

1-1-2004

Checklists and illustrative financial statements for common interest realty associations: a financial accounting and reporting practice aid, October 2004 edition

American Institute of Certified Public Accountants. Accounting and Auditing Publications

Lori L. Pombo

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October 2004 Edition

CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR COMMON INTEREST REALTY ASSOCIATIONS

*A Financial Accounting and
Reporting Practice Aid*

Edited By
Lori L. Pombo, CPA

Technical Manager,
Accounting and Auditing Publications

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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*Checklists and Illustrative Financial Statements
for Common Interest Realty Associations* has not been
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by any senior technical committees of the
American Institute of Certified Public Accountants
or the Financial Accounting Standards Board
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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AICPA

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ISBN 0-87051-525-X

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FSP Section 4000

Checklists and Illustrative Financial Statements for Common Interest Realty Associations

.01 The checklists and illustrative financial statements included in this section have been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as nonauthoritative technical practice aids. Readers should be aware of the following:

- The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated. Disclosures described by pronouncements whose applicability to CIRAs is deemed remote are not included in this document. [For additional disclosures and promulgations, see December 2004, *Checklists and Illustrative Financial Statements for Corporations* (AICPA Publication 008935).]
- The checklists and illustrative financial statements are “tools” and in no way represent official positions or pronouncements of the AICPA.

The checklists have been updated to include relevant accounting and auditing pronouncements issued through October 31, 2004:

- Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, and revised FASB Statements issued through June 30, 2004, including:
 - FASB Statement No. 132 (revised 2003), *Employers’ Disclosures about Pensions and Other Postretirement Benefits*
- FASB Interpretation (FASBI) No. 46 (revised December 2003), *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51*
- FASB Technical Bulletin (FTB) No. 01-1, *Effective Date for Certain Financial Institutions of Certain Provisions of Statement 140 Related to the Isolation of Transferred Financial Assets*
- FASB Emerging Issues Task Force (EITF) consensus adopted through the September 2004 meeting
- FASB Staff Positions (FSP) issued through October 31, 2004
- AICPA Statement on Auditing Standards (SAS) No. 101, *Auditing Fair Value Measurements and Disclosures*
- AICPA Statement of Position (SOP) 03-5, *Financial Highlights of Separate Accounts: An Amendment to the Audit and Accounting Guide Audits of Investment Companies*
- AICPA Practice Bulletin (PB) No. 15, *Accounting by the Issuer of Surplus Notes*
- AICPA Statement on Standards for Accounting and Review Services (SSARS) No. 11, *Standards for Accounting and Review Services*
- AICPA Audit and Accounting Guide *Common Interest Realty Associations* (with conforming changes as of May 1, 2004)

- The checklists and illustrative financial statements should be used by, or under the supervision of, persons having adequate technical training and proficiency in the application of generally accepted accounting principles, generally accepted auditing standards, and statements on standards for accounting and review services.
- The checklist questions are to be modified by the user, as needed, for each engagement.

.02 Users of the checklists and illustrative financial statements are urged to refer directly to applicable authoritative pronouncements when appropriate. If you have further questions, call the AICPA Technical Hotline at (888) 777-7077.

Note: This publication was extracted from sections 4000 through 4600 of the AICPA *Financial Statement Preparation Manual* (FSP).

FSP Section 4100

Introduction

.01 In the 1960's new forms of real estate ownership emerged and the terms to describe them, such as condominiums, cooperatives, planned unit developments ("PUD") and timeshare associations, became common.

Condominium: Each owner has title to a defined interior space within a building or combination of buildings and an undivided ownership interest in common property within a development, such as the grounds, recreational facilities, and exteriors of buildings shared in common with all other owners. A condominium association generally owns no real property but is responsible for maintaining the common property and providing necessary services. In certain jurisdictions, condominiums may be established as condominium trusts; such entities may own the real estate and all the improvements. If they do, the accounting and reporting for condominium trusts are the same as for cooperatives.

Cooperative: A form of ownership in which a corporation owns the common property, including all of the improvements, and is responsible for its maintenance, debt service, repairs, and so forth. The owners do not own any of the common property, but they own shares of stock of the corporation. Their ownership interests permit them only to lease from the cooperative, to occupy their individual units, or to sell their shares. Members are assessed carrying charges for units they occupy or lease. The corporation functions in the same way as other common interest realty associations (CIRA) in maintaining common property and providing services.

Planned Unit Development: A form of land development in which various residential and nonresidential structures are clustered to allow optimal use of the property and to provide certain open spaces and amenities not otherwise available in traditional forms of subdivision developments. In many PUDs, tracts of land are set aside for all owners to use for active or passive recreational purposes, parking areas, and streets. A PUD owner buys a lot and improvements on the lot. The title to common property is held by a CIRA, generally a Homeowners' Association ("HOA"), which has obtained it at no cost to the association. The CIRA assesses owners for funds needed to maintain common property and provide necessary services.

Timeshare Development: A form of ownership in which each owner has a time-share interest, commonly referred to as interval use, that represents a right to use a unit in a time-share development for a specified number of weeks during a year. Such interests may be in the form of (a) fee-simple ownership, evidenced by a deed that specifies the amount of time the deedholder is entitled to use the unit, or (b) a lease giving the owner the right to use a unit for a predetermined lease term. These types of entities may also be referred to as fractional ownership associations.

.02 A key feature of these forms of real estate ownership is the existence of an association of owners referred to as a common interest realty association (CIRA). A CIRA is responsible for providing certain services and maintaining certain property that all owners share or own in common.

.03 Regardless of the form of ownership of a CIRA, a CIRA member has a defined ownership interest that can be transferred to buyers of the units or shares. Additionally, the CIRA member is entitled to share in the distribution of resources in the event of a liquidation. Membership in a CIRA is generally mandatory for owners and is a condition in the agreement to purchase either shares in a cooperative, a unit in a condominium or HOA.

Operating Statutes

.04 The operations of a CIRA are regulated by the individual states and not by the federal government. A CIRA derives authority for all matters from state corporate and not-for-profit statutes, declarations of covenants, master deeds, membership agreements, proprietary leases, articles of incorporation, bylaws and board of directors' actions. Federal regulations, however, apply to the income tax treatment of a CIRA.

Primary Accounting Methods

.05 CIRAs should report financial activities using the accrual basis of accounting. Alternatively, the cash basis of accounting may be used if the results of applying that basis do not differ significantly from the results of using the accrual basis.

.06 Fund reporting, commonly used by not-for-profit organizations, is recommended for condominium associations and homeowners' associations. The financial statements of a cooperative are generally presented like those of commercial entities. However, a cooperative may present financial statements using fund reporting.

.07 CIRAs can generally present unclassified balance sheets. However, CIRAs having significant commercial operations, such as rental operations, should consider presenting classified balance sheets.

Structure of the Checklist

.08 Because most CIRAs use fund accounting, the checklist presents the fund accounting guidance first. Any modifications needed to reflect nonfund accounting are presented in italicized text and brackets immediately after the related fund accounting guidance.

FSP Section 4200

Checklists—General

Instructions

.01 These checklists consist of a number of questions or statements that are accompanied by references to applicable authoritative pronouncements. These sources include Statements of Financial Accounting Standards, FASB Interpretations, FASB Staff Positions, Accounting Principles Board Opinions, Accounting Research Bulletins, FASB Technical Bulletins, AICPA Audit and Accounting Guides, AICPA Statements on Auditing Standards, AICPA Statements of Position, and EITF consensuses. The checklists provide spaces for checking off or initialing each question or point to indicate that it has been considered. Users should check or initial—

- *Yes*—If the disclosure is required and has been made appropriately.
- *No*—If the disclosure is required but is not made.
- *N/A (Not Applicable)*—If the disclosure is not required to be made.

Users may find it helpful to include references to the place where each disclosure for which a “Yes” is indicated can be found in the financial statements. It may also be helpful to include either on the checklist or elsewhere the reasons that items marked “N/A” do not apply in the circumstances of the particular report.

.02 It is important that the effect of any “No” response be considered on the auditor’s report. A “No” response that is material to the financial statements may warrant the issuance of a qualified or adverse report on the financial statements. (See paragraphs 35–60 of SAS No. 58, *Reports on Audited Financial Statements*, as amended [AICPA, *Professional Standards*, vol. 1, AU sec. 508.35–60]. If a “No” response is indicated, the authors recommend that a notation be made in the margin to explain why the disclosure was not made (for example, because the item was not considered to be material to the financial statements) or to indicate the effect that the response will have on the auditor’s report.

.03 Carefully review the topics listed and consider whether they represent potential disclosure items for the reporting entity for which you are preparing or auditing financial statements. In the right hand margin next to each section is a square cube. Place a checkmark in the cube by those topics or sections that are not applicable and do not complete that section of the checklist.

.04 The use of these or any other checklists requires the exercise of individual professional judgment. These checklists are not substitutes for original authoritative pronouncements. Users of these checklists and illustrative materials are urged to refer directly to applicable authoritative pronouncements when appropriate. The checklists and illustrative materials may not include all disclosures and presentation items promulgated, nor do they represent minimum standards or requirements. Users of the checklists and illustrative materials are encouraged to tailor them as required to meet specific circumstances of each particular engagement.

.05 These checklists and illustrative materials have been prepared by the AICPA staff. They have not been reviewed, approved, disapproved, or otherwise acted on by any senior technical committee of the AICPA and do not represent official positions or pronouncements of the AICPA.

FSP Section 4300

Financial Statements and Notes Checklist

.01 This checklist has been developed by the AICPA Accounting and Auditing Publications Team as a nonauthoritative practice aid for use by accountants in preparing financial statements and by auditors in auditing financial statements. This checklist and the reporting checklists include disclosures commonly encountered in the financial statements of common interest realty associations and reporting issues likely to be encountered by accountants who audit, compile, and review these types of financial statements. The checklists do not include all disclosures required by GAAP or address all reporting situations that may be encountered in performing engagements in accordance with GAAS and SSARS. The illustrative financial statements are intended to provide financial statement formats and disclosures for a hypothetical CIRA. They are not intended to illustrate all disclosures required by GAAP, nor do they illustrate all of the disclosures covered in the checklist.

.02 Explanation of References:

AAG =	AICPA Audit and Accounting Guide <i>Common Interest Realty Associations</i> (with conforming changes as of May 1, 2004)
SFAS =	FASB Statement of Financial Accounting Standards
FASBI =	FASB Financial Accounting Standards Board Interpretation
APB =	AICPA Accounting Principles Board Opinion
ARB =	AICPA Accounting Research Bulletin
FTB =	Technical Bulletin issued by the staff of the FASB
AC =	Reference to section number in <i>FASB Accounting Standards—Current Text</i>
SAS =	AICPA Statement on Auditing Standards
AU =	Reference to section number in <i>AICPA Professional Standards</i> (vol. 1)
SOP =	AICPA Statement of Position
EITF =	FASB Emerging Issues Task Force
FSP =	FASB Staff Position
SSARS =	AICPA Statement on Standards for Accounting and Review Services

*Place ✓ by
Sections Applicable*

- General
 - A. Titles and References _____
 - B. Comparative Financial Statements _____
 - C. Organization _____
- Balance Sheet
 - A. General _____
 - B. Cash _____
 - C. Certain Investments in Debt and Equity Securities _____
 - D. Receivables _____
 - E. Common Property _____

	<u>Place ✓ by Sections Applicable</u>
F. Depreciable Assets	_____
G. Deferred Income Tax Assets and Liabilities	_____
H. Intangible Assets	_____
I. Current Liabilities	_____
J. Notes Payable and Other Debt	_____
K. Shareholders' Equity—Cooperatives	_____
L. Fund Balance	_____
• Statement of Revenues and Expenses	
A. Statement of Operations	_____
B. Comprehensive Income	_____
C. Extraordinary Items	_____
D. Income Taxes	_____
• Statement of Changes in Fund Balance (Shareholder's Equity)	_____
• Statement of Cash Flows	
A. Format	_____
B. Content	_____
• Summary of Significant Accounting Policies	
A. Accounting Policies	_____
B. Certain Significant Estimates	_____
• Other Financial Statement Disclosures	
A. Future Major Repairs and Replacements	_____
B. Required Supplemental Information	_____
C. Accounting Changes	_____
D. Commitments and Contingencies	_____
E. Current Vulnerability Due to Certain Concentrations	_____
F. Related-Party Transactions	_____
G. Financial Instruments	_____
H. Nonmonetary Transactions	_____
I. Illegal Acts	_____
J. Special Assessments and Guarantees	_____
K. Impaired Loans	_____
L. Impairment of Long-Lived Assets to Be Held and Used	_____
L1. Long-Lived Assets and Disposal Groups to Be Disposed of	_____
M. Leases—Lessees	_____
N. Leases—Lessors	_____
O. Environmental Remediation Liabilities	_____
P. Subsequent Events	_____
Q. Extinguishments of Debt	_____
R. Costs Associated With Exit or Disposal Activities	_____
S. Troubled Debt Restructurings—Debtors	_____
T. Asset Retirement Obligations	_____
	<u>Yes</u> <u>No</u> <u>N/A</u>

General

A. Titles and References

1. For a full presentation in conformity with generally accepted accounting principles (GAAP), are the following financial statements presented:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Balance sheet?	_____	_____	_____
b. Statement of revenues and expenses (statement of operations)?	_____	_____	_____
c. Statement of changes in fund balances (statement of changes in shareholders' equity)?	_____	_____	_____

Note: For Homeowners' Associations and Condominium Associations not using fund accounting, the term "Fund Balance" should be replaced with "Members' Equity."
 [AAG, par. 4.02, fn. 2]

d. Statement of cash flows?	_____	_____	_____
e. Notes to financial statements?	_____	_____	_____
f. Supplementary information? [AAG, pars. 4.05, 4.33, and 9.09]	_____	_____	_____
2. Are the financial statements suitably titled? [Generally Accepted]	_____	_____	_____
3. Does each statement include a general reference to the notes indicating that they are an integral part of the financial statement presentation? [Generally Accepted]	_____	_____	_____

B. Comparative Financial Statements

1. Are comparative statements considered? [ARB 43, Ch. 2A, pars. 1 and 2 (AC F43.101 and .102)]	_____	_____	_____
2. Are the notes and other disclosures included in the financial statements of the preceding year(s) presented, repeated or at least referred to, to the extent that they continue to be of significance? [ARB 43, Ch. 2A, par. 2 (AC F43.102)]	_____	_____	_____
3. If the changes occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed? [ARB 43, Ch. 2A, par. 3 (AC F43.103)]	_____	_____	_____
4. Is the information included for the prior period sufficient to constitute a fair presentation in conformity with GAAP? [AAG, par. 4.19]	_____	_____	_____

C. Organization

1. Does disclosure include information about:			
a. The CIRA's legal form (corporation or association)?	_____	_____	_____
b. The legal form of the entity for which the CIRA provides services (e.g., condominium, cooperative, etc.)?	_____	_____	_____
c. Areas it controls and the number of units?	_____	_____	_____

Practice Tip

In place of the number of units, cooperative housing corporations may disclose the number of shares, and time-share associations may disclose the number of weeks.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. Services and subsidies provided by the developer? [AAG, par. 4.22]	_____	_____	_____
2. Is a description of the services the CIRA provides and the principal markets, including the location of those markets disclosed in the financial statements? [SOP 94-6, par. 10; AAG, par. 4.23]	_____	_____	_____
3. Is an explanation that the preparation of financial statements in conformity with GAAP requires the use of management’s estimates included in the financial statements? [SOP 94-6, par. 11; AAG, par. 4.23]	_____	_____	_____

Balance Sheet

A. General

1. For classified balance sheets, are assets and liabilities segregated into current and noncurrent classifications with totals presented for current assets and current liabilities? [ARB 43, Ch. 3A, pars. 2–8 (AC B05.103–.109); SFAS 6, par. 15 (AC B05.118); FASBI 8, par. 3 (AC B05.117, .138, and .139); FTB 79-3 (AC B05.501–.503); AAG, par. 4.10]	_____	_____	_____
2. Are assets not expected to be realized during the current operating cycle classified as noncurrent? [ARB 43, Ch. 3A, pars. 5 and 6 (AC B05.106 and .107)]	_____	_____	_____
(If nonfund accounting is used, omit Questions 3, 4, and 5)			
3. Does the operating fund present assets, liabilities, and the fund balance specifically associated with the CIRA’s normal maintenance and service activities (e.g., cash, assessments receivable, prepaid expenses and trade payables)? [AAG, par. 4.06]	_____	_____	_____
4. Are total amounts of all fund groups presented? [AAG, par. 4.01]	_____	_____	_____
5. Does the replacement fund include information about assets, liabilities, and the fund balance specifically associated with the CIRA’s long-term major repair and replacement activities? [AAG, par. 4.07]	_____	_____	_____

B. Cash

1. Is restricted cash appropriately segregated from cash available for current operations? [ARB 43, Ch. 3A, par. 6 (AC B05.107)]	_____	_____	_____
2. Are restrictions on cash appropriately disclosed? [SFAS 5, pars. 18 and 19 (AC C59.120)]	_____	_____	_____
3. Are bank overdrafts reclassified to and presented separately in current liabilities? [Generally Accepted]	_____	_____	_____
4. Are held checks (those written before but not released until after the balance sheet date) reclassified to accounts payable? [Generally Accepted]	_____	_____	_____

Yes No N/A

C. Certain Investments in Debt and Equity Securities

1. If the CIRA presents a classified balance sheet, does it disclose individual held-to-maturity securities, individual available-for-sale securities, and individual trading securities as current or noncurrent assets as appropriate under provisions of ARB 43, Ch. 3A, *Working Capital—Current Assets and Current Liabilities*?
[SFAS 115, par. 17, as amended by SFAS 135 (AC I80.116)]

Practice Tip

Presentation of individual amounts for held-to-maturity securities, available-for-sale securities, and trading securities on the face of the balance sheet is not required as long as the information is provided in the notes to the financial statements.

