding of the entity's policies for presentation and disclosure in the financial statements. Much of our efforts to understand the organization will focus on obtaining an understanding of internal control that is sufficient to assess the risks of material misstatement and design the nature, timing and extent of audit procedures.

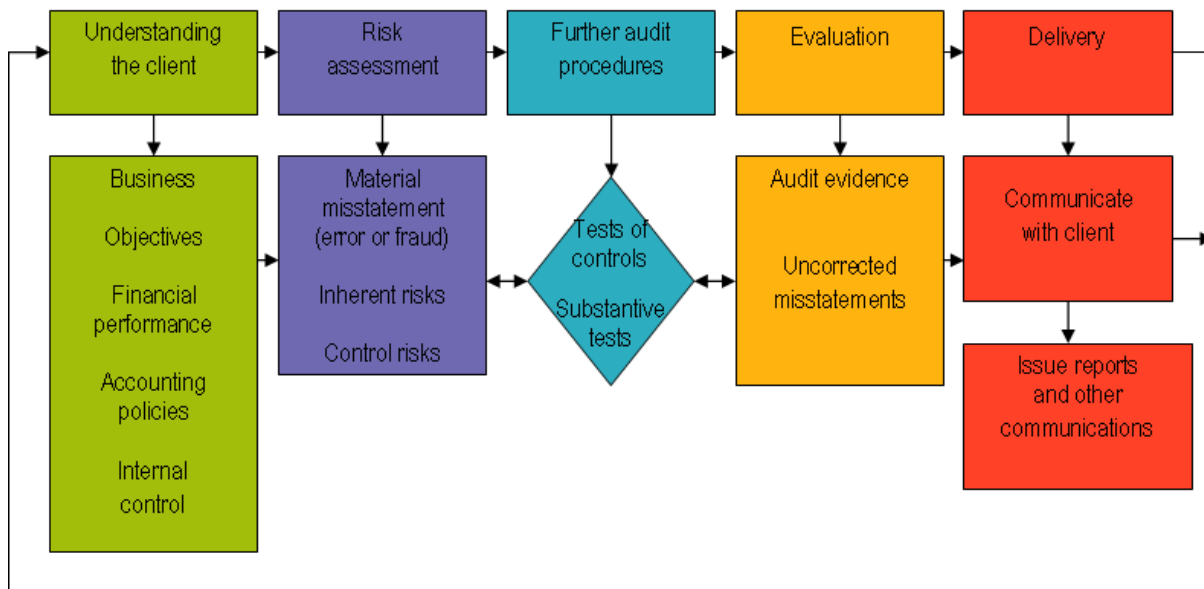
**Step 2 — Risk assessment:** We use the knowledge and understanding we have gathered, together with other factors, to first assess the risk that errors or fraud may cause a material misstatement of the financial statements. We next decide whether the identified risks of material misstatement relate to specific relevant assertions related to significant account balances, classes of transactions, or disclosures, or whether they relate to the financial statements taken as a whole and potentially affect many relevant assertions. We then determine which of the identified risks of material misstatement are significant risks that require special audit consideration. Our risk assessment process at the account-balance or class-of-transactions level consists of:

- An assessment of inherent risk (the susceptibility of an assertion relating to an account balance or class of transactions to a material misstatement, assuming there are no related controls); and
- An evaluation of the design effectiveness of internal control over financial reporting and our assessment of control risk (the risk that a material misstatement could occur in an assertion and not be prevented or detected on a timely basis by the organization's internal control).

**Step 3 — Further audit procedures:** We will then determine the nature, timing and extent of tests of controls and substantive procedures necessary given the risks identified and the controls as we understand them. When audit evidence from further audit procedures contradicts the audit evidence from risk assessment procedures upon which we based the planned further audit procedures, we will revise the assessment and plan and perform additional or different further audit procedures to reduce the risk of material misstatement related to those assertions to an acceptably low level.

**Step 4 — Evaluation:** At the conclusion of the audit, we evaluate the sufficiency and appropriateness of the audit evidence obtained and whether the assessments of the risks of material misstatement at the relevant assertion level remain appropriate. We may re-design planned audit procedures based on our evaluation. We also evaluate the effects, both individually and in the aggregate, of known and likely misstatements that are not corrected by the organization. We will accumulate all known and likely misstatements identified during the audit, other than those that we believe to be trivial, and communicate them to management and the board of directors on a timely basis.

