

## ***Independence Definitions***

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(1) **Attest engagement.** An attest engagement is an engagement to perform services defined in Section 473.302(7)(a), Fla. Stat.

(2) **Attest engagement team.** The attest engagement team consists of individuals participating in the attest engagement, including those who perform concurring and second partner reviews. The attest engagement team includes all employees and contractors retained by the firm who participate in the attest engagement, irrespective of their functional classification (for example, audit, tax or management consulting services). The attest engagement team excludes specialists as discussed in SAS No. 73, Using the Work of a Specialist [AU section 336] (incorporated herein), and individuals who perform only routine clerical functions, such as word processing and photocopying.

(3) **Client.** A client is any person or entity, other than the licensee's employer, that engages a licensee or a licensee's firm to perform professional services or a person or entity with respect to which professional services are performed. For purposes of this paragraph, the term "employer" does not include—

(a) Entities engaged in the practice of public accounting;  
or

(b) Federal, state, and local governments or component units thereof provided the licensee performing professional services with respect to those entities—

(i) Is directly elected by voters of the government or component unit thereof with respect to which professional services are performed; or

(ii) Is an individual who is (1) appointed by a legislative body and (2) subject to removal by a legislative body; or

(iii) Is appointed by someone other than the legislative body, so long as the appointment is confirmed by the legislative body and removal is subject to oversight or approval by the legislative body.

(4) **Close relative.** A close relative is a parent, sibling, or nondependent child.

(5) **Covered licensee.** A covered licensee is:

(a) An individual on the attest engagement team;

(b) An individual in a position to influence the attest engagement;

(c) A partner or manager who provides nonattest services to the attest client beginning once he or she provides ten hours of nonattest services to the client within any fiscal year and ending on the later of the date (i) the firm signs the report on the financial statements for the fiscal year during which those services were provided or (ii) he or she no longer expects to

provide ten or more hours of nonattest services to the attest client on a recurring basis;

(d) A partner in the office in which the lead attest engagement partner primarily practices in connection with the attest engagement;

(e) The firm, including the firm's employee benefit plans;  
or

(f) An entity whose operating, financial, or accounting policies can be controlled (as defined by generally accepted accounting principles (GAAP) for consolidation purposes) by any of the individuals or entities described in (a) through (e) or by two or more such individuals or entities if they act together.

(6) **Financial Statements.** A presentation of financial data, including accompanying notes, if any, intended to communicate an entity's economic resources and/or obligations at a point in time or the changes therein for a period of time, in accordance with generally accepted accounting principles or a comprehensive basis of accounting other than generally accepted accounting principles.

Incidental financial data to support recommendations to a client or in documents for which the reporting is governed by Statements on Standards for Attestation Engagements as defined in Rule 61H1-20.0099 and tax returns supporting schedules do not, for this purpose, constitute financial statements. The statement,

affidavit, or signature of preparers required on tax returns neither constitutes an opinion on financial statements nor requires a disclaimer of such opinion.

(7) **Financial Institution.** A financial institution is considered to be an entity that, as part of its normal business operations, makes loans to the general public.

(8) **Firm.** A firm means an entity or entities as defined in Rule 61H1-20.006.

(9) **Immediate family.** Immediate family is a spouse, spousal equivalent, or dependent (whether or not related).

(10) **Individual in a position to influence the attest engagement.** An individual in a position to influence the attest engagement is one who:

(a) Evaluates the performance or recommends the compensation of the attest engagement partner;

(b) Directly supervises or manages the attest engagement partner, including all successively senior levels above that individual through the firm's chief executive;

(c) Consults with the attest engagement team regarding technical or industry-related issues specific to the attest engagement; or

(11) **Joint closely held investment.** A joint closely held investment is an investment in an entity or property by the licensee and the client (or the client's officers or directors,

or any owner who has the ability to exercise significant influence over the client) that enables them to control (as defined by GAAP for consolidation purposes) the entity or property.

(12) **Key position.** A key position is a position in which an individual:

(a) Has primary responsibility for significant accounting functions that support material components of the financial statements;

(b) Has primary responsibility for the preparation of the financial statements; or

(c) Has the ability to exercise influence over the contents of the financial statements, including when the individual is a licensee of the board of directors or similar governing body, chief executive officer, president, chief financial officer, chief operating officer, general counsel, chief accounting officer, controller, director of internal audit, director of financial reporting, treasurer, or any equivalent position.

For purposes of attest engagements not involving a client's financial statements, a key position is one in which an individual is primarily responsible, or able to influence, the subject matter of the attest engagement, as described above.

(13) **Loan.** A loan is a financial transaction, the characteristics of which generally include, but are not limited

to, an agreement that provides for repayment terms and a rate of interest. A loan includes, but is not limited to, a guarantee of a loan, a letter of credit, a line of credit, or a loan commitment.

(14) **Manager.** A manager is a professional employee of the firm who has either of the following responsibilities:

(a)

Continuing responsibility for the overall planning and supervision of engagements for specified clients.

(b) Authority to determine that an engagement is complete subject to final partner approval if required.

(15) **Licensee.** A licensee as defined in Rule 61H1-20.001.

(16) **Normal lending procedures, terms, and requirements** relating to a covered licensee's loan from a financial institution are defined as lending procedures, terms, and requirements that are reasonably comparable with those relating to loans of a similar character committed to other borrowers during the period in which the loan to the covered licensee is committed. Accordingly, in making such comparison and in evaluating whether a loan was made under "normal lending procedures, terms, and requirements," the covered licensee should

consider all the circumstances under which the loan was granted, including

(a) The amount of the loan in relation to the value of the collateral pledged as security and the credit standing of the covered licensee.

(b) Repayment terms.

(c) Interest rate, including "points."

(d) Closing costs.

(e) General availability of such loans to the public.

(17) **Office.** An office is a reasonably distinct subgroup within a firm, whether constituted by formal organization or informal practice, where personnel who make up the subgroup generally serve the same group of clients or work on the same categories of matters. Substance should govern the office classification. For example, the expected regular personnel interactions and assigned reporting channels of an individual may well be more important than an individual's physical location.

(18) **Partner.** A partner is a proprietor, shareholder, equity or non-equity partner or any individual who assumes the risks and benefits of firm ownership or who is otherwise held out by the firm to be the equivalent of any of the aforementioned.

(19) **Period of the professional engagement.** The period of the professional engagement begins when a licensee either signs

an initial engagement letter or other agreement to perform attest services or begins to perform an attest engagement for a client, whichever is earlier. The period lasts for the entire duration of the professional relationship (which could cover many periods) and ends with the formal or informal notification, either by the licensee or the client, of the termination of the professional relationship or by the issuance of a report, whichever is later. Accordingly, the period does not end with the issuance of a report and recommence with the beginning of the following year's attest engagement.

(20) **Practice of Public Accounting.** Means activities defined in Section 473.302(7), Fla. Stat.

(21) **Professional Services.** Professional services include all services defined as the Practice of Public Accounting.

(22) **Significant influence.** The term significant influence is as defined in Accounting Principles Board Opinion No. 18 [See Appendix \_\_\_ AC section I82] and its interpretations (incorporated herein).