2. For securities classified as available-for-sale, has the CIRA made the following disclosures by major security type as of each date for which a statement of financial position is presented:
 - a. Aggregate fair value?
 - b. Total gains for securities with net gains in accumulated other comprehensive income?
 - c. Total losses for securities with net losses in accumulated other comprehensive income?
[SFAS 115, par. 19, as amended by SFAS 133 (AC I80.118)]
3. For securities classified as held-to-maturity, has the CIRA made the following disclosures by major-security type as of each date for which a statement of financial position is presented:
 - a. Aggregate fair value?
 - b. Gross unrecognized holding gains or losses?
 - c. Net carrying amount?
 - d. Gross gains and losses in accumulated other comprehensive income for any derivatives that hedged the forecasted acquisition of the held-to-maturity securities?
[SFAS 115, par. 19, as amended by SFAS 133 (AC I80.118)]
4. For investments in debt securities classified as available-for-sale or held-to-maturity:
 - a. Is disclosure made about their contractual maturities as of the date of the latest balance sheet presented (maturity information may be combined in appropriate groupings)?
 - b. If securities not due at a single date (such as mortgage-backed securities) are allocated over several maturity groupings, is the basis for allocation disclosed?
 - c. Do disclosures include the fair value and net carrying amount (if different than fair value) of debt securities based on at least the four following maturity groupings:
 - (1) Within one year?
 - (2) After one year through five years?
 - (3) After five years through ten years?
 - (4) After ten years?
[SFAS 115, par. 20 (AC I80.119)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. For each period for which a statement of revenues and expenses is presented, are the following disclosed:			
a. The proceeds from sales of available-for-sale securities and gross realized gains and losses that have been included in earnings as a result of those sales?	_____	_____	_____
b. The basis on which the cost of a security sold or the amount reclassified out of accumulated other comprehensive income into earnings was determined (i.e., specific identification, average cost, or other method used)?	_____	_____	_____
c. The gross gains and losses included in the excess (deficiency) of revenues over expenses from transfers of securities from the available-for-sale category to the trading category?	_____	_____	_____
d. The amount of the net unrealized holding gain or loss on available-for-sale securities for the period that has been included in accumulated other comprehensive income and the amount of gains and losses reclassified out of accumulated other comprehensive income into earnings for the period?	_____	_____	_____
e. The portion of trading gains and losses for the period that relates to trading securities that is included in the excess (deficiency) of revenues over expenses? [SFAS 115, par. 21, as amended by SFAS 133 (AC I80.120)]	_____	_____	_____
6. For any sales of or transfers from securities classified as held-to-maturity, are the following disclosed for each period for which a statement of revenues and expenses is presented:			
a. Net carrying amount of the sold or transferred security?	_____	_____	_____
b. The net gain or loss in accumulated other comprehensive income for any derivative that hedged the forecasted acquisition of the held-to-maturity security?	_____	_____	_____
c. Related realized or unrealized gain or loss?	_____	_____	_____
d. The circumstances leading to the decision to sell or transfer the security? [SFAS 115, par. 22, as amended by SFAS 133 (AC I80.121)]	_____	_____	_____
7. For those CIRAs that enter into options with no intrinsic value at acquisition in order to purchase securities accounted for under SFAS 115, is the accounting policy for premiums paid (time value) to acquire options classified as held-to-maturity or available-for-sale disclosed? [EITF 96-11]	_____	_____	_____
8. Certain quantitative and qualitative disclosures are required for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS 115 and SFAS 124 that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. For those investments with unrealized losses that have not been recognized as other-than-temporary impairments, does the investor disclose:			
a. As of each date for which a statement of financial position is presented, quantitative information, aggregated by each category of investment that the investor discloses in accordance with SFAS 115 and SFAS 124, and cost method investments, in tabular form:			
(1) The aggregate amount of unrealized losses (that is, the amount by which cost or amortized cost exceeds fair value)? and	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(2) The aggregate related fair value of investments with unrealized losses?	_____	_____	_____

Notes: The disclosures in (1) and (2) above should be segregated by those investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer.

The reference point for determining how long an investment has been in a continuous unrealized loss position is the balance sheet date of the reporting period in which the impairment is identified. For enterprises that do not prepare interim financial information, the reference point would be the annual balance sheet date of the period during which the impairment was identified. The continuous unrealized loss position ceases upon either (a) the recognition of an other-than-temporary impairment or (b) the investor becoming aware of a recovery of fair value up to (or beyond) the cost of the investment during the period.

<p>b. As of the date of the most recent statement of financial position, additional information, in narrative form, that provides sufficient information to allow financial statement users to understand the quantitative disclosures and the information that the investor considered (both positive and negative) in reaching the conclusion that the impairments are not other than temporary, whose disclosure could include:</p> <p>(1) The nature of the investment(s)?</p> <p>(2) The cause(s) of the impairment(s)?</p> <p>(3) The number of investment positions that are in an unrealized loss position?</p> <p>(4) The severity and duration of the impairment(s)?</p> <p>(5) Other evidence considered by the investor in reaching its conclusion that the investment is not other-than-temporarily impaired, including, for example, industry analyst reports, sector credit ratings, volatility of the security's fair value, and/or any other information that the investor considers relevant? [EITF 03-1, par. 21]</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>
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<p>9. Certain quantitative and qualitative disclosures are required for cost method investments that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized and certain quantitative information about cost method investments not tested for impairment under Step 1 of the impairment model in paragraphs 6–20 of EITF 03-1. For cost method investments, does the investor disclose the following additional information, if applicable, as of each date for which a statement of financial position is presented in its annual financial statements:</p> <p>a. The aggregate carrying amount of all cost method investments?</p> <p>b. The aggregate carrying amount of cost method investments that the investor did not evaluate for impairment? and</p> <p>c. The fact that the fair value of a cost method investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment, and:</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) The investor determined, in accordance with paragraphs 14 and 15 of SFAS 107, that it is not practicable to estimate the fair value of the investment? or	_____	_____	_____
(2) The investor is exempt from estimating fair value under SFAS 126? [EITF 03-1, par. 22]	_____	_____	_____
10. Are investments pledged as collateral or otherwise restricted disclosed? [AAG, par. 7.51]	_____	_____	_____

D. Receivables

1. Are accounts and notes receivable from officers, employees, stockholders, directors, developer or converter, and affiliated companies shown separately with appropriate disclosures? [ARB 43, Ch. 1A, par. 5 (AC R36.105)]	_____	_____	_____
2. Are unbilled receivables (e.g., unbilled costs and fees under cost-plus-fixed-fee contracts) shown separately from billed receivables? [ARB 43, Ch. 11A, par. 4]	_____	_____	_____
3. Are allowances for uncollectible receivables shown as deductions from the related receivables? [APB 12, par. 3 (AC V18.102)]	_____	_____	_____
4. Are unearned discounts (other than cash or quantity discounts and the like), finance charges, and interest included in the face amounts of receivables shown as a deduction from the related receivables? [APB 6, par. 14 (AC B05.105)]	_____	_____	_____
5. If a note is noninterest bearing or has an inappropriate stated interest rate:			
a. Is the discount or premium presented as a deduction from or addition to the face amount of the note?	_____	_____	_____
b. Does the disclosure include the effective interest rate and face amount of the note?	_____	_____	_____
c. Is amortization of discount or premium reported as interest in the income statement?	_____	_____	_____
d. Are issue costs reported on the balance sheet as deferred charges? [APB 21, par. 16 (AC I69.109)]	_____	_____	_____
6. Are interfund receivables separately disclosed? [AAG, par. 4.08]	_____	_____	_____

Questions 7–9 below apply to organizations that (1) extend credit to customers (constituents) to encourage them to purchase products and services (for example, trade receivables including assessments receivable), (2) make mortgage loans, or (3) make secured or unsecured loans to constituents (for example, tenant loans). This checklist includes only the disclosure requirements for the more common activities within the scope of SOP 01-6. If the organization purchases or sells loans or servicing rights, forecloses on a loan, or engages in other more complex lending activities, the disclosure requirements of SOP 01-6, *Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend or Finance the Activities of Others*, not included herein also should be considered.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. Does the accounting policy note include the following:			
a. The basis of accounting for loans, trade receivables, and lease financings?	_____	_____	_____
b. The method for recognizing interest income on loan and trade receivables, including the association's policy for treatment of related fees and costs and the method of amortizing net deferred fees or costs?	_____	_____	_____
c. The classification and method of accounting for receivables that can be contractually prepaid or otherwise settled in a way that the association would not recover substantially all of its recorded investment?	_____	_____	_____
d. The accounting policies and methodology the association used to estimate its allowance for loan losses, allowance for doubtful accounts, any liability for off-balance sheet credit losses, and any related charges for credit losses, including a description of the factors that influenced management's judgment?	_____	_____	_____
e. The policy for discontinuing accrual of interest on past due interest-bearing receivables, for recording payments on those past-due receivables, and the policy for resuming accrual of interest?	_____	_____	_____
f. The policy for charging off uncollectible loans and receivables?	_____	_____	_____
g. The policy for determining past due or delinquency status (that is, whether that status is based on most recent payment or on contractual terms)? [SOP 01-6, par. 13a thru c]	_____	_____	_____
8. Is the recorded investment in past due loans and receivables on which accrual of interest has been discontinued disclosed for each balance-sheet date? [SOP 01-6, par. 13g]	_____	_____	_____
9. Is the recorded investment in loans and receivables past due ninety days or more and still accruing disclosed for each balance-sheet date? [SOP 01-6, par. 13g]	_____	_____	_____

Note: The disclosures in SOP 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*, are effective for loans acquired in fiscal years beginning after December 15, 2004. Early application is encouraged, but not required. SOP 03-3 does not apply to loans originated by the entity.

10. For loans meeting the scope criteria of paragraph 3 of SOP 03-3:			
a. Do the notes to the financial statements describe how prepayments are considered in the determination of contractual cash flows and cash flows expected to be collected?	_____	_____	_____
b. If the condition in paragraph 16 of SFAS 115 or paragraph 8(a) of SFAS 5 is met, is information about the loans included in the disclosures required by paragraphs 20(a) and 20(b) of SFAS 114? [SOP 03-3, pars. 14 and 15]	_____	_____	_____
11. For loans meeting the scope criteria of paragraph 3 of SOP 03-3, in addition to disclosures required by other generally accepted accounting principles, is the following information disclosed for each period for which a statement of financial position is presented:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Separately for both those loans that are accounted for as debt securities and those loans that are not accounted for as debt securities:			
(1) The outstanding balance and related carrying amount at the beginning and end of the period?	_____	_____	_____
(2) The amount of accretable yield at the beginning and end of the period, reconciled for additions, accretion, disposals of loans, and reclassifications to or from nonaccretable difference during the period?	_____	_____	_____
(3) For loans acquired during the period, the contractually required payments receivable, cash flows expected to be collected, and fair value at the acquisition date?	_____	_____	_____
(4) For those loans within the scope of SOP 03-3 for which the income recognition model in SOP 03-3 is not applied in accordance with paragraph 6, the carrying amount at the acquisition date for loans acquired during the period and the carrying amount of all loans at the end of the period?	_____	_____	_____
b. Further, for those loans that are not accounted for as debt securities:			
(1) The amount of any expense recognized pursuant to paragraph 8(a) of SOP 03-3 and any reductions of the allowance recognized pursuant to paragraph 8 (b)(1) of SOP 03-3 for each period for which an income statement is presented?	_____	_____	_____
(2) The amount of the allowance for uncollectible accounts at the beginning and end of the period? [SOP 03-3, par. 16]	_____	_____	_____

E. Common Property

1. Are the following disclosed:			
a. The accounting policy for recognition and measurement of common property?	_____	_____	_____
b. The description of common property reported as an asset on the CIRA's balance sheet?	_____	_____	_____
c. A description of common property to which the CIRA has title (or other evidence of ownership) that is not reported as an asset on the CIRA's balance sheet?	_____	_____	_____
d. The CIRA's responsibility to preserve and maintain common property?	_____	_____	_____
e. Terms and conditions of existing land or recreation leases?	_____	_____	_____
f. Restrictions on the use or disposition of common property? [AAG, par. 2.17]	_____	_____	_____
g. Common areas controlled by the CIRA? [AAG, pars. 2.17 and 4.22]	_____	_____	_____
h. The number of units (shares for cooperative housing associations and weeks for time-share associations) owned by the developer? [AAG, par. 4.22]	_____	_____	_____

F. Depreciable Assets

1. For depreciable assets, are the following disclosed:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Depreciation expense for each period?	_____	_____	_____
b. Balances of major classes of depreciable assets by nature or function, at the reporting date?	_____	_____	_____
c. Accumulated depreciation, either by major classes of assets or in total, at the reporting date?	_____	_____	_____
d. The method or methods used in computing depreciation with respect to major classes of depreciable assets? [APB 12, par. 5 (AC D40.105); AAG, par. 2.19]	_____	_____	_____

(If nonfund accounting is used, omit Question 2)

2. Is the depreciation expense reported in the fund in which the asset is reported? [AAG, par. 4.13]	_____	_____	_____
3. Are capitalized interest costs disclosed? [SFAS 34, par. 21 (AC I67.118)]	_____	_____	_____

G. Deferred Income Tax Assets and Liabilities

1. Are deferred tax assets and liabilities classified as current or noncurrent based on the classification of the related asset or liability? [SFAS 109, par. 41 (AC I27.140)]	_____	_____	_____
2. Are deferred tax assets not related to an asset or liability, including those related to carryforwards, classified according to the expected reversal date of the temporary difference pursuant to SFAS 37? [SFAS 109, par. 41 (AC I27.140)]	_____	_____	_____
3. For each particular tax-paying component of the reporting entity and within each particular tax jurisdiction:			
a. Are all current deferred tax liabilities and assets offset and presented as a single amount?	_____	_____	_____
b. Are all noncurrent deferred tax liabilities and assets offset and presented as a single amount? [SFAS 109, par. 42 (AC I27.141)]	_____	_____	_____
4. Is the valuation allowance for each particular tax jurisdiction allocated between current and noncurrent deferred tax assets for that jurisdiction on a pro rata basis? [SFAS 109, par. 41 (AC I27.140)]	_____	_____	_____
5. Are the components of the net deferred tax liability or asset recognized in the balance sheet disclosed as follows:			
a. The total of all deferred tax liabilities (measured as described in paragraph 17b of SFAS 109)?	_____	_____	_____
b. The total of all deferred tax assets (measured as described in paragraph 17c and d of SFAS 109)?	_____	_____	_____
c. The total valuation allowance recognized for deferred tax assets (measured as described in paragraph 17e of SFAS 109)? [SFAS 109, par. 43 (AC I27.142)]	_____	_____	_____
6. Is the net change during the year in the valuation allowance disclosed? [SFAS 109, par. 43 (AC I27.142)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. Are the types of temporary differences and carryforwards that give rise to a significant portion of deferred tax liabilities and deferred tax assets (before valuation allowances) disclosed? [SFAS 109, par. 43 (AC I27.142)]	_____	_____	_____
8. If a deferred tax liability is not recognized because of certain exceptions addressed by APB 23, <i>Accounting for Income Taxes—Special Areas</i> (as amended by SFAS 109), is the following information disclosed:			
a. A description of the types of temporary differences for which a deferred tax liability has not been recognized and the types of events that would cause those temporary differences to become taxable?	_____	_____	_____
b. The cumulative amount of each type of temporary difference?	_____	_____	_____
c. The amount of unrecognized deferred tax liability for temporary differences related to investments in foreign subsidiaries and foreign joint ventures that are essentially permanent in duration if determination of that liability is practicable or a statement such determination is not practicable?	_____	_____	_____
d. The amount of the deferred tax liability for other temporary differences that is not recognized in accordance with the provisions of paragraphs 31 and 32 of SFAS 109? [SFAS 109, par. 44]	_____	_____	_____

Practice Tip

SFAS 109 requires that deferred taxes be determined separately for each tax-paying component in each tax jurisdiction (for example, federal, state, or local). A component may be an individual entity or a group of entities that is consolidated for tax purposes.

H. Intangible Assets

1. At a minimum, are all intangible assets aggregated and presented as a separate line item in the statement of financial position? (This requirement does not preclude presentation of individual intangible assets or classes of intangible assets as separate line items.) [SFAS 142, par. 42 (AC G40.141)]	_____	_____	_____
2. Are amortization expense and impairment losses for intangible assets presented in income statement line items within continuing operations as deemed appropriate for each entity? [SFAS 142, par. 42 (AC G40.141)]	_____	_____	_____
3. For intangible assets acquired either individually or with a group of assets, is the following information disclosed in the notes to the financial statements in the period of acquisition:			
a. For intangible assets subject to amortization:			
(1) The total amount assigned and the amount assigned to any major intangible asset class?	_____	_____	_____
(2) The amount of any significant residual value, in total and by major intangible asset class?	_____	_____	_____
(3) The weighted-average amortization period, in total and by major intangible asset class?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>b. For intangible assets not subject to amortization, the total amount assigned and the amount assigned to any major intangible asset class? [SFAS 142, par. 44 (AC G40.143)]</p>	_____	_____	_____
<p>4. Has the following information been disclosed in the financial statements or the notes to the financial statements for each period for which a statement of financial position is presented:</p>			
<p>a. For intangible assets subject to amortization:</p>			
<p>(1) The gross carrying amount and accumulated amortization, in total and by major intangible asset class?</p>	_____	_____	_____
<p>(2) The aggregate amortization expense for the period?</p>	_____	_____	_____
<p>(3) The estimated aggregate amortization expense for each of the five succeeding fiscal years?</p>	_____	_____	_____
<p>b. For intangible assets not subject to amortization, the total carrying amount and the carrying amount for each major intangible asset class? [SFAS 142, par. 45 (AC G40.144)]</p>	_____	_____	_____
<p>5. For each impairment loss recognized related to an intangible asset, is the following information disclosed in the notes to the financial statements that include the period in which the impairment loss is recognized:</p>			
<p>a. A description of the impaired intangible asset and the facts and circumstances leading to the impairment?</p>	_____	_____	_____
<p>b. The amount of the impairment loss and the method for determining fair value?</p>	_____	_____	_____
<p>c. The caption in the income statement or the statement of activities in which the impairment loss is aggregated?</p>	_____	_____	_____
<p>d. If applicable, the segment in which the impaired intangible asset is reported under SFAS 131? [SFAS 142, par. 46 (AC G40.145)]</p>	_____	_____	_____

I. Current Liabilities

Practice Tip

Section B05 of the FASB *Current Text* contains a detailed discussion of the nature of items that should be included in the current liabilities caption when a classified balance sheet is presented.