**Step 5 — Delivery:** We communicate with you frequently throughout the audit process to avoid surprises at the end. Our audit will culminate with the issuance of our report on the financial statements, single audit report, our report to the board of directors, and our communications of material weaknesses and significant deficiencies.





## MANAGEMENT LETTER

We understand that no one knows your organization better than you; however, we strive to alert you to best practices that we have observed from working with companies similar to yours. We will also advise you of any new accounting pronouncements that have been or may be issued and indicate their potential effect on you.

We will discuss a draft of the management letter with members of management prior to issuing the letter. This is done in order to give management a chance to correct information, to provide additional facts that we may not have been aware of, and to note items that they may have already corrected.

## AUTOMATED CONTROLS ASSESSMENT

As part of our audit, we will assign an internal control specialist who will, among other items, review the Organization's information technology environment to gain an understanding of the control activities. Such areas would be reviewed as:

- Validity of system initiated transactions;
- Review and supervision over data conversion, input and computer processing;
- Segregation of data processing from functions responsible for transaction initiation or custody of assets;
- Segregation of functions within data processing;
- Access to programs and data files (e.g. physical as well as system imposed access); and
- Completeness and accuracy of output.

We will communicate to you any areas which we believe can be improved.

## QUALITY ASSURANCE

McGladrey has a system of quality control for our accounting and auditing practice that is structured to provide reasonable assurance that our personnel comply with applicable professional standards and our firm's standards of quality. The policies and procedures designed to implement the system include the following elements:

- Independence, integrity and objectivity
- Personnel management, including hiring, assigning personnel to engagements, professional development and advancement activities
- Acceptance and continuance of clients
- Engagement performance, including all phases of the design and execution of the engagements
- Monitoring

The responsibility for the design, implementation and monitoring for McGladrey's quality control system rests with our firm's National Office of Audit & Accounting. McGladrey develops and maintains a number of manuals and other guidance material to implement its quality control system. We monitor our quality control system through annual internal inspections. Our SEC audit practice is subject to annual inspection by the PCAOB, and our non-SEC attest practice is subject to tri-annual peer review. The Firm also has an informal inspection program for the attest practice that subjects each practice location to at least tri-annual reviews.

## APPROACH TO RESOLVING ACCOUNTING ISSUES

Accounting and reporting issues may arise during the course of an engagement. Our approach in resolving these issues is to be proactive. We expect to be involved at **FAU FINANCE CORP** throughout the year. Our objective is to discuss impending business transactions and accounting and reporting rule changes before they happen so that we agree on the accounting and reporting solutions in a timely manner. As a result, we expect few, if any, major accounting-related issues to arise during audit fieldwork itself.

If major accounting issues do arise, the engagement partner will have the ultimate responsibility to conclude on the issue. There are certain types of accounting issues which need to be reviewed and agreed upon by the regional coordinator of accounting. You will always have easy access to our regional coordinator of accounting or other national accounting personnel if you choose.

## RESOURCES AND TOOLS

One of the ways we demonstrate our commitment to the success of your business is by providing tools that give your organization an added perspective and keep you up to date on the latest rules and regulations.

## AUDIT AND ACCOUNTING FUNDAMENTALS

McGladrey's National Office of Audit and Accounting provides *Fundamentals*, a quarterly electronic newsletter designed to communicate recent accounting, auditing, and industry related information to our not-for-profit clients.

## AUDIT IMPLEMENTATION PLAN

While audit quality is directly affected by the skill of your audit team, an equally critical factor is the amount of planning devoted to the process. The planning process will involve both the Audit Committee and management and helps us identify critical business and accounting issues. A game plan is developed to keep the audit focused. And most importantly, the planning process provides your staff an understanding of what is expected of them. We plan in order to minimize disruptions during everyone's daily work schedule. Having a strong audit plan and team goes a long way in ensuring a quality audit.

At McGladrey, we know that our clients regard time as one of the most critical elements in business. We plan our engagements with the objectives of using time in the most efficient manner possible, minimizing the impact on our clients. We will meet with you to develop a timetable for implementing and completing your engagement.

## References

# Section 5

The following are several not-for-profit organizations for which McGladrey provided audit services.

