Office of the Treasurer
October 12, 2010

Members, Audit Subcommittee:

FY 2010-11 ENGAGEMENT LETTERS WITH BKD, LLC.

Recommendation: that the Audit Subcommittee of the University of Kentucky approve the Engagement Letter with BKD, LLC for the following services:

- audit of the basic financial statements of the University and its affiliates for the year ending June 30, 2011
- audit of the balance sheet and related statements of operations, stockholder’s equity and cash flows for Kentucky Technology, Inc. and subsidiaries for the year ending December 31, 2010 and
- audit of the balance sheet as of December 31, 2010 and compilation of the related statements of operations, stockholder’s equity and cash flows for Coldstream Laboratories Inc. for the year therein ended.

In addition, approve the separate engagement letter for NCAA agreed upon procedures.

Background: The Audit Subcommittee of the Finance Committee reviews, prior to the start of the annual audit, the scope and general extent of the independent auditor’s planned examination, including its engagement letter. BKD, LLC was selected as the University’s independent auditor as part of a competitive bid proposal in fall 2007. The initial contract period covers FY 2011-12 with possible extensions thru FY 2015-16.

The financial statements of the University include the operations of the University; the UK HealthCare Hospital System, an organizational unit of the University; its for-profit subsidiary (Kentucky Healthcare Enterprise, Inc.); and its affiliated non-profit corporations¹ as follows:

- University of Kentucky Research Foundation and its for-profit subsidiaries, Kentucky Technology, Inc. and Coldstream Laboratories, Inc.
- The Fund for Advancement of Education and Research in the University of Kentucky Medical Center;
- Central Kentucky Management Services, Inc.;
- University of Kentucky Athletic Association;
- University of Kentucky Business Partnership Foundation, Inc.;
- University of Kentucky Center on Aging Foundation, Inc.

¹ Entities for which the University is financially accountable as defined by Statement No. 14 and amended by Statement No. 39 of the Governmental Accounting Standards Board (GASB) and which meet the definition of an affiliated corporation under Kentucky Revised Statutes (KRS) section 164A.550.
• University of Kentucky Gluck Equine Research Foundation, Inc.;
• University of Kentucky Humanities Foundation, Inc.;
• University of Kentucky Mining Engineering Foundation, Inc.;
• University of Kentucky Real Estate Foundation, Inc.

The financial statements also include the operations of Kentucky Medical Services Foundation, Inc. (KMSF) and University of Kentucky Faculty Club, Inc. (doing business as the Hilary J. Boone Center), non-profit entities for which the University is financially accountable as defined by GASB, but which are not affiliated corporations under the Kentucky Revised Statutes.

Action taken: ☑ Approved      ☐ Disapproved      ☐ Other ————