<p>1. Are significant categories of current liabilities, such as accounts payable, accrued expenses, deferred revenue, interest payable, and amounts due to officers and employees segregated and presented separately? [Generally Accepted]</p>	_____	_____	_____
<p>2. If a classified balance sheet is presented, is a total for current liabilities shown? [SFAS 6, par. 15 (AC B05.118)]</p>	_____	_____	_____
<p>3. Are short-term obligations expected to be refinanced reclassified to long-term liabilities? [SFAS 6, par. 15 (AC B05.118)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. If the reporting entity has not accrued compensated absences (SFAS 43) because the amount cannot be reasonably estimated, is that fact disclosed? [SFAS 43, par. 6 (AC C44.104)]	_____	_____	_____
5. Are borrowings outstanding under revolving credit agreements that include both a subjective acceleration clause and a requirement to maintain a lock-box arrangement, whereby remittances from the borrower's customers reduce the debt outstanding, classified as short-term obligations? [EITF 95-22]	_____	_____	_____
6. If property and real estate tax accruals are subject to a substantial measure of uncertainty, has the liability been disclosed as an estimate? [ARB 43, Ch. 10A, par. 16]	_____	_____	_____

J. Notes Payable and Other Debt

1. Are major categories of debt (notes payable to banks, mortgages payable, and notes to related parties) identified on the balance sheet or in the notes to the financial statements? [Generally Accepted]	_____	_____	_____
2. Are interest rates, maturities, conversion features, and other significant terms (for example, subordinated features) of long term debt disclosed? [Generally Accepted]	_____	_____	_____
3. Are terms and conditions provided in loan agreements and bond indentures, such as assets pledged as collateral, covenants to reduce debt, maintain working capital, and restrict dividends disclosed? [SFAS 5, par. 18 (AC C59.120)]	_____	_____	_____
4. Are the following disclosed for each of the five years following the latest balance sheet presented:			
a. The aggregate amount of payments for unconditional purchase obligations that meet the criteria set forth in SFAS 47 and that have been recognized in the purchaser's balance sheet?	_____	_____	_____
b. The combined aggregate amount of maturities and sinking fund requirements for all long-term borrowings? [SFAS 47, par. 10 (AC C32.105)]	_____	_____	_____
5. If a note is noninterest-bearing or has an inappropriate stated interest rate:			
a. Is the discount or premium presented as a direct deduction from or addition to the face amount of the note?	_____	_____	_____
b. Is the effective interest rate disclosed?	_____	_____	_____
c. Is the face amount of the note disclosed?	_____	_____	_____
d. Is amortization of the discount or premium reported as interest in the income statement?	_____	_____	_____
e. Are issue costs reported as deferred charges? [APB 21, par. 16 (AC I69.109)]	_____	_____	_____
6. Are current portions of debt obligations presented as current liabilities? [ARB 43, Ch. 3A, pars. 7 and 8 (AC B05.108 and .109)]	_____	_____	_____
7. If short-term obligations have been excluded from current liabilities pursuant to SFAS 6, do disclosures include:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. A general description of the financing agreement?	_____	_____	_____
b. Terms of any new obligation incurred or expected to be incurred, or equity securities issued, or expected to be issued, as a result of the refinancing? [SFAS 6, par. 15 (AC B05.118)]	_____	_____	_____
8. Are long-term obligations that are or will be callable by the creditor, either because the debtor’s violation of the debt agreement at the balance-sheet date makes the obligation callable or because the violation, if not cured within a specified grace period, will make the obligation callable, reclassified to current unless one of the following conditions is met:			
a. The creditor has waived or subsequently lost the right to demand repayment for more than one year (or operating cycle, if longer) from the balance-sheet date?	_____	_____	_____
b. The obligation contains a grace period within which the debtor may cure the violation, and it is probable that the violation will be cured within that period, thus preventing the violation from becoming callable? [SFAS 78, par. 5 (AC B05.109A)]	_____	_____	_____
9. If an obligation under Question 8 above is included in long-term liabilities (or in the case of an unclassified balance sheet is included as a long-term liability in the disclosure of debt maturities), are the circumstances disclosed? [SFAS 78, par. 5 (AC B05.118); see also EITF 86-30]	_____	_____	_____
10. If the reporting entity has borrowed funds in the form of participating mortgage loans, are the following disclosed in the financial statements:			
a. The aggregate amount of participating mortgage obligations at the balance-sheet date, with separate disclosure of the aggregate participation liabilities and related debt discounts?	_____	_____	_____
b. Terms of the participations by the lender in either the appreciation in the market value of the mortgaged real estate project or the results of operations of the mortgaged real estate project, or both? [SOP 97-1]	_____	_____	_____
11. For insurance-related assessments:			
a. If amounts relating to insurance-related assessments have been discounted pursuant to the provisions of SOP 97-3, <i>Accounting by Insurance and Other Enterprises for Insurance-Related Assessments</i> , has the CIRA disclosed in the financial statements the undiscounted amounts of the liability and any related asset for premium tax offsets or policy surcharges as well as the discount rate used?	_____	_____	_____
b. If amounts have not been discounted, has the entity disclosed in the financial statements the amounts of the liability, any related asset for premium tax offsets or policy surcharges, the periods over which the assessments are expected to be paid, and the period over which the recorded premium tax offsets or policy surcharges are expected to be realized? [SOP 97-3, par. 27]	_____	_____	_____

(If fund accounting is used, omit Section K—Shareholders’ Equity)

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
K. Shareholders' Equity—Cooperatives			
The following disclosures relate to an incorporated CIRA:			
1. For each class of stock, do disclosures include the number of shares authorized, issued, and outstanding, and par or stated value per share? [Generally Accepted]	_____	_____	_____
2. Are classes of capital stock presented in order of priority in liquidation? [Generally Accepted]	_____	_____	_____
3. Do the financial statements include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding (e.g., dividend and liquidation preferences, participation rights, call prices and dates, conversion or exercise prices or rates and pertinent dates, sinking fund requirements, unusual voting rights, and significant terms of contracts to issue additional shares)? [SFAS 129, par. 4 (AC C24.102)]	_____	_____	_____
4. Do disclosures include the number of shares issued upon conversion, exercise, or satisfaction of required conditions during at least the most recent annual fiscal period and any subsequent interim period presented? [SFAS 129, par. 5 (AC C24.103)]	_____	_____	_____
5. For preferred stock that has a preference in involuntary liquidation considerably in excess of par or stated value of the shares, is the liquidation preference disclosed in the equity section of the balance sheet in the aggregate, either parenthetically or "in short," rather than on a per share basis or in the notes to the financial statements? [SFAS 129, par. 6 (AC C24.104)]	_____	_____	_____
6. Are the following disclosed on the face of the balance sheet or in the notes:			
a. The aggregate or per-share amounts at which preferred stock may be called or are subject to redemption through sinking-fund operations or otherwise?	_____	_____	_____
b. The aggregate and per-share amounts of arrearages in cumulative preferred dividends? [SFAS 129, par. 7 (AC C24.105)]	_____	_____	_____
7. For redeemable stock, do disclosures include the amount of redemption requirements, separately by issue or combined, of all issues of capital stock that are redeemable at fixed or determinable prices on fixed or redeemable dates in each of the five years following the date of the latest balance sheet? [SFAS 129, par. 8 (AC C24.106)]	_____	_____	_____
8. Are appropriations of retained earnings for loss contingencies clearly identified and included in shareholder' equity? [SFAS 5, par. 15 (AC R70.103)]	_____	_____	_____
9. Are restrictions on payment of dividends disclosed? [SFAS 5, pars. 18 and 19 (AC C59.120)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
10. Are the carrying basis, cost, and number of shares of any treasury stock held by the CIRA disclosed? [Generally Accepted]	_____	_____	_____
11. If treasury stock is purchased for purposes other than retirement or if ultimate disposition has not yet been decided is its cost:			
a. Shown separately as a deduction from the total of capital stock, additional paid-in capital, and retained earnings? or	_____	_____	_____
b. Accorded the accounting treatment appropriate for retired stock? [APB 6, par. 12b (AC C23.103)]	_____	_____	_____
12. If state laws relating to acquisition of stock restrict the availability of retained earnings for payment of dividends or other significant effects, is appropriate disclosure made? [APB 6, par. 13 (C23.104)]	_____	_____	_____
13. After completion of a quasi-reorganization, is a new retained earnings account established and dated with the date being disclosed in subsequent financial statements until it is no longer deemed significant? [ARB 43, Ch. 7A, par. 10 (AC Q15.111); ARB 46 (AC Q15.111)]	_____	_____	_____
14. For treasury shares purchased at a stated price significantly in excess of current market price, is the allocation of amounts paid and the accounting treatment for such amounts disclosed? [FTB 85-6, pars. 1–3 (AC C23.501–.503)]	_____	_____	_____
15. Do disclosures for contingently convertible securities include:			
a. The significant terms of the conversion features to enable users of the financial statements to understand the circumstances of the contingency and the potential impact of conversion, including:			
(1) Events or changes in circumstances that would cause the contingency to be met and any significant features necessary to understand the conversion rights and the timing of those rights (for example, the periods in which (1) the contingency might be met and (2) the securities may be converted if the contingency is met)?	_____	_____	_____
(2) The conversion price and the number of shares into which the security is potentially convertible?	_____	_____	_____
(3) Events or changes in circumstances, if any, that could adjust or change the contingency, conversion price, or number of shares, including significant terms of those changes?	_____	_____	_____
(4) The manner of settlement upon conversion and any alternative settlement methods (for example, cash, shares, or a combination)?	_____	_____	_____
b. Whether the shares that would be issued if the contingently convertible securities were converted are included in the calculation of diluted EPS, as the reasons why or why not? [FSP 129-1, pars. 3 and 4]	_____	_____	_____

(If nonfund accounting is used, omit Section L—Fund Balance)

L. Fund Balance

1. Is the difference between the assets and liabilities of each fund group presented as the fund balance of the respective fund group? [AAG, par. 4.11]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Are fund balance restrictions disclosed? [Generally Accepted]	_____	_____	_____
3. Have permanent transfers between funds been shown as interfund transfers in the statement of changes in fund balances? [AAG, par. 4.17]	_____	_____	_____
(If fund accounting is used, omit Section K—Shareholders’ Equity—Cooperatives)			

Statement of Revenues and Expenses

A. Statement of Operations

1. Are all CIRA activities, except for replacement fund activities, presented in the operating fund (unless the CIRA has other funds such as deferred maintenance fund or capital improvement fund, etc.)? [AAG, par. 4.13]	_____	_____	_____
2. If there are periodic assessments for funding future major repairs and replacements, are they reported in the replacement fund in the periods in which they are assessed, regardless of whether they are collected or expended? [AAG, pars. 3.08 and 4.13]	_____	_____	_____
3. Are revenues shown separately for:			
a. Regular assessments from members?	_____	_____	_____
b. Special assessments from members?	_____	_____	_____
c. Assessments and subsidies charged to the developer?	_____	_____	_____
d. Developer contributions?	_____	_____	_____
e. Lawsuit settlements?	_____	_____	_____
f. Interest income?	_____	_____	_____
g. Laundry and vending machine income?	_____	_____	_____
h. Special-use charges from members and nonmembers? [AAG, pars. 4.14 and 9.13]	_____	_____	_____

(If nonfund reporting is used, omit Question 4)

4. Is interest earned presented as revenue of the appropriate fund unless the CIRA has a specific policy to treat it otherwise? [AAG, par. 4.14]	_____	_____	_____
5. For investments in common stock accounted for by the equity method, is the CIRA’s share of earnings shown as a single amount except for investee extraordinary items and prior-period adjustments that are material to the CIRA? [APB 18, par. 19c and d (AC I82.109c and d)]	_____	_____	_____
6. Is the amount of interest cost incurred and any portion of interest cost that was capitalized during the period(s) presented disclosed? [SFAS 34, par. 21 (AC I67.118)]	_____	_____	_____
7. Are the following disclosed:			
a. Income tax filing status?	_____	_____	_____
b. Liability for income taxes?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Credits from taxing authorities that will be phased out in future reporting periods? [AAG, par. 4.22]	_____	_____	_____
8. If, as part of a business combination, a material liability is recognized by the combined association for costs incurred to (1) exit an activity, (2) involuntarily terminate employees of an acquired company, or (3) relocate employees of an acquired company, are disclosures made in accordance with EITF 95-3, <i>Recognition of Liabilities In Connection with a Purchase Business Combination</i> , in addition to the disclosures required by paragraphs 51 and 58 in SFAS 141, <i>Business Combinations</i> ? [EITF 95-3]	_____	_____	_____
9. Are material events or transactions that are either unusual in nature or of infrequent occurrence, but not both (and therefore not meeting criteria for extraordinary items):			
a. Reported as a separate component of income from continuing operations?	_____	_____	_____
b. Accompanied by disclosure of the nature and financial effects of each event? [APB 30, par. 26 (AC I22.101)]	_____	_____	_____
10. At a minimum, is the following information disclosed in the notes to the financial statements in all periods affected by the September 11, 2001 attacks:			
a. A description of the nature and amounts of losses and costs recognized as a result of the September 11 events and the amount of related insurance recoveries (if any) recognized?	_____	_____	_____
b. A description of contingencies resulting from the September 11 events that have not yet been recognized in the financial statements but that are reasonably expected to impact the entity's financial statements in the near term?	_____	_____	_____
c. Applicable disclosures pursuant to SOP 94-6?	_____	_____	_____
d. Applicable disclosures about environmental obligations (and recoveries) pursuant to SOP 96-1? [EITF 01-10]	_____	_____	_____
11. Are losses and costs incurred as a result of the September 11, 2001 attacks classified as part of income from continuing operations? [EITF 01-10]	_____	_____	_____
12. If the losses and costs incurred as a result of the September 11, 2001 attacks meet the criteria for disclosure of unusual or infrequently occurring items, are they reported as a separate component of income from continuing operations, either on the face of the statement of operations or in the notes to the financial statements? [EITF 01-10]	_____	_____	_____
13. Are the important components of income, such as sales or other sources of revenue, cost of sales, selling and administrative expenses, interest expense and income taxes, separately disclosed on the face of the income statement? [Generally Accepted]	_____	_____	_____

Yes No N/A

B. Comprehensive Income

Practice Tip

A listing of items of other comprehensive income under current accounting standards can be found in section C49.106 of the FASB *Current Text*.

- | | | | |
|--|-------|-------|-------|
| 1. Are all components of comprehensive income reported in the financial statements in the period in which they are recognized?
[SFAS 130, par. 14 (AC C49.108)] | _____ | _____ | _____ |
| 2. Is a total amount for comprehensive income displayed in the financial statement where the components of other comprehensive income are reported?
[SFAS 130, par. 14 (AC C49.108)] | _____ | _____ | _____ |
| 3. Is an amount for net income displayed and included as a component of comprehensive income?
[SFAS 130, pars. 15 and 22 (AC C49.109 and .116)] | _____ | _____ | _____ |
| 4. Are items included in other comprehensive income classified separately into foreign currency items, minimum pension liability adjustments, and unrealized gains and losses on certain investments in debt and equity securities?
[SFAS 130, par. 17 (AC C49.111)] | _____ | _____ | _____ |
| 5. Are reclassification adjustments made to avoid double counting in comprehensive income of items that are displayed as part of net income for a period that also had been displayed as part of other comprehensive income in that period or other periods presented on the face of the financial statement in which comprehensive income is reported or disclosed in the notes?
[SFAS 130, par. 20 (AC C49.114)] | _____ | _____ | _____ |
| 6. Are comprehensive income and its components displayed in a financial statement that is displayed with the same prominence as the other financial statements? (<i>Note:</i> SFAS 130 encourages but does not require that the components of other comprehensive income and total comprehensive income be displayed below the total for net income in a statement that reports results of operations or in a separate statement of comprehensive income that begins with net income.)
[SFAS 130, pars. 22 and 23 (AC C49.116 and .117)] | _____ | _____ | _____ |
| 7. Are the components of other comprehensive income displayed either net of related tax effects, or before related tax effects with one amount shown for the aggregate tax effect related to the total of other comprehensive income items?
[SFAS 130, par. 24 (AC C49.118)] | _____ | _____ | _____ |
| 8. Is the amount of income tax expense or benefit allocated to each component of other comprehensive income (including reclassification adjustments) displayed on the face of the statement in which those components are displayed or disclosed in the notes to the financial statements?
[SFAS 130, par. 25 (AC C49.119)] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. Is the total of other comprehensive income for a period transferred to a component of equity that is displayed separately from retained earnings and additional paid-in-capital in the balance sheet with a descriptive title such as <i>accumulated other comprehensive income</i> ? [SFAS 130, par. 26 (AC C49.120)]	_____	_____	_____
10. Are accumulated balances for each classification within accumulated other comprehensive income disclosed on the face of the balance sheet, in the statement of changes in shareholders' equity, or in the notes? [SFAS 130, par. 26 (AC C49.120)]	_____	_____	_____
11. Has the enterprise reported a total for comprehensive income in condensed financial statements of interim periods? [SFAS 130, par. 27 (AC C49.121)]	_____	_____	_____
12. Has the entity displayed as a separate classification within other comprehensive income the net gain or loss on derivative instruments designated and qualifying as cash flow hedging instruments that are reported in comprehensive income pursuant to paragraphs 30 and 41 of SFAS 133? [SFAS 133, par. 46 (AC D50)]	_____	_____	_____
13. As part of the disclosures of accumulated other comprehensive income, pursuant to paragraph 26 of SFAS 130, <i>Reporting Comprehensive Income</i> , has the entity separately disclosed the beginning and ending accumulated derivative gain or loss, the related net change associated with current period hedging transactions, and the net amount of any reclassification into earnings? [SFAS 133, par. 47 (AC D50)]	_____	_____	_____

Note: Does the amount for fund balance on the balance sheet agree with the amount for fund balance on the statement of revenues and expenses?