We would be happy to provide you with a reference from any of our Not-for-Profit clients. The following is a partial listing of such references:

Client Name	Contact Name	Contact Information
Associated Builders and Contractors Florida East Coast Chapter	Dan Shaw Executive Director	(954) 984-0075
Greater Miami Visitors & Convention Center	Al West Chief Financial Officer	(305) 539-3086
Lynn University	Laurie Levine Chief Financial Officer	(561) 237-7181
Young Men's Christian Association of Broward County, Florida Inc.	Sheryl Woods President	(954) 334-9622
Florida International University	Milagros Garcia Associate Controller	(305) 348-6613

# APPENDIX

Biographies

# Robert R. Feldmann, CPA, MST

## Partner

### Summary of Experience

Bob Feldmann joined McGladrey in 1990 and has extensive experience working with public sector organizations. Bob is the leader of the Firm's Florida Public Sector Practice as well as being the Managing Partner of the Firm's Miami office. Among the types of services Bob provides are the following:

- Guidance on financial accounting and reporting matters
- Financial statement analysis
- Strategic planning
- Organizational structure consulting
- Human resource consulting
- General business advice

A listing of some of the not-for-profit organizations Bob has served includes the following:

- University of Miami
- The Broward Alliance, Inc.
- Associated Builders and Contractors of Florida, Inc. East Coast Chapter
- Harid Conservatory of Music, Inc.
- ABC Institute, Inc.

### Professional Affiliations

Bob is a board member on the Florida International University President's Council, as well as serving on its Executive Committee. He also serves on the Florida International University School of Accounting Advisory Board. Bob is a board member on the Beacon Council and is a member of the American Institute of Certified Public Accountants, the Florida Institute of Certified Public Accountants, the Florida Healthcare Association, the Healthcare Financial Management Association, the Government Finance Officers Association, the Florida Government Finance Officers Association and the Coral Gables Chamber of Commerce.

In addition to his professional activities, Bob serves as the Chairman of the Advisory Council of the Salvation Army Adult Rehabilitation Center.

### Education

Bob has been a CPA since 1988. He graduated from the University of Florida in 1984 with a Bachelor of Science degree in accounting. He received his Master of Science degree in taxation in 1988 from the University of Miami. In addition, Bob also participated in the Chief Financial Officer Program. This rigorous program was specifically designed for RSM McGladrey by the University of Minnesota Graduate School of Business, a national leader in graduate business programs. As a result of this high-quality education experience, graduates of this program are able to assist CFO's in dealing with the operational issues they face in running their organizations.

# Donnovan Maginley

## Audit Director

### Summary of Experience

Donnovan is an audit director in the Firm's Florida practice. Donovan has more than 18 years of experience providing assurance and consulting services to numerous not-for-profit organizations, institutions of higher education, and other educational organizations.

Donnovan has devoted his entire career to serving public sector organizations, focusing primarily on financial statement attestation. He has also served as an instructor of various courses for the Firm and participates in the Firm's internal peer review program.

### A partial listing of his not-for-profit and educational organizational audit experience follows:

- University of Miami
- University of Miami Asset Management Company (MAMCO)
- St. Thomas University
- United Way of Palm Beach County
- United Way of Miami-Dade County
- Young Men's Christian Association of Broward County
- Greater Miami Convention and Visitors Bureau
- Palm Beach County School District
- Phillips College
- Saint Andrews School of Boca Raton, Inc.
- Broward County School Board
- United Way of Palm Beach County
- Crocker Realty Investment Trust

### Professional Affiliations

Donnovan is a member of the American Institute of Certified Public Accountants, the Florida Institute of Certified Public Accountants, Government Finance Officer's Association and the Florida Government Finance Officer's Association.

### Education

Donnovan graduated from Barry University with a Bachelor of Science degree in Accounting and a Master of Professional Accountancy degree.

# Jim Walch

## Concurring and Audit & Accounting Partner

### Summary of Experience

Jim joined McGladrey in 1976 and was named a partner in 1988. He is an assurance partner with over 32 years of experience and has provided financial and compliance audit and consultation services to his clients. His clients have primarily been in the public sector and consist of cities, counties, school districts, healthcare and not-for-profit organizations. He is also very active in the Firm's internal inspection program. In the past 10 years his responsibilities have changed and his new role is that of an audit and accounting specialist. In that role, he provides advice and consultation regarding complex accounting matters, assists engagement teams in audit matters and is responsible for ensuring that reports issued by the Firm comply with professional standards.