C. Extraordinary Items

1. Are extraordinary items segregated and shown (including applicable income taxes) following income before extraordinary items and before excess of revenues over expenses? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____
2. Is the caption <i>extraordinary items</i> used to identify separately the effects of events and transactions, other than disposals of business segments, that meet the criteria for classification as extraordinary as discussed in APB 30 (AC I17.106–.111)? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____
3. Are descriptive captions and amounts presented for individual extraordinary events or transactions, preferably on the face of the statement of revenues and expenses? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____
4. Are the nature of each extraordinary event or transaction and the principle items entering into the determination of extraordinary gains or losses described? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____
5. Are income taxes applicable to any extraordinary items disclosed on the face of the statement of revenues and expenses (preferable) or disclosed in the notes to the financial statements? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 6. Are material events or transactions that are either unusual in nature or of infrequent occurrence, but not both (and therefore not meeting the criteria for extraordinary items): | | | |
| <i>a.</i> Reported as a separate component of income from continuing operations? | _____ | _____ | _____ |
| <i>b.</i> Accompanied by disclosure of the nature and financial effects of each event?
[APB 30, par. 26 (AC I22.101)] | _____ | _____ | _____ |
| 7. If any extraordinary items that were reported in prior periods are adjusted during the current period, are the adjustments separately disclosed as to year of origin, nature, and amount and classified separately on the current period as an extraordinary item?
[SFAS 16, par. 16(c) (AC I17.119)] | _____ | _____ | _____ |

D. Income Taxes

- | | | | |
|--|-------|-------|-------|
| 1. Has the CIRA disclosed its income tax filing status and its liability for income taxes?
[AAG, par. 4.22] | _____ | _____ | _____ |
| 2. Are the following significant components of income tax expense attributable to continuing operations for each year presented disclosed: | | | |
| <i>a.</i> Current tax expense or benefit? | _____ | _____ | _____ |
| <i>b.</i> Deferred tax expense or benefit (exclusive of the effects of other components listed below)? | _____ | _____ | _____ |
| <i>c.</i> Investment tax credits? | _____ | _____ | _____ |
| <i>d.</i> Government grants (to the extent recognized as a reduction of income tax expense)? | _____ | _____ | _____ |
| <i>e.</i> The benefits of operating loss carryforwards? | _____ | _____ | _____ |
| <i>f.</i> Tax expense that results from allocating certain benefits, either directly to contributed capital or to reduce goodwill or other noncurrent intangible assets of an acquired entity? | _____ | _____ | _____ |
| <i>g.</i> Adjustments of a deferred tax liability or asset for enacted changes in tax laws or rates or a change in the tax status of the reporting entity? | _____ | _____ | _____ |
| <i>h.</i> Adjustments of the beginning-of-the-year balance of a valuation allowance because of a change in circumstances that causes a change in judgment about the realizability of the related deferred tax asset in future years?
[SFAS 109, par. 45a-h (AC I27.144a-h)] | _____ | _____ | _____ |
| 3. Are the amount of income tax expense or benefit allocated to continuing operations and the amounts separately allocated to discontinued operations, extraordinary items, items charged directly to shareholders' equity, and prior period adjustments disclosed for each year for which those items are presented?
[SFAS 109, par. 46 (AC I27.145)] | _____ | _____ | _____ |
| 4. Is there disclosure of the nature of significant items required to reconcile the reported amount of income tax expense attributable to continuing operations for the year to the amount of income tax expense that would result from applying domestic federal statutory tax rates to pretax income from continuing operations?
[SFAS 109, par. 47 (AC I27.146)] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Are the amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes disclosed? [SFAS 109, par. 48 (AC I27.147)]	_____	_____	_____
6. Is the amount of any portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated (1) to reduce goodwill or other noncurrent intangible assets of an acquired entity or (2) directly to contributed capital disclosed? [SFAS 109, par. 48 (AC I27.147)]	_____	_____	_____
7. If the reporting entity is a member of a group that files a consolidated tax return, are the following items disclosed in its separately issued financial statements:			
a. The aggregate amount of current and deferred tax expense for each income statement presented and the amount of any tax-related balances due to or from affiliates as of the date of each balance sheet presented?	_____	_____	_____
b. The principal provisions of the method by which the consolidated amount of current and deferred tax expense is allocated to members of the group and the nature and effect of any changes in that method (and in determining related balances to or from affiliates) during the years for which the disclosures in <i>a</i> above are presented? [SFAS 109, par. 49a and b (AC I27.148a and b)]	_____	_____	_____
8. If the reporting entity is an S corporation, partnership, or proprietorship, is the reason that no income tax expense is recorded disclosed? [Generally Accepted]	_____	_____	_____

Statement of Changes in Fund Balance (Shareholders' Equity)

Note: For Homeowners' Associations and Condominium Associations Not Using Fund Accounting, the Term "Fund Balance" Should Be Replaced With "Members Equity."

1. Is the statement of changes in fund balances (shareholders' equity) presented? [AAG, par. 4.17]	_____	_____	_____
2. Is beginning and ending fund balance (shareholders' equity) reconciled with results of operations for each period presented? [AAG, par. 4.17]	_____	_____	_____
(If nonfund accounting is used, omit Question 3)			
3. Are permanent transfers presented as interfund transfers? [AAG, par. 4.17]	_____	_____	_____
(If fund accounting is used, omit Questions 4 and 5)			
4. Are changes in the separate component accounts of shareholders' equity disclosed? [APB 12, par. 10 (AC C08.102)]	_____	_____	_____
5. Are changes in the number of shares of equity securities disclosed? [APB 12, par. 10 (AC C08.102)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. Are changes in fund balance (shareholders' equity) disclosed? [APB 12, par. 10 (AC C08.102)]	_____	_____	_____
7. If prior-period adjustments have been recorded during the current year, are their resulting effects (both gross and net of applicable income taxes and including the amounts of income tax applicable to the prior period adjustments) appropriately disclosed:			
a. For single-period statements, does the disclosure indicate the effects of such restatement on the balance of retained earnings at the beginning of the period and on the net income of the immediately preceding period?	_____	_____	_____
b. If financial statements of more than one period are presented, does disclosure include the effects for each of the periods presented in the statements? [APB 9, par. 26 (AC A35.107)]	_____	_____	_____

Practice Tip

Disclosure of restatements in annual reports issued subsequent to the first such post-revision disclosure would ordinarily not be required.

8. If interim financial reports contain an adjustment related to prior interim periods of the current fiscal year, do disclosures include:			
a. The effect on income from continuing operations, net income, and related per share amounts for each prior interim period of the current fiscal year?	_____	_____	_____
b. Income from continuing operations, net income, and related per share amounts for each prior interim period restated? [SFAS 16, par. 15 (AC A35.111)]	_____	_____	_____

Statement of Cash Flows

A. Format

1. Is a statement of cash flows presented for each period that a balance sheet and a statement of revenues and expenses is presented? [SFAS 95, par. 3 (AC C25.101); AAG, pars. 4.18 and 9.15]	_____	_____	_____
2. Is the policy for defining cash equivalents disclosed? [SFAS 95, par. 10 (AC C25.108)]	_____	_____	_____
3. Does the statement of cash flows report net cash provided or used by the operating, investing, and financing activities and the effect of those flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents? [SFAS 95, par. 26 (AC C25.124)]	_____	_____	_____
4. Are major classes of gross cash receipts and gross cash payments and their arithmetic sum (the net cash flow from operating activities (direct method)) presented in the statement? [SFAS 95, par. 27 (AC C25.125)]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 5. If the direct method is used, is a reconciliation of the excess of revenues and expenses to net cash flow from operating activities provided in a separate schedule?
[SFAS 95, par. 30 (AC C25.128)] | _____ | _____ | _____ |

Note: The sample cash flow statements in Exhibits A-3 and A-16 are presented in the direct method format.

- | | | | |
|---|-------|-------|-------|
| 6. If the indirect method is used: | | | |
| a. Is the same amount for net cash flow from operating activities reported indirectly by adjusting the excess of revenues and expenses (income) to reconcile it to net cash flow from operating activities?
[SFAS 95, par. 28 (AC C25.126)] | _____ | _____ | _____ |
| b. Is the reconciliation of the excess of revenues and expenses (income) to net cash flow from operating activities reported, either within the statement of cash flows or provided in a separate schedule, with the statement of cash flows reporting only the net cash flow from operating activities?
[SFAS 95, par. 30 (AC C25.128)] | _____ | _____ | _____ |

B. Content

- | | | | |
|--|-------|-------|-------|
| 1. Are cash receipts and cash payments from investing activities shown separately on the statement of cash flows?
[SFAS 95, par. 31 (AC C25.129)] | _____ | _____ | _____ |
| 2. Are cash receipts and cash payments for the following transactions classified as cash flows from investing activities: | | | |
| a. Receipts from sales of property? | _____ | _____ | _____ |
| b. Additions to building, furniture, and equipment? | _____ | _____ | _____ |
| c. Loans to members?
[SFAS 95, pars. 16 and 17 (AC C25.114 and .115)] | _____ | _____ | _____ |
| 3. Are cash receipts and cash payments from financing activities shown separately on the statement of cash flows?
[SFAS 95, par. 31 (AC C25.129)] | _____ | _____ | _____ |
| 4. Are cash receipts and cash payments for the following transactions classified as cash flows from financing activities: | | | |
| a. Proceeds from issuing debt? | _____ | _____ | _____ |
| b. Repayments of amounts borrowed? | _____ | _____ | _____ |
| c. Debt issue costs? | _____ | _____ | _____ |
| d. Proceeds received from derivative instruments and distributions to counterparties of derivative instruments that include financing elements at inception?
[SFAS 95, pars. 19 and 20, as amended by SFAS 149 (AC C25.117 and .118); EITF 95-13] | _____ | _____ | _____ |
| 5. Are cash receipts and cash payments classified as cash flows from operating activities for: | | | |
| a. Member assessments collected? | _____ | _____ | _____ |
| b. Expenditures for major repairs and replacements? | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Real estate taxes?	_____	_____	_____
d. Interest income?	_____	_____	_____
e. Interest expense?	_____	_____	_____
f. Forfeited security deposits?	_____	_____	_____
g. Payments to governments for taxes, duties, fines, and other fees or penalties?	_____	_____	_____
h. Payments to settle lawsuits?	_____	_____	_____
i. Contributions to charities? [SFAS 95, pars. 22 and 23 (AC C25.120 and .121)]	_____	_____	_____
<hr/>			
Note: Does the amount identified as excess of revenue over expenses on the statement of cash flows agree with the amount for the excess of revenue over expenses on the statement of revenues and expenses?			
<hr/>			
6. If the indirect method of reporting net cash flow from operating activities is used, are amounts of interest paid (net of amounts capitalized) and income taxes paid during the period provided in related disclosures? [SFAS 95, par. 29 (AC C25.127)]	_____	_____	_____
7. Are investing and financing activities that affect recognized assets or liabilities, but that do not result in cash receipts or cash payments in the period, disclosed? [SFAS 95, par. 32 (AC C25.134)]	_____	_____	_____
8. If an other-than-insignificant financing element is present at inception, other than a financing element inherently included in an at-the-market derivative instrument with no prepayments (that is, the forward points in an at-the-money forward contract), does the borrower report all cash inflows and outflows associated with that derivative instrument in a manner consistent with financing activities as described in paragraphs 18–20 of SFAS 95? [SFAS 149, par. 18]	_____	_____	_____
9. Is cash payment made to settle an asset retirement obligation classified in the statement of cash flows as an operating activity? [EITF 02-6]	_____	_____	_____
10. Except for certain items whose turnover is quick, amounts are large, and maturities are short, are cash receipts and cash payments from investing and financing activities shown separately on the statement of cash flows? [SFAS 95, pars. 12, 13, and 31 (AC C25.110, .111, and .129)]	_____	_____	_____

Summary of Significant Accounting Policies

Practice Tip

As you evaluate the completeness of the significant accounting policies, consider whether additions or revisions are required in response to recently issued accounting pronouncements. Also consider whether disclosure of accounting policies covered in other sections of this checklist are included. If the accounting policy disclosures called for in other sections are not included in the notes elsewhere in the financial statements, they should be included in the summary of accounting policies.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
A. Accounting Policies			
1. Is a description of all significant accounting policies of the reporting entity presented as either a separate summary preceding the notes to the financial statements or as the initial note? [APB 22, par. 15 (AC A10.108)]	_____	_____	_____
2. Do the summary or notes identify and describe all significant accounting principles followed by the reporting entity and the methods of applying those principles that materially affect the determination of financial position, cash flows, and results of operations? [APB 22, par. 12 (AC A10.105)]	_____	_____	_____
3. Do those principles and methods identified in Question 2 include all instances in which there:			
a. Is a selection from existing acceptable alternatives?	_____	_____	_____
b. Are principles and methods peculiar to the industry in which the reporting entity operates, even if such principles and methods are predominantly followed in that industry?	_____	_____	_____
c. Are unusual or innovative applications of GAAP? [APB 22, par. 12 (AC A10.105)]	_____	_____	_____
4. Is an explanation that the preparation of financial statements in conformity with GAAP requires the use of management's estimates included? [SOP 94-6, par. 11]	_____	_____	_____
5. Is the CIRA's accounting policy with respect to vendor's sales incentive arrangements disclosed? [EITF 03-10]	_____	_____	_____
B. Certain Significant Estimates			
1. If known information available before the financial statements are issued indicates that: (a) it is at least reasonably possible that the effect on the financial statements of a condition, situation, or set of circumstances that existed the date of the financial statements will change in the near term due to one or more future confirming events, and (b) the effect of the change would be material to the financial statements:			
a. Is disclosure made of the nature of the uncertainty, including an indication that it is at least reasonably possible that a change in the estimate will occur in the near term?	_____	_____	_____
b. If the estimate involves a loss contingency covered by SFAS 5, does the disclosure include an estimate of the possible range of loss, or state that such an estimate cannot be made?	_____	_____	_____
c. Does the disclosure describe the factors that cause the estimate to be sensitive to change? [SOP 94-6, pars. 13 and 14]	_____	_____	_____

Other Financial Statement Disclosures

A. Future Major Repairs and Replacements

1. Do the CIRA's financial statements include the following disclosures about future major repairs and replacements:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Requirements in statutes or association documents to accumulate funds for major repairs and replacements?	_____	_____	_____
b. The CIRA’s compliance, or lack of, with the requirements?	_____	_____	_____
c. A description of the CIRA’s funding policy, if any, and compliance with that policy?	_____	_____	_____
d. A statement that funds, if any, are being accumulated based on estimated future (or current) costs, that actual expenditures may vary from these estimates, and that the variations may be material?	_____	_____	_____
e. Amounts assessed for major repairs and replacements in the current period?	_____	_____	_____
f. A statement indicating whether a study is conducted to estimate the remaining useful lives of common property components and the costs of future major repairs and replacements?	_____	_____	_____
g. If the CIRA funds major repairs and replacements by special assessments or borrowings when needs occur, is this disclosed? [AAG, pars. 4.27 and 9.11]	_____	_____	_____

Note: See sample financial statements in section 4600, Exhibit A-5, note 4, Future Major Repairs and Replacements, and Exhibit A-17, note 6, Future Major Repairs and Replacements, for example disclosures.

Practice Tips

Assessments made for future major repairs and replacements should be displayed separately from other items.

CIRAs that employ fund reporting should display assessments relative to repairs and replacements in the replacement fund separately from transactions in the operating fund.

Transfers between funds that are not part of current-period operating revenues should be presented only in a statement of changes in fund balances or in a statement of changes in member’s equity, if a nonfund reporting approach is used.

[AAG, par. 3.08]

B. Required Supplemental Information

1. Is the following unaudited supplementary information disclosed:

a. For estimates of current or future costs of future major repairs and replacements of existing components:			
(1) Estimated amounts required?	_____	_____	_____
(2) Methods used to determine the costs?	_____	_____	_____
(3) Basis for calculations?	_____	_____	_____
(4) Assumptions used for interest and inflation rates?	_____	_____	_____
(5) Sources used and the dates of studies, if any?	_____	_____	_____
b. For components to be repaired or replaced:			
(1) Estimates of the remaining useful lives of the components?	_____	_____	_____
(2) Estimates of current or future replacement cost?	_____	_____	_____
(3) Amounts of funds accumulated for each component as designated by the members of the board?	_____	_____	_____

[AAG, par. 4.33]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
C. Accounting Changes			
1. For changes in accounting principle, does disclosure in the period of the change include:			
<i>a.</i> Nature of the change?	_____	_____	_____
<i>b.</i> Justification for the change, including an explanation of why the newly adopted principle is preferable? [APB 20, par. 17 (AC A06.113)]	_____	_____	_____
2. For all changes in accounting principle, except those relating to a change in entity and those recognized in paragraphs 27–30 of APB 20:			
<i>a.</i> Are prior-period financial statements, included for comparative purposes, presented as previously reported?	_____	_____	_____
<i>b.</i> Is the effect of adopting the new accounting principle on the excess of revenues over expenses (income) before extraordinary items and on the net excess of revenues over expenses (net income) disclosed in the period of the change?	_____	_____	_____
<i>c.</i> Does the amount include related income tax effects?	_____	_____	_____
<i>d.</i> Is the excess of revenues over expenses (income) before extraordinary items and the net excess of revenues over expenses (net income) computed on a pro forma basis shown on the face of the statement of revenues and expenses for all periods presented as if the newly adopted accounting principle had been applied during all periods affected? [APB 20, pars. 19–21, and 25 (AC A06.115, .117, and .121)]	_____	_____	_____
3. Is the reason for not reporting the cumulative effect of the change and not disclosing the pro forma amounts for prior years disclosed if it is impossible to determine such effects? [APB 20, pars. 25 and 26 (AC A06.122–.122)]	_____	_____	_____
4. For changes in accounting principle that are required to be accounted for by restating prior period financial statements, are prior-period financial statements that are presented restated? [APB 20, par. 27 (AC A06.123)]	_____	_____	_____
5. For changes in accounting principle that are required to be accounted for by applying retroactively the new method in restatements of prior periods, is the effect of the change on income before extraordinary items and excess of revenues over expenses disclosed? [APB 20, par. 28 (AC A06.124)]	_____	_____	_____
6. For accounting changes that are changes in estimates that affect several future periods that are not ordinary course of business accounting (e.g., uncollectible accounts), is the effect on income before extraordinary items and excess of revenues over expenses of the current period disclosed? [APB 20, par. 33 (AC A06.132)]	_____	_____	_____
7. For accounting changes that are, in effect, a change in entity, are the following disclosed for all periods presented:			
<i>a.</i> The nature of the change?	_____	_____	_____
<i>b.</i> The reason for the change?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The effect of the change on income before extraordinary items and excess of revenues over expenses? [APB 20, pars. 34 and 35 (AC A35.112 and .113)]	_____	_____	_____
8. For accounting changes that are corrections of errors in previously issued financial statements, are the following disclosed in the period in which the error was discovered and corrected:			
a. The nature of the error?	_____	_____	_____
b. The effect of its correction on income before extraordinary items and excess of revenues over expenses? [APB 20, par. 37 (AC A35.105)]	_____	_____	_____

Practice Tip

Only accounting changes that are material need to be disclosed in the financial statements but a change that does not have a material effect in the period of the change but is reasonably certain to have a material effect in later periods should be disclosed whenever the financial statements of the period of change are presented.