A listing of some of the public sector organizations that he is involved with are as follows:

- University of Miami
- Hennepin Faculty Association, Minnesota
- Feed the Children, Inc., Oklahoma
- Philharmonic Center for the Arts, Florida
- McKnight Foundation
- Palm Beach County, Florida
- Jacksonville Transit Authority
- Jacksonville Port Authority
- City of Deerfield Beach, Florida
- City of Miami, Florida
- City of Miami Beach, Florida
- City of Pompano Beach, Florida
- City of West Palm Beach, Florida
- Miami-Dade Transit Department
- City of Manchester, New Hampshire
- City of Peoria, Illinois
- Sioux Falls School District, South Dakota
- Seminole Tribe of Florida (Tribe & Casino)
- City of Boulder, Colorado
- City of Stamford, Connecticut
- City of Danbury, Connecticut
- Poarch Band of Creek Indians, Alabama (Casino)
- North Broward Academy of Excellence
- Northeast Academy Charter School, Inc.
- North Lauderdale Academy High School
- Ryder System Elementary Charter School
- Bay Haven Charter School, Inc.
- Midland Advantage Charter School
- New Frontiers Charter School
- North County Academy Charter School, Inc.

### Professional Affiliations

As a member of the Government Finance Officers Association Special Review Committee, Jim has participated in the review process for awarding the GFOA Certificate of Achievement in Financial Reporting. He is a member of the American Institute of Certified Public Accountants (AICPA) and is a member of various community organizations.

### Education

Jim graduated from St. Cloud State University in 1976 with a Bachelor of Science degree in Accounting. He has been a CPA since 1978.

# Sue Mann

## Tax Manager

### Summary of Experience

Sue Mann is a Tax Manager in the Fort Lauderdale office McGladrey and has been with the firm for 10 years. Sue oversees the Private Foundation tax segment of the South Florida region. Her expertise includes the areas of Private Foundations, Not-for-Profit Consulting and Compliance, Trusts and Estate Compliance, Guardianship Accounting and Individual Taxation. Sue has more than 20 years experience in private and public accounting.

### Professional / Community Affiliations

Sue is a member of the Florida Institute of Certified Public Accountants, the American Institute of Certified Public Accountants and the Florida State Guardianship Association, Inc.

Active in the community, Sue has served on the Board of Directors for the Indian Ridge PTA, the Gold Coast Runners Club and the Broward County Library Foundation.

### Education

In 1993, Sue received her Bachelor's degree in Business Administration with a Major in Accounting from Florida Atlantic University. She passed the CPA exam in November 1993.



# Michael Balter, CPA, MBA

## Audit Partner

### Summary of Experience

Mike Balter has had extensive experience working with construction, manufacturing and distribution related companies. Mike is also the leader of the firm's Florida Construction Practice. The types of services provided have included the following:

- General business advice
- Guidance on financial accounting and reporting matters
- Assistance in obtaining financing
- Organizational structure consulting
- Product line profitability analysis
- Budgeting
- Strategic (long-range) planning
- Financial statement analysis
- Compensation plan consulting

### Professional Affiliations

Mike is a member of the American Institute of Certified Public Accountants, the Florida Institute of Certified Public Accountants (FICPA), the FICPA Construction Committee, the financial counsel to the Association of General Contractors, the Construction Association of South Florida, Associated Builders and Contractors and serves as Director and Past President of the Construction Financial Management Association.

In addition to his professional activities, Mike has been prominently featured in a number of industry publications including the Construction Focus, Construction Ink, and Building Florida. He has authored the financial management section of the Contractors Manual for the Associated Builders and Contractors organization. Mike serves as Financial Counsel for the South Florida Chapter of the Associated General Contractors of America.

Mike received the South Florida Business Journal's Up & Comers Award for the accounting division. This award honors industry professionals for their impressive career growth and commitment to their local community.

### Education

Mike has been a CPA since 1990. He graduated from the University of Florida in 1988 with a Bachelor of Science degree in accounting. He received his Master of Business Administration in 1989 from Florida Atlantic University.

Mike also participates in the Business Advisors Program. This rigorous program is specifically designed for RSM McGladrey by the prestigious University of Chicago Graduate School of Business, a world leader in graduate business programs. As a result of this high-quality education experience, our Business Advisors can think critically about your business and help you develop and implement world-class strategies.

# BRIAN A. SCHEBLER, CPA, CGFM

## DIRECTOR OF SERVICES TO THE PUBLIC SECTOR

### Summary of Experience

Brian A. Schebler is a Partner with McGladrey & Pullen, LLP's National Office of Audit & Accounting, where he serves as the Firm's Director of Services to the Public Sector. He is responsible for McGladrey & Pullen's government, nonprofit and compliance auditing approaches as well as the maintenance of the Firm's *Government Industry Manual*, *Compliance Audit Manual* and *Nonprofit Organizations Manual*. Schebler represents the Firm's interest in professional developments in the public sector industry and is involved on a Firmwide level with the design and presentation of internal and external professional education courses. He also provides technical support to the AICPA for a number of industry related guides and publications, the Firm's local and network offices and contributes to the Firm's quality control review program.