9. For summaries of financial information in reports that include an accounting period in which a change in accounting principle was made, is the amount of the cumulative effect of the change that was included in net income of the period of the change shown separately along with the net income of that period in the financial statements (not in a note or parenthetically)? [APB 20, par. 39 (AC A06.134)]	_____	_____	_____
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D. Commitments and Contingencies

1. Is disclosure made of the nature of estimated loss contingencies accrued when (a) information available prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and (b) the amount of loss can be reasonably estimated? [SFAS 5, par. 9 (AC C59.108)]	_____	_____	_____
2. If necessary to keep the financial statements from being misleading, are the amounts of contingencies accrued as described in Question 1 above disclosed? [SFAS 5, par. 9 (AC C59.108)]	_____	_____	_____
3. For loss contingencies not accrued because one or both of the conditions described in Question 1 are not met or if an exposure to loss exists in excess of the amount accrued for a loss contingency, do disclosures indicate the:			
a. Nature of the contingency?	_____	_____	_____
b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made? [SFAS 5, par. 10 (AC C59.109)]	_____	_____	_____
4. Are the nature and amount of guarantees disclosed (e.g., guarantees of indebtedness of others, guarantees to repurchase receivables (or, in some cases, the related property) that have been sold or otherwise assigned) even though the possibility of loss may be remote? [SFAS 5, par. 12 (AC C59.113); FASBI 34, pars. 1–3 (AC C59.114); EITF 85-20]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Are gain contingencies adequately disclosed with care to avoid any misleading implications about likelihood of realization? [SFAS 5, par. 17 (AC C59.118)]	_____	_____	_____
6. Is disclosure of the following items made:			
a. Unused letters of credit?	_____	_____	_____
b. Commitments to reduce debts, maintain working capital, or restrict dividends? [SFAS 5, pars. 18 and 19 (AC C59.120)]	_____	_____	_____
7. For long-term unconditional purchase obligations that are not recorded in the purchaser's balance sheet, are the following disclosed:			
a. Nature and term of the obligations?	_____	_____	_____
b. Amount of the fixed and determinable portion of the obligations as of the date of the latest balance sheet presented in the aggregate and, if determinable, for each of the next five years?	_____	_____	_____
c. Nature of any variable components of the obligation?	_____	_____	_____
d. Amounts of purchases under the obligations for each year for which an income statement is presented? [SFAS 47, par. 7 (AC C32.102)]	_____	_____	_____
8. When, after considering management's plans, the auditor concludes there is substantial doubt about the CIRA's ability to continue as a going concern for a reasonable period of time, is adequate disclosure of the situation made in the financial statements? [SAS 59, par. 10 (AU 341.10)]	_____	_____	_____
9. Are commitments for long-term contracts disclosed if appropriate? [AAG, par. 7.52]	_____	_____	_____
10. Has the disclosure of noninsured or underinsured risks been considered? (<i>Encouraged, but not required.</i>) [AAG, par. 7.53]	_____	_____	_____

E. Current Vulnerability Due to Certain Concentrations

1. Is disclosure including information that is adequate to inform users of the general nature of the risk associated with concentrations in the volume of business transacted with a particular customer, supplier, lender, grantor, or contributor; in revenue from particular products, services, or fund-raising events; in the available sources of supply of materials, labor, or services, or licenses or other rights used in the reporting entity's operations; or in the market or geographic area in which the reporting entity conducts its operations made if, based on information known to management before the financial statements are issued, (a) the concentration existed at the date of the financial statements, (b) made the enterprise vulnerable to the risk of a near-term severe impact, and (c) it is at least reasonably possible that the events that could cause the severe impact will occur in the near term? [SOP 94-6, pars. 21 and 22; AAG, par. 4.23]	_____	_____	_____
2. For those concentrations of labor subject to collective bargaining agreements and concentrations of operations located outside the reporting entity's home country that (a) exist at the date of the financial statements and (b) make the reporting entity vulnerable to the risk of a near-term severe impact, where it is at least reasonably possible that			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
the events that could cause the severe impact will occur in the near term, are the following disclosed:			
a. The percentage of labor force covered by a collective agreement and the percentage of the labor force covered by a collective bargaining agreement that will expire in one year?	_____	_____	_____
b. For operations located outside the reporting entity's home country, the carrying amounts of net assets and the geographic areas in which they are located? [SOP 94-6, par. 24; AAG, par. 4.23]	_____	_____	_____

F. Related-Party Transactions

Note: Some individual board members, officers, or developers may provide the CIRA with insurance, maintenance, and management services. Such services and any other transactions with related parties may require disclosure.
[SFAS 57, par. 2 (AC R36.102); AAG, par. 4.24]

1. For related-party transactions, do disclosures include:			
a. The nature of the relationships involved (e.g., parent, subsidiary and affiliated companies, board members, officers, stockholders, developers, etc.)?	_____	_____	_____
b. A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which statements of revenue and expenses (statements of operations) are presented, and such other information deemed necessary to gain an understanding of the effects of the transactions on the financial statements?	_____	_____	_____
c. The dollar amounts of transactions for each of the periods for which statements of revenues and expenses (statements of operations) are presented?	_____	_____	_____
d. The effects of any change in the method of establishing the terms from that used in the preceding period?	_____	_____	_____
e. Amounts due from or to related parties as of the date of each balance sheet presented?	_____	_____	_____
f. If not otherwise apparent, the terms and manner of settlement? [SFAS 57, pars. 2-4 (AC R36.102-.104); AAG, par. 4.24]	_____	_____	_____
2. If 10 percent or more of the CIRA's revenues is derived from any one source, is:			
a. That fact disclosed?	_____	_____	_____
b. The amount of revenue from each source disclosed? [AAG, par. 4.25]	_____	_____	_____
3. If representations about transactions with related parties are made, do they avoid the implication that the related party transactions were consummated at arm's length, or if such implications are made, can they be substantiated? [SFAS 57, par. 3 (AC R36.103)]	_____	_____	_____
4. Is the nature of a controlled relationship disclosed, even though there are no transactions between the enterprises, if the CIRA and one or more other enterprises are under common ownership or management control, and the existence of the control could result in			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
operating results or financial position of the CIRA being significantly different from those that would have resulted if the CIRA were autonomous? [SFAS 57, par. 4 (AC R36.104)]	_____	_____	_____
5. Are the nature and extent of leasing transactions with related parties appropriately disclosed? [SFAS 13, par. 29 (AC L10.125)]	_____	_____	_____
6. Are combined financial statements considered for entities under common control? [ARB 51, pars. 22 and 23 (AC C51.121 and .122)]	_____	_____	_____
7. Do related party disclosures include services (such as maintenance) and subsidies provided by the developer? [AAG, par. 4.22]	_____	_____	_____

G. Financial Instruments

Derivative Instruments and Hedging Activities

1. If the CIRA holds or issues derivative instruments (or non-derivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of SFAS 133) has disclosure been made of its objectives for holding or issuing those instruments, the context needed to understand those objectives, and its strategies for achieving those objectives?	_____	_____	_____
2. Does the description distinguish between derivative instruments (and non-derivative instruments) designated as fair value hedging instruments, derivative instruments designated as cash flow hedging instruments, derivative instruments (and non-derivative instruments) designated as hedging instruments for hedges of the foreign currency exposure of a net investment in a foreign operation, and all other derivatives?	_____	_____	_____
3. Does the description also indicate the CIRA's risk management policy for each of those types of hedges, including a description of the items or transactions for which risks are hedged?	_____	_____	_____
4. For derivative instruments not designated as hedging instruments, does the description indicate the purpose of the derivative activity?	_____	_____	_____
5. Qualitative disclosures about the CIRA's objectives and strategies for using derivative instruments may be more meaningful if such objectives and strategies are described in the context of an entity's overall risk management profile. If appropriate, an entity is encouraged, but not required , to provide such additional qualitative disclosures. Have such disclosures been made? [SFAS 133, par. 44 (AC D50)]	_____	_____	_____
6. Do the CIRA's disclosures for every reporting period for which a complete set of financial statements is presented also include the following: <i>Fair Value Hedges</i>			
a. For derivative instruments, as well as non-derivative instruments that may give rise to foreign currency transaction gains or losses under SFAS 52, that have been designated and have qualified as fair value hedging instruments and for the related hedged items:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) The net gain or loss recognized in the statement of revenues and expenses during the reporting period representing (a) the amount of the hedges' ineffectiveness and (b) the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness, and a description of where the net gain or loss is reported in the statement of revenues and expenses or other statement of financial performance?	_____	_____	_____
(2) The amount of net gain or loss recognized in the statement of revenues and expenses when a hedged firm commitment no longer qualifies as a fair value hedge? [SFAS 133, par. 45a (AC D50)]	_____	_____	_____

Cash Flow Hedges

b. For derivative instruments that have been designated and have qualified as cash flow hedging instruments and for the related hedged transactions:

(1) The net gain or loss recognized in earnings during the reporting period representing (a) the amount of the hedges' ineffectiveness and (b) the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness, and a description of where the net gain or loss is reported in the statement of revenues and expenses or other statement of financial performance?	_____	_____	_____
(2) A description of the transactions or other events that will result in the reclassification into earnings of gains and losses that are reported in accumulated other comprehensive income, and the estimated net amount of the existing gains or losses at the reporting date that is expected to be reclassified into earnings within the next 12 months?	_____	_____	_____
(3) The maximum length of time over which the CIRA is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments?	_____	_____	_____
(4) The amount of gains and losses reclassified into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period (as documented at the inception of the hedging relationship) or within additional two-month period of time thereafter? [SFAS 133, par. 45b, as amended by SFAS 138, par. 4r (AC D50)]	_____	_____	_____

Hedges of the Net Investment in a Foreign Operation

c. For derivative instruments, as well as non-derivative instruments that may give rise to foreign currency transaction gains or losses under SFAS 52, that have been designated and have qualified as hedging instruments for hedges of the foreign currency exposure of a net investment in a foreign operation, the net amount of gains or losses included in the cumulative translation adjustment during the reporting period? [SFAS 133, par. 45c (AC D50)]	_____	_____	_____
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7. The quantitative disclosures about derivative instruments may be more useful, and less likely to be perceived to be out of context or otherwise

misunderstood, if similar information is disclosed about other financial instruments or non-financial assets and liabilities to which the derivative instruments are related by activity. Accordingly, in such situations, has the CIRA presented a more complete picture of its activities by disclosing that information? (*Encouraged, but not required.*)

[SFAS 133, par. 45 (AC D50)]

Yes No N/A

Disclosures About Fair Value of Financial Instruments

Practice Tip

SFAS 126, *Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities*, as amended, makes the disclosure about fair values of financial instruments prescribed in SFAS 107, *Disclosures about Fair Value of Financial Instruments*, optional for reporting entities that:

- Are nonpublic entities,
- Have total assets of less than \$100 million on the date of the financial statements, and
- Have no instrument, in whole or in part, is accounted for as a derivative instrument under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, other than commitments related to the origination of mortgage loans to be held for sale during the reporting period.

8. Has the CIRA disclosed, either in the body of the financial statements or in the accompanying notes,¹ the fair value of financial instruments (except for those excluded in paragraphs 8 and 13 of SFAS 107) for which it is practicable to estimate fair value?

[SFAS 107, par. 10 (AC F25)]

9. Has the fair value disclosed in the notes been presented together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amounts relate to what is reported in the statement of financial position?

[SFAS 107, par. 10 (AC F25)]

10. In disclosing the fair value of a financial instrument, has the CIRA taken care not to net that fair value with the fair value of other financial instruments—even if those financial instruments are of the same class or are otherwise considered to be related, for example, by a risk management strategy—except to the extent that the offsetting of carrying amounts in the statement of financial position is permitted under the general principle in paragraphs 5 and 6 of FASBI 39, *Offsetting of Amounts Related to Certain Contracts*, or the exceptions for master netting arrangements in paragraph 10 of FASBI 39 and for amounts related to certain repurchase and reverse repurchase agreements in paragraphs 3 and 4 of FASBI 41, *Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements*?

[SFAS 107, par. 14 (AC F25)]

11. If it is not practicable to estimate the fair value of a financial instrument or a class of financial instruments, are the following disclosed:

- a. Information pertinent to estimating the fair value of that financial instrument or class of financial instruments, such as the carrying amount, effective interest rate, and maturity?

¹ If disclosed in more than a single note, one of the notes shall include a summary table. The summary table shall contain the fair value and related carrying amounts and cross-references to the location(s) of the remaining disclosures required by this Statement as amended.

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| b. The reasons why it is not practicable to estimate fair value?
[SFAS 107, par. 14 (AC F25)] | _____ | _____ | _____ |

Disclosures About Certain Financial Instruments With Characteristics of Both Liabilities and Equity

Notes: Depending upon whether an entity is a nonpublic entity, a public entity, or an SEC registrant, FSP 150-3 defers the effective date for applying the provisions of SFAS 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. Readers should read FSP 150-3 to understand the various effective dates of SFAS 150. FSP 150-3 is available at the FASB Web site at www.fasb.org.

Early adoption of the provisions of SFAS 150 for instruments within the scope of the indefinite deferral established by FSP 150-3 is precluded during the deferral period.

During the deferral period, all public entities as well as nonpublic entities that are SEC registrants are required to follow the disclosure requirements in paragraphs 26 and 27 and SFAS 150 (Questions 13, 14, and 15 below) as well as disclosures required by other applicable guidance.

- | | | | |
|--|-------|-------|-------|
| 12. For items within the scope of SFAS 150, <i>Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity</i> , are they presented as liabilities (or assets in some circumstances) and are those items not presented between the liabilities section and the equity section of the statement of financial position?
[SFAS 150, par. 18 (AC F41.116)] | _____ | _____ | _____ |
| 13. For financial instruments issued that fall within the scope of SFAS 150, <i>Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity</i> , are the nature and terms of the financial instruments and the rights and obligations embodied in those instruments disclosed?
[SFAS 150, par. 26] | _____ | _____ | _____ |
| 14. If the above is disclosed, does it include information about settlement alternatives, if any, in the contract and identify the entity that controls the settlement alternatives?
[SFAS 150, par. 26] | _____ | _____ | _____ |
| 15. Additionally, for all outstanding financial instruments within the scope of SFAS 150 and for each settlement alternative, do issuers disclose: | | | |
| a. The amount that would be paid, or the number of shares that would be issued and their fair value, determined under the conditions specified in the contract if the settlement were to occur at the reporting date? | _____ | _____ | _____ |
| b. How changes in the fair value of the issuer's equity shares would affect those settlement amounts (for example, "the issuer is obligated to issue an additional x shares or pay an additional y dollars in cash for each \$1 decrease in the fair value of one share")? | _____ | _____ | _____ |
| c. The maximum amount that the issuer could be required to pay to redeem the instrument by physical settlement, if applicable? | _____ | _____ | _____ |
| d. The maximum number of shares that could be required to be issued, if applicable? | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. That a contract does not limit the amount that the issuer could be required to pay or the number of shares that the issuer could be required to issue, if applicable?	_____	_____	_____
f. For a forward contract or and option indexed to the issuer’s equity shares, the forward price or option strike price, the number of issuer’s shares to which the contract is indexed, and the settlement date or dates of the contract, as applicable? [SFAS 150, par. 27]	_____	_____	_____
16. For financial instruments in the form of shares, all of which are mandatorily redeemable financial instruments, are they classified as liabilities and described as “shares subject to mandatory redemption”?	_____	_____	_____
a. Are the components of the liability that would otherwise be related to shareholders’ interest and other comprehensive income (if any) subject to the redemption feature disclosed? [SFAS 150, pars. 19 and 28 (AC F41.117 and .126)]	_____	_____	_____
b. Are payments to holders of such instruments and related accruals presented separately from payments to and interest due to other creditors in statements of cash flows and income?	_____	_____	_____
17. Are mandatorily redeemable financial instruments classified as liabilities unless the redemption is required to occur only upon the liquidation or termination of the reporting entity? [SFAS 150, par. 9]	_____	_____	_____
18. Are financial instruments, other than an outstanding share that at inception (a) embodies an obligation to repurchase the issuer’s equity shares or is indexed to such an obligation, and (b) requires or may require the issuer to settle the obligation by transferring assets, classified as liabilities (or assets in some circumstances)? [SFAS 150, par. 11]	_____	_____	_____
19. Are financial instruments that embody an unconditional obligation, or financial instruments other than an outstanding share that embodies a conditional obligation, that the issuer must or may settle by issuing a variable number of its equity shares, classified as liabilities (or assets in some circumstances) if, at inception, the monetary value of the obligation is based solely or predominantly on any one of the items indicated in paragraph 12 of SFAS 150? [SFAS 150, par. 12]	_____	_____	_____

Disclosure About Concentrations of Credit Risk of All Financial Instruments

20. Except as indicated in paragraph 15B² of SFAS 107, has the CIRA disclosed all significant concentrations of credit risk arising from *all* financial instruments, whether from an individual counterparty or

² SFAS 107 paragraph 15B provides that these disclosure requirements do not apply to the following financial instruments, whether written or held:

- a. Financial instruments of a pension plan, including plan assets, when subject to the accounting and reporting requirements of SFAS 87 (Financial instruments of a pension plan, other than the obligations for pension benefits, when subject to the accounting and reporting requirements of SFAS 35, *Accounting and Reporting by Defined Benefit Pension Plans*, are subject to the reporting of paragraph 15A).
- b. The financial instruments described in paragraphs 8(a), 8(c), 8(e), and 8(f) of SFAS 107, as amended by SFAS 112, *Employers’ Accounting for Postemployment Benefits*, SFAS 123, *Accounting for Stock-Based Compensation*, except for reinsurance receivables and prepaid reinsurance premiums.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
groups of counterparties (<i>Group concentrations</i> of credit risk exist if a number of counterparties are engaged in similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions)? [SFAS 107, par. 15A (AC F25)]	_____	_____	_____
21. Has the CIRA made the following disclosures about each significant concentration:			
a. Information about the (shared) activity, region, or economic characteristic that identifies the concentration?	_____	_____	_____
b. The maximum amount of loss due to credit risk that, based on the gross fair value of the financial instrument, the CIRA would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and the collateral or other security, if any, for the amount due proved to be of no value to the CIRA?	_____	_____	_____
c. The CIRA's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the CIRA's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments?	_____	_____	_____
d. The CIRA's policy of entering into master netting arrangements to mitigate the credit risk of financial instruments, information about the arrangements for which the CIRA is a party, and a brief description of the terms of those arrangements, including the extent to which they would reduce the CIRA's maximum amount of loss due to credit risk? [SFAS 107, par. 15A (AC F25)]	_____	_____	_____
22. Has the CIRA disclosed quantitative information ³ about the market risks of financial instruments that is consistent with the way it manages or adjusts those risks? (<i>Encouraged, but not required.</i>) [SFAS 107, par. 15C (AC F25)]	_____	_____	_____
23. Are gains and losses (realized and unrealized) on all derivative instruments within the scope of SFAS 133 shown net when recognized in the income statement, whether or not settled physically, if the derivative instruments are held for trading purposes? [EITF 02-3]	_____	_____	_____
24. If derivative instruments are not held for trading purposes, have the relevant facts and circumstances been considered when determining if gains and losses on all derivative instruments within the scope of SFAS 133 should be shown on a gross or net basis when recognized in the income statement? [EITF 03-11]	_____	_____	_____
25. If derivative transactions are entered into in connection with the issuance of contingently convertible securities, do disclosures of the			

³ Appropriate ways of reporting the quantitative information encouraged will differ for different CIRAs and will likely evolve over time as management approaches and measurement techniques evolve. Possibilities include disclosing (a) more details about current positions and perhaps activity during the period, (b) the hypothetical effects on comprehensive income (or net assets), or annual income, of several possible changes in market prices, (c) a gap analysis of interest rate re-pricing or maturity dates, (d) the duration of the financial instruments, or (e) the CIRA's value at risk from derivatives and from other positions at the end of the reporting period and the average value at risk during the year. This list is not exhaustive, and a CIRA is encouraged to develop other ways of reporting quantitative information.

potential impact of the contingently convertible securities include the terms of those derivative transactions (including the terms of settlement), how those transactions relate to the contingently convertible securities and the number of shares underlying the derivatives?
[FSP 129-1, par. 5 (AC C24.806)]

<u>Yes</u>	<u>No</u>	<u>N/A</u>
_____	_____	_____

H. Nonmonetary Transactions

1. Do disclosures for nonmonetary transactions during the period include:
 - a. Nature of the transactions? _____
 - b. Basis of accounting for the assets transferred? _____
 - c. Gains or losses recognized on the transfers?
[APB 29, par. 28 (AC N35.120)] _____

2. Is the amount of gross operating revenue recognized as a result of nonmonetary transactions addressed by EITF 00-8, *Accounting by a Grantee for an Equity Instrument to Be Received in Conjunction with Providing Goods or Services*, disclosed in each period’s financial statements?
[EITF 00-8] _____

I. Illegal Acts

1. Has information relating to material revenue or excess of revenues over expenses derived from transactions involving illegal acts, or illegal acts that create significant unusual risks associated with material revenue or excess of revenues over expenses, considered for disclosure?
[SAS 54, par. 15 (AU 317.15)] _____

J. Special Assessments and Guarantees

1. For special assessments, is there disclosure of:
 - a. The proposed use for funds collected in special assessments? _____
 - b. Assessments that are used for purposes other than those for which they are designated?
[AAG, par. 4.22] _____

2. Is the following information disclosed by a guarantor about each guarantee, or each group of similar guarantees, even if the likelihood of the guarantor’s having to make any payments under the guarantee is remote:
 - a. The nature of the guarantee, including the approximate term, how the guarantee arose, and the events or circumstances that would require the guarantor to perform under the guarantee? _____
 - b. Maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee?
(Does not apply to product warranties and other guarantee contracts, collectively referred to as product warranties.) _____
 - c. If the terms of the guarantee provide for no limitation to the maximum potential future payments under the guarantee, is that fact disclosed? _____
 - d. The reasons why the guarantor cannot estimate the maximum potential amount of future payments under its guarantee, if the guarantor is unable to develop an estimate? _____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. The current carrying amount of the liability, if any, for the guarantor's obligations under the guarantee, including the amount, if any, recognized under SFAS 5, paragraph 8, regardless of whether the guarantee is freestanding or embedded in another contract?	_____	_____	_____
f. The nature of—			
(1) Any recourse provisions that would enable the guarantor to recover from third parties any of the amounts paid under the guarantee and	_____	_____	_____
(2) Any assets held either as collateral or by third parties that, upon the occurrence of any triggering event or condition under the guarantee, the guarantor can obtain and liquidate to recover all or a portion of the amounts paid under the guarantee?	_____	_____	_____
g. If estimable, the approximate extent to which the proceeds from liquidation of those assets would be expected to cover the maximum potential amount of future payments under the guarantee? [FASBI 45, par. 13 (AC G80.112)]	_____	_____	_____
3. For product warranties and other guarantee contracts that are excluded from the initial recognition and initial measurement requirements of FASBI 45 pursuant to paragraph 7(b) of FASBI 45 (collectively referred to as product warranties), is the following information disclosed:			
a. The guarantor's accounting policy and methodology used in determining its liability for product warranties?	_____	_____	_____
b. A tabular reconciliation of the changes in the guarantor's aggregate product warranty liability for the reporting period?	_____	_____	_____
c. Does the tabular reconciliation present—			
(1) The beginning balance of the aggregate product warranty liability?	_____	_____	_____
(2) The aggregate reductions in that liability for payments made in cash or in kind under the warranty?	_____	_____	_____
(3) The aggregate changes in the liability for accruals related to product warranties issued during the reporting period?	_____	_____	_____
(4) The aggregate changes in the liability for accruals related to preexisting warranties, including adjustments related to changes in estimates?	_____	_____	_____
(5) The ending balance of the aggregate product warranty liability? [FASBI 45, par. 14 (AC G80.113)]	_____	_____	_____

K. Impaired Loans

1. Is the following information about loans that meet the definition of impaired loans in SFAS 114 disclosed as of the date of each balance sheet presented:			
a. The total recorded investment in the impaired loans?	_____	_____	_____
b. The amount of that recorded investment for which there is a related allowance for credit losses determined in accordance with SFAS 114 and the amount of that allowance?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The amount of that recorded investment for which there is no related allowance for credit losses determined in accordance with SFAS 114? [SFAS 118, par. 6i (AC I08.118a)]	_____	_____	_____
2. Is the policy for recognizing interest income on impaired loans, including how cash receipts are handled, disclosed? [SFAS 114, par. 6i (AC I08.118b)]	_____	_____	_____
3. Are the following disclosures made for each period for which an income statement is presented:			
a. The average recorded investment in the impaired loans during the period?	_____	_____	_____
b. The related amount of interest income recognized during the time within the period that the loans were considered impaired?	_____	_____	_____
c. Unless not practicable, the amount of interest income recognized using a cash-basis method of accounting during the time within the period that the loans were impaired?	_____	_____	_____
d. Activity in the total allowance for credit losses related to loans, including the balance in the allowance for credit losses account at the beginning and end of each period, additions charged to operations, direct write-downs charged against the allowance, and recoveries of amounts previously charged off? (<i>Note:</i> The total allowance for credit losses related to loans includes those amounts that have been determined in accordance with SFAS 5 and SFAS 114.) [SFAS 118, par. 6i (AC I08.118c)]	_____	_____	_____

Practice Tip

Information about impaired loans that have been restructured in a troubled debt restructuring involving a modification of terms need not be included in the disclosures required by Questions 1 and 3a-c above in years after the restructuring if (a) the restructuring agreement specifies an interest rate equal to or greater than the rate that the creditor was willing to accept at the time of the restructuring for a new loan with comparable risk and (b) the loan is not impaired based on the terms specified in the restructuring agreement. That exception must be applied consistently for Questions 1 and 3a-c above to all loans restructured in a troubled debt restructuring that meet the specified criteria.

4. In years after a restructuring, are loans that are restructured in a troubled debt restructuring into two (or more) loan agreements considered separately when assessing the applicability of the disclosures in paragraphs 20a and 20c of SFAS 114 as amended by SFAS 118 (Questions 1 and 3a-c above)? [EITF 96-22]	_____	_____	_____
5. If the reporting entity is an SEC registrant, is adequate disclosure made of the impact of the multiple loan structures on impaired loan disclosures for loans restructured in troubled debt restructurings? [EITF 96-22]	_____	_____	_____

L. Impairment of Long-Lived Assets to Be Held and Used

1. Is an impairment loss recognized for a long-lived asset (asset group) to be held and used included in income from continuing operations before income taxes in the income statement of a business enterprise? [SFAS 144, par. 25 (AC I08.160)]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Is the following information disclosed in the notes to the financial statements and do they include the period in which an impairment loss is recognized:			
a. A description of the impaired long-lived asset (asset group) and the facts and circumstances leading to the impairment?	_____	_____	_____
b. If not separately presented on the face of the statement, the amount of the impairment loss and the caption in the statement of revenues and expenses that includes that loss?	_____	_____	_____
c. The method or methods for determining fair value (whether based on a quoted market price, prices for similar assets, or another valuation technique)?	_____	_____	_____
d. If applicable, the segment in which the impaired long-lived asset (asset group) is reported under SFAS 131, <i>Disclosures about Segments of an Enterprise and Related Information</i> ? [SFAS 144, par. 26 (AC I08.161)]	_____	_____	_____

L1. Long-Lived Assets and Disposal Groups to Be Disposed of

Reporting Disposal Gains or Losses in Continuing Operations

1. Is a gain or loss, that is recognized for a long-lived asset (disposal group) classified as held for sale that is not a component of an entity, included in income from continuing operations before income taxes in the income statement? [SFAS 144, par. 45 (AC I08.118)]	_____	_____	_____
2. If a subtotal such as "income from operations" is presented, does it include the amounts of those gains or losses considered in Question 1 above? [SFAS 144, par. 45 (AC I08.118)]	_____	_____	_____

Reporting a Long-Lived Asset or Disposal Group Sold or Classified as Held for Sale

3. If the criteria of paragraph 30 of SFAS 144 are met (and thus a long-lived asset is classified as held for sale) after the balance sheet date but before the issuance of the financial statements, does the long-lived asset continue to be classified as held and used in those financial statements when issued and is the information required by paragraph 47(a) of SFAS 144 (question 8(a) below) disclosed in the notes to the financial statements? [SFAS 144, par. 33 (AC D60.110)]	_____	_____	_____
4. Is a long-lived asset that is classified as held for sale presented separately in the statement of financial position? [SFAS 144, par. 46 (AC D60.119)]	_____	_____	_____
5. Are the assets and liabilities of a disposal group that is classified as held for sale presented separately in the asset and liability sections, respectively, of the statement of financial position? [SFAS 144, par. 46 (AC D60.119)]	_____	_____	_____
6. Are those assets and liabilities considered in Question 5 above, <u>not</u> offset and presented as a single amount? [SFAS 144, par. 46 (AC D60.119)]	_____	_____	_____
7. Are the major classes of assets and liabilities that are classified as held for sale separately disclosed either on the face of the statement of financial position or in the notes to the financial statements? [SFAS 144, par. 46 (AC D60.119)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
8. Is the following information disclosed in the notes to the financial statements that cover the period in which a long-lived asset (disposal group) either has been sold or is classified as held for sale:			
a. A description of the facts and circumstances leading to the expected disposal, the expected manner and timing of that disposal, and if not separately presented on the face of the statement, the carrying amount(s) of the major classes of assets and liabilities included as part of a disposal group?	_____	_____	_____
b. The gain or loss recognized in accordance with paragraph 37 of SFAS 144 and if not separately presented on the face of the statement of revenues and expenses, the caption in the statement of revenues and expenses that includes that gain or loss?	_____	_____	_____
c. If applicable, amounts of revenue and pretax profit or loss reported in discontinued operations?	_____	_____	_____
d. If applicable, the segment in which the long-lived asset (disposal group) is reported under SFAS 131? [SFAS 144, par. 47 (AC D60.120 and AC I14.105)]	_____	_____	_____
9. Is the following disclosed in the notes to the financial statements that include the period of that decision, if either paragraph 38 or paragraph 40 of SFAS 144 applies, a description of the facts and circumstances leading to the decision to change the plan to sell the long-lived asset (disposal group) and its effect on the results of operations for the period and any prior periods presented? [SFAS 144, par. 48 (AC D60.121 and AC I14.106)]	_____	_____	_____
10. If a long-lived asset is to be disposed of other than by sale, does it continue to be classified as held and used until it is disposed of? [SFAS 144, par. 27 (AC D60.104)]	_____	_____	_____

M. Leases—Lessees

1. For capital leases, do disclosures include:			
a. The gross amounts of assets recorded as of each balance-sheet date presented by major classes according to nature or function? (<i>Note:</i> This information may be combined with comparable information for owned assets.) [SFAS 13, par. 16 (AC L10.112a(1))]	_____	_____	_____
b. Future minimum lease payments as of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years with separate deductions from the total for the amount representing executory costs, including any profit thereon, included in the minimum lease payments and for the amount of imputed interest necessary to reduce net minimum lease payments to present value? [SFAS 13, par. 16a (AC L10.112a(2))]	_____	_____	_____
c. Total of future minimum sublease rentals to be received under noncancelable subleases as of the latest balance-sheet date? [SFAS 13, par. 16a (AC L10.112a(3))]	_____	_____	_____
d. Total contingent rentals actually incurred for each period for which statement of revenues and expenses is presented? [SFAS 13, par. 16a (AC L10.112a(4))]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>e.</i> Are the following separately identified in the balance sheet or in the notes to the financial statements:			
(1) Assets recorded under capital leases and the accumulated amortization thereon?	_____	_____	_____
(2) The related obligations under the lease? [SFAS 13, par. 13 (AC L10.112a(5))]	_____	_____	_____
<i>f.</i> Amortization expense, unless it is included in depreciation expense and that fact is disclosed? [SFAS 13, par. 13 (AC L10.112a(5))]	_____	_____	_____
2. For operating leases that have initial or remaining noncancelable lease terms in excess of one year, do disclosures include:			
<i>a.</i> Future minimum rental payments required as of the latest balance sheet presented, in the aggregate, and for each of the five succeeding fiscal years?	_____	_____	_____
<i>b.</i> Total of future minimum rentals under noncancelable subleases as of the date of the latest balance sheet presented? [SFAS 13, par. 16b (AC L10.112b)]	_____	_____	_____
3. For all operating leases:			
<i>a.</i> Do disclosures include rental expense for each period for which statement of revenues and expenses is presented?	_____	_____	_____
<i>b.</i> Are separate amounts presented for:			
(1) Minimum rentals?	_____	_____	_____
(2) Contingent rentals?	_____	_____	_____
(3) Sublease rentals? [SFAS 13, par. 16c (AC L10.112c)]	_____	_____	_____
4. Do disclosures include a general description of the lessee's leasing arrangements including but not limited to:			
<i>a.</i> The basis on which contingent rental payments are determined?	_____	_____	_____
<i>b.</i> The existence and terms of renewal or purchase options or escalation clauses?	_____	_____	_____
<i>c.</i> Restrictions imposed by lease agreements, such as those concerning dividends, additional debt or further leasing? [SFAS 13, par. 16d (AC L10.112d)]	_____	_____	_____
5. If there is a modification of lease terms and the increase in lease payments is a termination penalty, is the accounting policy disclosed in accordance with APB 22? [EITF 95-17; APB 22, pars. 12-14 (AC L10.108 and 109)]	_____	_____	_____

N. Leases—Lessors

1. For sales-type and direct financing leases, do disclosures include:
 - a.* The components of the net investment in sales-type and direct financing leases as of each balance-sheet date:
 - (1) Future minimum lease payments to be received, with separate deductions for (*a*) amounts representing executory costs, including any profit thereon, included in minimum lease payments and (*b*) the accumulated allowances for uncollectible minimum lease payments receivable?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(2) The unguaranteed residual values accruing to the benefit of the lessor?	_____	_____	_____
(3) For direct financing leases only, initial direct costs?	_____	_____	_____
(4) Unearned income?	_____	_____	_____
b. Future minimum lease payments to be received for each of the five succeeding fiscal years as of the latest balance sheet presented?	_____	_____	_____
c. Total contingent rentals included in income for each period for which an income statement is presented? [SFAS 13, par. 23a, as amended by SFAS 91, par. 25 (AC L10.119a)]	_____	_____	_____
2. For operating leases, do disclosures include:			
a. The cost and carrying amount (if different) of property on lease or held for leasing by major classes of property according to nature and function, and the amount of accumulated depreciation in total as of the latest balance-sheet date?	_____	_____	_____
b. Minimum future rentals on noncancelable leases as of the latest balance-sheet date presented, in the aggregate and for each of the five succeeding fiscal years?	_____	_____	_____
c. Total contingent rentals included in income for each period for which an income statement is presented? [SFAS 13, par. 23b (AC L10.119b)]	_____	_____	_____
3. For investments in leveraged leases, do disclosures include:			
a. In the balance sheet, the amount of deferred taxes presented separately from the remainder of the net investment?	_____	_____	_____
b. In the income statement or the notes thereto, separate presentation (from each other) of pretax income from the leveraged lease, the tax effect of pretax income, and the amount of investment tax credit recognized as income during the period?	_____	_____	_____
c. When leveraged leasing is a significant part of the lessor's business activities in terms of revenue, net income, or assets, the components of the net investment balance in leveraged leases in the notes to the financial statements? [SFAS 13, par. 47 (AC L10.149)]	_____	_____	_____
4. Do disclosures include a general description of the lessor's leasing arrangements? [SFAS 13, par. 23 (AC L10.119c)]	_____	_____	_____
5. For leasing transactions with related parties, are the nature and extent of the transaction disclosed? [SFAS 13, par. 29 (AC L10.125)]	_____	_____	_____
6. For contingent rental income:			
a. Has disclosure been made of the lessor's accounting policy for contingent rental income?	_____	_____	_____
b. If the lessor accrues contingent rental income prior to the lessee's achievement of the specified target (provided achievement of that target is considered probable), has disclosure been made of the impact on rental income as if the lessor's accounting policy was to defer contingent rental income until the specified target is met? [EITF 98-9]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 7. Is the effect on the balance sheet and the income statement resulting from a change in lease classification under item (b) of paragraph 6 of EITF 00-11, disclosed for leases that at inception would have been classified differently had the guidance in EITF 00-11 been in effect at the inception of the original lease?
[EITF 00-11] | _____ | _____ | _____ |

O. Environmental Remediation Liabilities

- | | | | |
|--|-------|-------|-------|
| 1. Is there disclosure of the following accounting policies: | | | |
| a. Whether accruals for environmental remediation liabilities are measured on a discounted basis? | _____ | _____ | _____ |
| b. The policy concerning the timing of recognition of recoveries? (<i>Encouraged, but not required.</i>)
[SOP 96-1 (Ch. 7, pars. 11 and 12)] | _____ | _____ | _____ |
| 2. Do the financial statements disclose the event, situation, or set of circumstances that triggered recognition of loss contingencies that arose out of the reporting entity's environmental remediation-related obligations? (<i>Encouraged, but not required.</i>)
[SOP 96-1 (Ch. 7, par. 12)] | _____ | _____ | _____ |

Recognized Losses and Recoveries of Losses, and Reasonably Possible Loss Exposures

- | | | | |
|---|-------|-------|-------|
| 3. With respect to recorded accruals for environmental remediation loss contingencies and assets for third-party recoveries related to environmental remediation obligations, are the following disclosed: | | | |
| a. The nature of the accruals, if such disclosure is necessary for the financial statements not to be misleading, and, in situations where disclosure of the nature of the accruals is necessary, the total amount accrued for the remediation obligation, if such disclosure is also necessary for the financial statements not to be misleading? | _____ | _____ | _____ |
| b. If any portion of the accrued obligation is discounted, the undiscounted amount of the obligation and the discount rate used in the present-value determinations? | _____ | _____ | _____ |
| c. If the criteria of SOP 94-6 (it is at least reasonably possible that an estimate of the effect on the financial statements of a matter that existed at the balance-sheet date will change in the near term and the effect of the change would be material to financial statements) are met with respect to the accrued obligation or to any recognized asset for third-party recoveries, an indication that it is at least reasonably possible that a change in the estimate of the obligation or of the asset will occur in the near term?
[SOP 96-1 (Ch. 7, par. 20)] | _____ | _____ | _____ |
| 4. With respect to reasonably possible loss contingencies, including reasonably possible loss exposures in excess of the amount accrued, are the following disclosed: | | | |
| a. The nature of the reasonably possible loss contingency, that is, a description of the reasonably possible remediation obligation, and an estimate of the possible loss exposure or the fact that such an estimate cannot be made? | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. If the criteria of SOP 94-6 are met with respect to estimated loss (or gain) contingencies, an indication that it is at least reasonably possible that a change in the estimate will occur in the near term?	_____	_____	_____
c. The estimated time frame of disbursements for recorded amounts if expenditures are expected to continue over the long term? <i>(Encouraged, but not required.)</i>	_____	_____	_____
d. The estimated time frame for realization of recognized probable recoveries, if realization is not expected in the near term? <i>(Encouraged, but not required.)</i>	_____	_____	_____
e. If the criteria of SOP 94-6 are met with respect to the accrued obligation, to any recognized asset for third-party recoveries, or to reasonably possible loss exposures or disclosed gain contingencies, the factors that cause the estimate to be sensitive to change? <i>(Encouraged, but not required.)</i>	_____	_____	_____
f. If an estimate of the probable or reasonably possible loss or range of loss cannot be made, the reasons why it cannot be made? <i>(Encouraged, but not required.)</i>	_____	_____	_____
g. If information about the reasonably possible loss or the recognized and additional reasonably possible loss for an environmental remediation obligation related to an individual site is relevant to an understanding of the financial position, cash flows, or results of operations of the entity, the following with respect to the site: <i>(Encouraged, but not required.)</i>			
(1) The total amount accrued for the site?	_____	_____	_____
(2) The nature of any reasonably possible loss contingency or additional loss, and an estimate of the possible loss or the fact that an estimate cannot be made and the reasons why it cannot be made?	_____	_____	_____
(3) Whether other potentially responsible parties are involved and the entity's estimated share of the obligation?	_____	_____	_____
(4) The status of regulatory proceedings?	_____	_____	_____
(5) The estimated time frame for resolution of the contingency? [SOP 96-1 (Ch. 7, pars. 21 and 22)]	_____	_____	_____