Having joined McGladrey & Pullen in 1981, Schebler has served clients in a number of industries but has focused on public sector clients for the past 20 years, providing a wide range of services:

- Audit
- Professional standards implementation
- Financial statement preparation
- Budgetary accounting assistance
- Accounting and administrative control structure evaluation, design and implementation
- Organizational governance
- General management advice
- Fraud prevention and detection
- Tax-exempt bond administration
- Compliance with laws and regulations
- Cash to GAAP basis accounting conversions
- Implementation of new accounting standards
- Preparation of GAAP Basis and GFOA and ASBO
- Certificate qualifying reports

For the past several years, Schebler has provided technical review services to the AICPA for a number of industry related Audit & Accounting Guides, Risk Alerts and other publications. Additionally, he is a current member of the AICPA State and Local Government Industry Expert Panel and the recently formed AICPA Governmental Audit Quality Center Executive Committee.

Brian is a member of the editorial committee and contributing author of *Fundamentals*, the RSM McGladrey, Inc. public sector newsletter. He has authored numerous industry guides, releases, bulletins and articles and is a frequent participant and speaker at various public sector finance related gatherings at national, state and local levels on topics related to auditing, accounting and compliance issues.

### Professional Affiliations

- American Institute of Certified Public Accountants and Iowa and Minnesota Societies of Certified Public Accountants
- Government Finance Officers Association
- National Association of Local Government Auditors
- Certified Government Financial Manager
- Certified Public Accountant, currently licensed to practice in Iowa and Minnesota

### Education

Bachelor of Arts in Accounting, St. Ambrose University, Davenport, Iowa



**Gerstle, Rosen & Goldenberg, P.A.**  
Certified Public Accountants

Mark R. Gerstle, C.P.A.

Robert N. Rosen, C.P.A.

Brian K. Goldenberg, Partner

June 3, 2010

Board of Directors  
The FAU Finance Corporation  
777 Glades Road  
Boca Raton, FL 33431

Dear Board Members:

We are pleased to confirm our understanding of the services we are to provide for The FAU Finance Corporation for the year ended June 30, 2010. We will audit the statement of financial position of The FAU Finance Corporation as of June 30, 2010, and the related statements of activities and cash flows for the year then ended.

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with U.S. generally accepted auditing standards and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audits will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

2630 CENTRE  
2630 N.E. 203rd Street  
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Aventura, Florida 33180  
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Fax: 305-937-0128  
Fax: 305-937-0337

THE PORTICOS  
3835 N.W. Boca Raton Blvd.  
Suite 100  
Boca Raton, Florida 33431  
Phone: 561-447-4000  
Fax: 561-447-4004

999 Vanderbilt Beach Road  
Suite 200  
Naples, Florida 34108  
Phone: 239-262-1773  
Fax: 239-263-0166

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors that come to our attention, and we will inform you of any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles. You are also responsible for management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee the tax services and any other non-attest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

You are responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that 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.

You are 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 company involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the company received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

We understand that your employees will locate any documents or invoices selected by us for testing.

The FAU Finance Corporation  
June 3, 2010  
Page Three

As part of our engagement we will also prepare the corporate tax return(s) for the year ended June 30, 2010.

We estimate that our fees for this service will be \$8,000, with a retainer in the amount of \$3,000 due upon signing of this letter, the balance payable upon issuance of the report. Payment shall be made to our office located at 3835 N.W. Boca Raton Boulevard, Suite 100, Boca Raton, FL 33431. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances that require additional work (i.e. damages due to natural disasters or acts of God) will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

You will be responsible for all attorney's fees and costs necessitated by nonpayment for the services rendered, and venue for collection of fees and costs shall be Palm Beach County, Florida. If any lawsuit arises out of our accountant/client relationship, and we shall prevail, then you will pay all attorney's fees and costs (appellate or otherwise) connected herewith.

We appreciate the opportunity to be of service to The FAU Finance Corporation 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 copy and return it to us.

Very truly yours,

*Gerstle, Rosen & Goldenberg, P.A.*

Gerstle, Rosen & Goldenberg, P.A.  
Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of  
THE FAU FINANCE CORPORATION

Officer signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_