Probable But Not Reasonably Estimable Losses

5. If the reporting entity's probable but not reasonably estimable environmental remediation obligations may be material, are the nature of the probable contingency (that is, a description of the remediation obligation) and the fact that a reasonable estimate cannot currently be made disclosed? [SOP 96-1 (Ch. 7, par. 25)]	_____	_____	_____
6. Is the estimated time frame for resolution of the uncertainty as to the amount of the loss disclosed? <i>(Encouraged, but not required.)</i> [SOP 96-1 (Ch. 7, par. 25)]	_____	_____	_____

Environmental Remediation Costs Recognized Currently

7. Is the amount of environmental remediation costs recognized in the statement of revenues and expenses disclosed in the following detail: <i>(Encouraged, but not required.)</i>			
--	--	--	--

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The amount recognized for environmental remediation loss contingencies in each period?	_____	_____	_____
b. The amount of any recovery from third parties that is credited to environmental remediation costs in each period?	_____	_____	_____
c. The statement of revenues and expenses caption in which environmental remediation costs and credits are included? [SOP 96-1 (Ch. 7, par. 29)]	_____	_____	_____

Other Matters

8. Do the financial statements include a *contingency conclusion* that addresses the estimated total unrecognized exposure to environmental remediation and other loss contingencies? (*Optional.*)
[SOP 96-1 (Ch. 7, par. 30)]
9. Is there a description of the general applicability and impact of environmental laws and regulations upon their business and how the existence of such laws and regulations may give rise to loss contingencies for future environmental remediation? (*Optional.*)
[SOP 96-1 (Ch. 7, par. 31)]

_____	_____	_____
_____	_____	_____

P. Subsequent Events

1. Are subsequent events that provide evidence about conditions that did not exist at the balance-sheet date, but arose subsequent to that date, adequately disclosed to keep the financial statements from being misleading?
[SFAS 5, par. 11 (AC C59.112); SAS 1, sec. 560.05-.07 and .09, as amended by SAS 98 (AU 560.05-.07 and .09)]

_____	_____	_____
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Note: See sample financial statements in section 4600, including Exhibit A-5, note 4, Future Major Repairs and Replacements, Exhibit A-7, Schedule of Changes in Replacement Fund Balances, Exhibit A-8, Supplementary Information on Future Repairs and Replacements, and Exhibit A-17, note 6, Future Major Repairs and Replacements, for example disclosures.

Q. Extinguishments of Debt

1. If debt was considered to be extinguished under the provisions of SFAS 76 prior to the effective date of SFAS 125, do disclosures include:
- a. A general description of the transaction?
- b. The amount of debt that is considered extinguished at the end of the period as long as the debt remains outstanding?
[SFAS 140, par. 17b (AC L35.109a)]
2. If assets were set aside after the effective date of SFAS 125 (December 31, 1996) solely for satisfying scheduled payments of a specific obligation, is disclosure made describing the nature of restrictions placed on assets?
[SFAS 140, par. 17c (AC L35.109b)]
3. If the reclassification to earnings of the amount in accumulated comprehensive income resulting from a cash flow hedge of debt is required under SFAS 133 when the debt is extinguished, is the reclassified amount not classified as extraordinary?
[EITF 00-9]

_____	_____	_____
_____	_____	_____

_____	_____	_____
-------	-------	-------

_____	_____	_____
-------	-------	-------

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. A description of the type and amount of exit costs recognized as liabilities and the classification of those costs in the statement of revenues and expenses and changes in fund balances?	_____	_____	_____
c. A description of the type and amount of exit costs paid and charged against the liability?	_____	_____	_____
d. The amount of any adjustment(s) to the liability?	_____	_____	_____
e. For all periods presented, the revenue and net operating income or losses from activities that will not be continued if those activities have separately identifiable operations? [EITF 94-3, Section B]	_____	_____	_____
4. Is the following information disclosed in notes to the financial statements that include the period in which an exit or disposal activity is initiated and any subsequent period until the activity is completed:			
a. A description of the exit or disposal activity, including the facts and circumstances leading to the expected activity and the expected completion date?	_____	_____	_____
b. For each major type of cost associated with the activity (for example, one-time termination benefits, contract termination costs, and other associated costs):			
(1) The total amount expected to be incurred in connection with the activity, the amount incurred in the period, and the cumulative amount incurred to date?	_____	_____	_____
(2) A reconciliation of the beginning and ending liability balances showing separately the changes during the period attributable to costs incurred and charged to expense, costs paid or otherwise settled, and any adjustments to the liability with an explanation of the reason(s) therefor?	_____	_____	_____
c. The line item(s) in the income statement or the statement of activities in which the costs in Question 4b are aggregated?	_____	_____	_____
d. For each reportable segment:			
(1) The total amount of costs expected to be incurred in connection with the activity?	_____	_____	_____
(2) The amount incurred in the period?	_____	_____	_____
(3) The cumulative amount incurred to date, net of any adjustments to the liability with an explanation of the reason(s) therefor?	_____	_____	_____
e. If a liability for a cost associated with the activity is not recognized because fair value cannot be reasonably estimated, that fact and the reasons therefor? [SFAS 146, par. 20 (AC L32.120)]	_____	_____	_____
5. Are costs associated with an exit or disposal activity that does not involve a discontinued operation included in income from continuing operations before income taxes in the income statement? [SFAS 146, par. 18 (AC L32.118)]	_____	_____	_____
6. Are costs associated with an exit or disposal activity that involves a discontinued operation included in the results of discontinued operations? [SFAS 146, par. 18 (AC L32.118)]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 7. If an event or circumstance occurs that discharges or removes an entity's responsibility to settle a liability for a cost associated with an exit or disposal activity recognized in a prior period, is the liability reversed?
[SFAS 146, par. 19 (AC L32.119)] | _____ | _____ | _____ |
| 8. Are the related costs reversed through the same line item(s) in the income statement used when those costs were recognized initially?
[SFAS 146, par. 19 (AC L32.119)] | _____ | _____ | _____ |

S. Troubled Debt Restructurings—Debtors

- | | | | |
|--|-------|-------|-------|
| 1. For a troubled debt restructuring occurring during the current period, do disclosures include: | | | |
| a. A description of the principal changes in terms, the major features of settlement, or both? | _____ | _____ | _____ |
| b. Aggregate gain on restructuring of payables? | _____ | _____ | _____ |
| c. Aggregate net gain or loss on transfers of assets recognized during the period? | _____ | _____ | _____ |
| d. Per-share amount of the aggregate gain on restructuring of payables, net of related income tax effect?
[SFAS 15, par. 25, as amended by SFAS 145 (AC D22.121)] | _____ | _____ | _____ |
| 2. For periods after a troubled debt restructuring, do disclosures include: | | | |
| a. The extent to which amounts contingently payable are included in the carrying amount of restructured payables? | _____ | _____ | _____ |
| b. Total amounts contingently payable, if applicable, and conditions under which those amounts would become payable or forgiven?
[SFAS 15, par. 26 (AC D22.122)] | _____ | _____ | _____ |

T. Asset Retirement Obligations

- | | | | |
|--|-------|-------|-------|
| 1. Does the company disclose the following information about its asset retirement obligations: | | | |
| a. A general description of the asset retirement obligations and the associated long-lived assets? | _____ | _____ | _____ |
| b. The fair value of assets that are legally restricted for purposes of settling asset retirement obligations? | _____ | _____ | _____ |
| c. A reconciliation of the beginning and ending aggregate carrying amounts of asset retirement obligations showing separately the changes attributable to (1) liabilities incurred in the current period, (2) liabilities settled in the current period, (3) accretion expense, and (4) revisions in estimated cash flows, whenever there is a significant change in one or more of those four components during the reporting period?
[SFAS 143, par. 22 (AC A50.122)] | _____ | _____ | _____ |
| 2. If the fair value of an asset retirement obligation cannot be reasonably estimated is that fact and the reasons therefore disclosed?
[SFAS 143, par. 22 (AC A50.122)] | _____ | _____ | _____ |

Common Interest Realty Associations

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. In addition to the disclosures required by paragraphs 19(c), 19(d), and 21 of APB 20, is the liability for the asset retirement obligation computed on a pro forma basis disclosed in the footnotes for the beginning of the earliest year presented and at the end of all years presented as if SFAS 143 had been applied during all periods affected? [SFAS 143, par. 27]	_____	_____	_____

FSP Section 4400

Auditors' Reports Checklist

.01 This checklist has been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as a nonauthoritative practice aid.

.02 Explanation of References:

AAG =	AICPA Audit and Accounting Guide <i>Common Interest Realty Associations</i> (with conforming changes as of May 1, 2004)
SAS =	AICPA Statement on Auditing Standards
SSAE =	AICPA Statement on Standards for Attestation Engagements
SSARS =	AICPA Statement on Standards for Accounting and Review Services
AU =	Reference to section number in <i>AICPA Professional Standards</i> (vol. 1)
AR =	Reference to section number in <i>AICPA Professional Standards</i> (vol. 2)

.03 Checklist Questionnaire:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Is each audited financial statement specifically identified in the introductory paragraph of the auditor's report? [SAS 58, par. 6 (AU 508.08)]	_____	_____	_____
2. Do the titles of the financial statements referred to in the introductory paragraph of the auditor's report match the titles of the financial statements presented? [Generally Accepted]	_____	_____	_____
3. Do the dates of the financial statements referred to in the introductory paragraph of the auditor's report match the dates of the financial statements presented? [Generally Accepted]	_____	_____	_____
4. Is the report appropriately addressed? [SAS 58, par. 9 (AU 508.09)]	_____	_____	_____
5. Does the auditor's report include:			
a. A title that includes the word "independent"? [SAS 58, par. 8a (AU 508.08a)]	_____	_____	_____
b. A statement that the financial statements identified in the report were audited? [SAS 58, par. 8b (AU 508.08b)]	_____	_____	_____
c. A statement that the financial statements are the responsibility of management and that the auditor's responsibility is to express an opinion on the financial statements based on his or her audit? [SAS 58, par. 8c (AU 508.08c)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. A statement that the audit was conducted in accordance with generally accepted auditing standards and an identification of the country of origin of those standards (for example, auditing standards generally accepted in the United States of America or U.S. generally accepted auditing standards)? [SAS 58, par. 8d (AU 508.08d)]	_____	_____	_____
e. A statement that generally accepted auditing standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements? [SAS 58, par. 8e (AU 508.08e)]	_____	_____	_____
f. A statement that an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation? [SAS 58, par. 8f (AU 508.08f)]	_____	_____	_____
g. A statement that the auditor believes that his or her audit provides a reasonable basis for his or her opinion? [SAS 58, par. 8g (AU 508.08g)]	_____	_____	_____
h. An opinion as to whether the financial statements present fairly, in all material respects, the financial position of the reporting entity as of the balance sheet date and the results of its operations and its cash flows for the period then ended in conformity with generally accepted accounting principles and an identification of the country of origin of those accounting principles (for example, accounting principles generally accepted in the United States of America or U. S. generally accepted accounting principles)? [SAS 58, par. 8h (AU 508.08h)]	_____	_____	_____
i. The manual or printed signature of the auditor's firm? [SAS 58, par. 8i (AU 508.08i)]	_____	_____	_____
j. The date of the audit report? [SAS 58, par. 8j (AU 508.08j)]	_____	_____	_____

Practice Tip

Paragraph 8 of SAS 58 illustrates the form of the auditor's standard report on financial statements covering a single year and on comparative financial statements.

6. If a subsequent event disclosed in the financial statements occurs after completion of field work but before the issuance of the related financial statements, has the need for dual-dating of the report been considered? [SAS 1, sec. 530, pars. 3–5, as amended by SAS 98 (AU 530.03–.05)]	_____	_____	_____
7. If the accountant is not independent, is a compilation report indicating the lack of independence issued (non-public companies only)? [SAS 26, par. 10 (AU 504.10); SSARS 1, pars. 22 and 38 (AR 100.22 and .38)]	_____	_____	_____
8. If the opinion is based, in part, on the report of another auditor:			
a. Does the introductory paragraph of the standard report disclose the fact that the opinion is based, in part, on the report of other auditors?	_____	_____	_____
b. Does the opinion paragraph include a reference to the report of the other auditor? [SAS 58, pars. 11a, 12, and 13 (AU 508.11a, .12, and .13)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. If, to prevent the financial statements from being misleading because of unusual circumstances, the financial statements contain a departure from an accounting principle promulgated by a body designated by the AICPA Council to establish such principles, does the report include, in a separate paragraph or paragraphs, the information required by the rule? [SAS 58, pars. 11b and 15 (AU 508.11b and .15)]	_____	_____	_____
10. If there is substantial doubt about the CIRA's ability to continue as a going concern:			
a. Does the report include an explanatory paragraph, following the opinion paragraph, to reflect that conclusion?	_____	_____	_____
b. Is that conclusion expressed through the use of the phrase "substantial doubt about its (the CIRA's) ability to continue as a going concern" or similar wording that includes the terms substantial doubt and going concern? [SAS 58, par. 11c (AU 508.11c); SAS 59, as amended by SAS 64, par. 12 (AU 341.12)]	_____	_____	_____

Practice Tip

In a going concern paragraph, the auditor should not use conditional language in expressing a conclusion concerning the existence of substantial doubt about the entity's ability to continue as a going concern. See SAS 77 (AU 341.13) for an example.

11. If there has been a material change between periods in accounting principles or in the method of their application that has a material effect on the comparability of the CIRA's financial statements:			
a. Does the report include an explanatory paragraph, following the opinion paragraph, that refers to the change?	_____	_____	_____
b. Does the explanatory paragraph identify the nature of the change and refer the reader to the note to the financial statements that discusses the change in detail? [SAS 58, as amended by SAS 79, pars. 11d and 16 (AU 508.11d and .16)]	_____	_____	_____
c. If the change in the accounting principle is a change in reporting entity that did not result from a transaction or an event, is an explanatory paragraph included in the auditor's report? (<i>Note:</i> A change in the reporting entity resulting from a transaction or event, such as a pooling of interests, or the creation, cessation, or complete or partial purchase or disposition of a subsidiary or other business unit, does not require that an explanatory paragraph about consistency be included in the auditor's report.) [SAS 88, par. 8 (AU 420.08)]	_____	_____	_____
12. In an updated report in which the opinion is different from the opinion previously expressed on the financial statements of a prior period:			
a. Does the report include an explanatory paragraph, preceding the opinion paragraph, that discloses all of the substantive reasons for the different opinion?	_____	_____	_____
b. Does the explanatory paragraph disclose:			
(1) The date of the auditor's previous report?	_____	_____	_____
(2) The type of opinion previously expressed?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(3) The circumstances or events that caused the auditor to express a different opinion?	_____	_____	_____
(4) That the auditor's updated opinion on the financial statements of the prior period is different from his or her previous opinion on those statements? [SAS 58, as amended by SAS 79, pars. 11e and 69 (AU 508.11e and .69)]	_____	_____	_____
13. If financial statements of a prior period (presented for comparative purposes) have been audited by a predecessor auditor whose report is not presented:			
a. Does the introductory paragraph of the report indicate:			
(1) That the financial statements of the prior period were audited by another auditor?	_____	_____	_____
(2) The date of the predecessor auditor's report?	_____	_____	_____
(3) The type of report issued by the predecessor auditor?	_____	_____	_____
(4) In the case where the report was other than a standard report, the substantive reasons therefor, including a description of the nature of and reasons for the explanatory paragraph added to the predecessor's report or his or her opinion qualification?	_____	_____	_____
b. If the financial statements have been restated, does the introductory paragraph indicate that the predecessor auditor reported on the financial statements of the prior period before restatement? [SAS 58, as amended by SAS 79, pars. 11e and 74 (AU 508.11e and .74)]	_____	_____	_____
14. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if the prior period's financial statements are audited by a predecessor auditor who has ceased operations? [Interpretation 15 of SAS 58 (AU 9508.60-.75)]	_____	_____	_____
15. If selected quarterly financial data required by SEC Regulation S-K have been omitted or have not been reviewed, does the report include an additional paragraph stating that fact? [SAS 58, par. 11f (AU 508.11f); SAS 100, par. 43 (AU 722.43)]	_____	_____	_____
16. If supplementary information required by GAAP has been omitted, if the presentation of such information departs materially from prescribed guidelines, if the auditor is unable to complete prescribed procedures with respect to such information, or if the auditor is unable to remove substantial doubt about whether the supplementary information conforms to prescribed guidelines, does the report include an additional paragraph stating that fact? [SAS 58, par. 11g (AU 508.11g); SAS 52, par. 8, as amended by SAS 98 (AU 558.08)]	_____	_____	_____
17. If other information in a document containing audited financial statements is materially inconsistent with information appearing in the financial statements, has it been determined whether the financial statements, the auditor's report, or both, require revision? [SAS 58, par. 11h (AU 508.11h); SAS 8, par. 4 (AU 550.04)]	_____	_____	_____
18. If certain other information has been subjected to auditing procedures applied in the audit of the basic financial statements, and the auditor expresses an opinion on whether the information is fairly stated in all			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
material respects in relation to those financial statements taken as a whole, does the auditor's report on the information describe clearly the character of the auditor's work and the degree of responsibility the auditor is taking? [SAS 8, par. 7, as amended by SAS 98 (AU 550.07); SAS 52, par. 9, as amended by SAS 98 (AU 558.09)]	_____	_____	_____
19. If the auditor decides to emphasize a matter regarding the financial statements in the report, is the explanatory information presented in a separate paragraph that avoids use of phrases such as "with the foregoing (following) explanation" ? [SAS 58, pars. 11 and 19, as amended by SAS 79 (AU 508.11 and .19); Interpretation 3 of SAS 1, sec. 410 (AU 9410.18); Interpretation 1 of SAS 57 (AU 9342.03)]	_____	_____	_____
20. If it has not been possible to conduct the audit in accordance with GAAS or to apply all of the procedures considered necessary in the circumstances, has consideration been given to the need to issue a qualified opinion or to disclaim an opinion? [SAS 58, as amended by SAS 79, par. 22 (AU 508.22)]	_____	_____	_____
21. If a qualified opinion is to be expressed because of a scope limitation:			
a. Are all of the substantive reasons for the qualification disclosed in one or more explanatory paragraphs preceding the opinion paragraph?	_____	_____	_____
b. Does the qualified opinion include the word <i>except</i> or <i>exception</i> in a phrase such as <i>except for</i> or <i>with the exception of</i> ?	_____	_____	_____
c. Is the situation described and referred to in both the scope and opinion paragraphs?	_____	_____	_____
d. Does the wording in the opinion paragraph indicate that the qualification pertains to the possible effects on the financial statements and not the scope limitation itself? [SAS 58, as amended by SAS 79, pars. 22–27 (AU 508.22–.27)]	_____	_____	_____

Practice Tip

Scope limitations include situations in which the auditor is unable to obtain sufficient evidential matter to support management's assertions about the nature of a matter involving an uncertainty and its presentation or disclosure in the financial statements.

[SAS 58, as amended by SAS 79, par. 31 (AU 508.31)]

Note: Consult the AU Topical Index to the AICPA *Professional Standards* under "Scope of Audit—Limitations" for additional references to specific types of scope limitations that could result in either a qualified or disclaimer of opinion.

22. If an opinion is disclaimed because of a scope limitation:			
a. Are all of the substantive reasons for the disclaimer stated in a separate paragraph or paragraphs?	_____	_____	_____
b. Does the report state that the scope of the audit was not sufficient to warrant the expression of an opinion?	_____	_____	_____
c. Does the report avoid identifying procedures that were performed?	_____	_____	_____
d. Is the scope paragraph omitted?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. If there are reservations about fair presentation of the financial statements in conformity with GAAP, are they described in the report? [SAS 58, as amended by SAS 79, par. 63 (AU 508.63)]	_____	_____	_____
23. If the financial statements are materially affected by a departure from GAAP (including inadequate disclosure, inappropriate accounting principles, and unreasonable accounting estimates), has consideration been given to the need to issue a qualified opinion or an adverse opinion? [SAS 58, as amended by SAS 79, par. 35 (AU 508.35)]	_____	_____	_____
24. If a qualified opinion is to be expressed because of a GAAP departure:			
a. Are all of the substantive reasons that have led to the conclusion that there is a departure from GAAP disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph?	_____	_____	_____
b. Does the qualified opinion include the word <i>except</i> or <i>exception</i> in a phrase such as <i>except for</i> or <i>with the exception of</i> and a reference to the explanatory paragraph?	_____	_____	_____
c. Does the explanatory paragraph disclose the principal effects of the departure on financial position, results of operations, and cash flows, if practicable, or state that the effects are not reasonably determinable, if not practicable to do so? [SAS 58, as amended by SAS 79, pars. 37 and 38 (AU 508.37 and .38)]	_____	_____	_____
25. If an adverse opinion is to be expressed because of a GAAP departure:			
a. Are all of the substantive reasons for the adverse opinion disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph?	_____	_____	_____
b. Does the explanatory paragraph disclose the principal effects of the departure on financial position, results of operations, and cash flows, if practicable, or state that the effects are not reasonably determinable, if not practicable to do so?	_____	_____	_____
c. Does the explanatory paragraph state that the financial statements do not present fairly the financial position or results of operations or cash flows in conformity with GAAP? [SAS 58, as amended by SAS 79, pars. 58 and 59 (AU 508.58 and .59)]	_____	_____	_____
<hr/>			
<i>Note:</i> Consult the AU Topical Index to the AICPA <i>Professional Standards</i> under "Departures From Established Principles," "Adverse Opinions," and "Qualified Opinion" for additional references to specific types of GAAP departures that could result in either a qualified or adverse opinion.			
<hr/>			
26. If information accompanies the basic financial statements and auditor's report in an auditor-submitted document, is it accompanied by a report that:			
a. States that the audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole?	_____	_____	_____
b. Specifically identifies the accompanying information?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. States that the accompanying information is presented for purposes of additional analysis and is not a required part of the basic financial statements?	_____	_____	_____
d. Includes either an opinion on whether the accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole or a disclaimer of opinion (depending on whether the information was subjected to the auditing procedures applied in the audit of the basic financial statements)? [SAS 29, par. 6 (AU 551.06)]	_____	_____	_____
27. If supplementary information required by GAAP is presented outside the basic financial statements in an auditor-submitted document, is an opinion disclaimed on such information unless it has been audited? [AAG, par 7.68]	_____	_____	_____
28. Did the auditor consider modification of the report with regard to the adequacy of the CIRA's disclosures about future repairs and replacements and its compliance with governing and state documents? [AAG, pars. 7.54–7.56]	_____	_____	_____
29. If the CIRA presents budget information for unexpired periods (and if this is considered to be prospective financial information) in documents that contain audited financial statements, is that information reported on in accordance with SSAE 10, <i>Attestation Standards: Revision and Recodification</i> , Chapter 3, "Financial Forecasts and Projections," as amended by SSAE 11, <i>Attest Documentation</i> ? [AAG, par. 7.47]	_____	_____	_____
30. If the CIRA presents budget information for expired periods that accompanies audited financial statements in an auditor-submitted document, is that information reported on in accordance with SAS 29, <i>Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents</i> ? [AAG, par. 7.47]	_____	_____	_____
31. If an accountant assists a CIRA in preparing its budget, have the reporting provisions of SSAE 10, <i>Attestation Standards: Revision and Recodification</i> , Chapter 3, "Financial Forecasts and Projections," as amended by SSAE 11, <i>Attest Documentation</i> , been considered? [AAG, par. 7.48]	_____	_____	_____

Practice Tip

SAS 87, *Restricting the Use of an Auditor's Report*, provides guidance to auditors in determining whether an engagement requires a restricted-use report and, if so, what elements to include in that report.

FSP Section 4500

Accountants' Reports on Compiled or Reviewed Financial Statements of Nonpublic Entities Checklist

.01 This checklist has been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as a nonauthoritative practice aid.

.02 This checklist is divided into two parts. Part I should be used by accountants engaged to compile financial statements, and Part II should be used by accountants engaged to review financial statements.

.03 Explanation of References:

AAG =	AICPA Audit and Accounting Guide <i>Common Interest Realty Associations</i> (with conforming changes as of May 1, 2004)
SSARS =	AICPA Statement on Standards for Accounting and Review Services
AR =	Reference to section number in AICPA <i>Professional Standards</i> (vol. 2)

.04 Checklist Questionnaire:

Yes No N/A

Part I—For Compilation Engagements

1. Does the compilation report include the following basic elements:
 - a. A statement that the compilation has been performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants?
 - b. A statement that the compilation is limited to presenting in the form of financial statements information that is the representation of management (owners)?
 - c. A statement that the financial statements have not been audited or reviewed and, accordingly, the accountant does not express an opinion or any other form of assurance on them?
 - d. A signature of the accounting firm or the accountant as appropriate (for example, the signature could be manual, stamped, electronic, or typed)?
 - e. The date of the compilation report (the date of completion of the compilation report should be used as the date of the accountant's report)?
[SSARS 1, par. 11, as amended by SSARS 9 (AR 100.11)]
2. Does the report exclude a description of any other procedures that the accountant might have performed before or during the engagement?
[SSARS 1, par. 11 (AR 100.11)]

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. For compiled financial statements that contain departures ¹ from generally accepted accounting principles (GAAP) or, where applicable, an other comprehensive basis of accounting (OCBOA):			
a. If the departure is the omission of substantially all required disclosures, does the accountant’s report clearly indicate such omission? [SSARS 1, pars. 16 and 18 (AR 100.16 and .18)]	_____	_____	_____
b. If compiled financial statements that omit substantially all of the disclosures required by GAAP include disclosures about only a few matters, are such disclosures labeled “Selected Information—Substantially All Disclosures Required by GAAP (or OCBOA) Are Not Included”? [SSARS 1, par. 16 (AR 100.16)]	_____	_____	_____
c. If statements that omit substantially all required disclosures are prepared on a basis of accounting other than GAAP, and if such statements do not include disclosure of the basis of accounting used, does the accountant’s report disclose the basis of accounting? [SSARS 1, par. 17 (AR 100.17)]	_____	_____	_____

Practice Tip

SAS 62, paragraphs 9 and 10 (AU sec. 623.09 and .10), provides guidance on evaluating the adequacy of disclosure in financial statements prepared in conformity with an other comprehensive basis of accounting.

d. If the financial statements contain a departure from GAAP or an OCBOA, is the report modified to disclose the departure? [SSARS 1, pars. 45 and 46 (AR 100.45 and .46)]	_____	_____	_____
(1) If the effects of the departure on the financial statements are determined by management or are known as a result of the accountant’s procedures, are these effects also disclosed in the modified report? [SSARS 1, par. 46 (AR 100.46)]	_____	_____	_____
(2) If the effects are not determined, is this fact stated in the accountant’s report? [SSARS 1, par. 46 (AR 100.46)]	_____	_____	_____
4. If the accountant is not independent with respect to the CIRA for which financial statements are compiled, does the compilation report state “I am (we are) not independent with respect to XYZ CIRA”? [SSARS 1, par. 19 (AR 100.19)]	_____	_____	_____
5. Does each page of the financial statements include a reference such as “See Accountant’s Compilation Report”? [SSARS 1, par. 13, as amended by SSARS 9 (AR 100.13)]	_____	_____	_____
6. If the financial statements do not appropriately disclose an uncertainty, including an uncertainty about the CIRA’s ability to continue as a going concern or an inconsistency in the application of accounting principles, does the report include a separate paragraph that discloses such matters? [SSARS 1, par. 46, fn. 23 (AR 100.46, fn. 23)]	_____	_____	_____

¹ Other than departures required by a prescribed form or related instructions when the accountant issues a SSARS 3 (AR 300) compilation report on financial statements included in a prescribed form.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. If the basic financial statements are accompanied by information presented for supplementary analysis purposes, does the accountant clearly indicate the degree of responsibility, if any, he or she is taking with respect to such information? [SSARS 1, par. 49 (AR 100.49)]	_____	_____	_____
8. When the accountant compiles both the basic financial statements and other data presented only for supplementary analysis purposes, and issues a separate report on the other data, does the report on the other data state that:			
a. The other data accompanying the financial statements are presented only for supplementary analysis purposes?	_____	_____	_____
b. The information has been compiled from information that is the representation of management, without audit or review?	_____	_____	_____
c. The accountant does not express an opinion or any other form of assurance on such data? [SSARS 1, par. 49, as amended by SSARS 9 (AR 100.49)]	_____	_____	_____
9. If an audit engagement is changed to a review or compilation, does the report omit reference to:			
a. The original engagement?	_____	_____	_____
b. Any auditing or review procedures that may have been performed?	_____	_____	_____
c. Any scope limitation that resulted in the changed engagement? [SSARS 1, par. 55 (AR 100.55)]	_____	_____	_____
10. If comparative financial statements are presented, does the accountant's report cover each period presented? [SSARS 2, par. 2 (AR 200.02)]	_____	_____	_____
11. If compiled financial statements that omit substantially all of the disclosures required by GAAP are included among the comparative financial statements, do all the periods presented also omit such disclosures? [SSARS 2, par. 5 (AR 200.05)]	_____	_____	_____
a. If the prior-period financial statements do not omit the required disclosures, and the accountant is requested to compile statements for the same period that do omit those disclosures, does the accountant's compilation report include an additional paragraph that indicates:			
(1) The nature of the previous service rendered (compilation, review, or audit)?	_____	_____	_____
(2) The date of the previous report? [SSARS 2, pars. 29–30 (AR 200.29–.30)]	_____	_____	_____
12. If the level of service performed by a continuing accountant on the current-period financial statements is the same as, or higher than, that performed on the financial statements of the prior period presented, is the report on the prior period updated? [SSARS 2, par. 8 (AR 200.08)]	_____	_____	_____
13. If the level of service performed by a continuing accountant on the current-period financial statements is lower than that performed on the financial statements of the prior period presented, is the current report modified appropriately or combined with a reissued report from the prior period? [SSARS 2, pars. 8 and 11–12 (AR 200.08 and .11–.12)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
14. If the report requires a changed reference to a departure from GAAP regarding the prior period presented, does the explanatory paragraph in the report include:			
a. The date of the accountant's previous report?	_____	_____	_____
b. The circumstances or events that caused the reference to be changed?	_____	_____	_____
c. When applicable, that the financial statements of the prior period have been changed? [SSARS 2, pars. 14 and 15 (AR 200.14-.15)]	_____	_____	_____
15. If the current-period financial statements were compiled and the financial statements of the prior period presented were audited and the audit report was not reissued, does the current-period report include a separate paragraph that indicates:			
a. That the financial statements of the prior period were audited previously?	_____	_____	_____
b. The date of the previous report?	_____	_____	_____
c. The type of opinion expressed previously?	_____	_____	_____
d. If the opinion was other than unqualified, the substantive reasons therefore?	_____	_____	_____
e. That no auditing procedures were performed after the date of the previous report? [SSARS 2, par. 28 (AR 200.28)]	_____	_____	_____

Predecessor's Compilation Report

16. If a predecessor accountant does not reissue his or her compilation or review report on the prior-period financial statements, does the successor accountant:			
a. Make appropriate reference in the report to the predecessor's report in accordance with paragraphs 17-19 of SSARS 2? or	_____	_____	_____
b. Perform a compilation, review, or audit of the statements of the prior period and report on them accordingly? [SSARS 2, pars. 16-19, as amended by SSARS 11 (AR 200.16-.19)]	_____	_____	_____
17. If the financial statements of the prior period presented are changed, does the predecessor or successor accountant report on them as restated? [SSARS 2, pars. 25-26 (AR 200.25-.26)]	_____	_____	_____

Required Supplementary Information

18. If the basic financial statements are compiled, is the required supplementary information accompanying the basic financial statements, at a minimum, compiled? [AAG, par. 8.12]	_____	_____	_____
19. If the basic financial statements are compiled and the accompanying required supplementary information is compiled, does the accountant indicate in the report, or in a separate report, the degree of responsibility he or she is taking for the supplementary information? [AAG, par. 8.13]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
20. If, on the basis of facts known to him or her, the accountant is aware that the required supplementary information is not measured or presented in accordance with prescribed guidelines, does the accountant indicate in his or her report that the information does not conform to the guidelines and describe the nature of any material departure? [AAG, par 8.14]	_____	_____	_____
21. If the compiled financial statements are not accompanied by the required supplementary information, is a paragraph added to the compilation report indicating that the required supplementary information is omitted? [AAG, par. 8.15]	_____	_____	_____

Part II—If the Accountant Submits Financial Statements To a Client that Are Not Reasonably Expected To Be Used by a Third Party

1. Has one of the following two options been performed:			
a. Issue a compilation report in accordance with the reporting requirements discussed in AR section 100.11–.19 and therefore comply with the requirements of Part I of this checklist?	_____	_____	_____
b. Document an understanding with the entity through the use of an engagement letter, preferably signed by management, regarding the services to be performed and the limitations on the use of those financial statements? [SSARS 1, par. 20, as amended by SSARS 8 (AR 100.20)]	_____	_____	_____
2. If the option to document an understanding is followed, does the documentation of the understanding include the following descriptions or statements:			
a. The nature and limitations of the services to be performed?	_____	_____	_____
b. A compilation is limited to presenting in the form of financial statements information that is the representation of management?	_____	_____	_____
c. The financial statements will not be audited or reviewed?	_____	_____	_____
d. No opinion or any other form of assurance on the financial statements will be provided?	_____	_____	_____
e. Management has knowledge about the nature of the procedures applied and the basis of accounting and assumptions used in the preparation of the financial statements?	_____	_____	_____
f. Acknowledgement of management's representation and agreement that the financial statements are not to be used by third parties?	_____	_____	_____
g. The engagement cannot be relied upon to disclose errors, fraud, or illegal acts? [SSARS 1, par. 21, as amended by SSARS 8 (AR 100.21)]	_____	_____	_____
3. If applicable, does the documentation of the understanding address the following matters:			
a. Material departures from GAAP or OCBOA may exist and the effects of those departures, if any, on the financial statements may not be disclosed?	_____	_____	_____
b. Substantially all disclosures (and statement of cash flows, if applicable) required by GAAP or OCBOA may be omitted?	_____	_____	_____
c. Lack of independence?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. Refer to supplementary information? [SSARS 1, par. 21, as amended by SSARS 8 (AR 100.21)]	_____	_____	_____
4. Is a reference included on each page of the financial statements restricting their use such as "Restricted for Management's Use Only," or "Solely for the information and use by the management of [name of entity] and not intended to be and should not be used by any other party"? [SSARS 1, par. 22, as amended by SSARS 8 (AR 100.22)]	_____	_____	_____

Part III—For Review Engagements

Note: An accountant is precluded from issuing a review report on the financial statements of an entity with respect to which he or she is not independent.

1. Does the review report include the following basic elements:			
a. A statement that the review has been performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants?	_____	_____	_____
b. A statement that all information included in the financial statements is the representation of the management (owners) of the entity?	_____	_____	_____
c. A statement that a review consists principally of inquiries of company personnel and analytical procedures applied to financial data?	_____	_____	_____
d. A statement that a review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole and, accordingly, no such opinion is expressed?	_____	_____	_____
e. A statement that the accountant is not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles, other than those modifications, if any, indicated in the report?	_____	_____	_____
f. A signature of the accounting firm or the accountant as appropriate (for example, the signature could be manual, stamped, electronic, or typed)?	_____	_____	_____
g. The date of the review report (the date of completion of the accountant's review procedures should be used as the date of the accountant's report)? [SSARS 1, par. 38, as amended by SSARS 9 (AR 100.38)]	_____	_____	_____
2. Does the report exclude a description of any other procedures that the accountant might have performed before or during the engagement? [SSARS 1, par. 38, as amended by SSARS 9 (AR 100.38)]	_____	_____	_____
3. For reviewed financial statements that contain departures from GAAP or, where applicable, OCBOA (including the omission of required disclosures), is the report modified to disclose the departure in a separate paragraph? [SSARS 1, pars. 45 and 46 (AR 100.45 and .46)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. If the financial statements do not appropriately disclose an uncertainty, including an uncertainty about an entity's ability to continue as a going concern, or an inconsistency in the application of accounting principles, does the report include a separate paragraph that discloses such matters? [SSARS 1, par. 46, fn. 23 (AR 100.46, fn. 23)]	_____	_____	_____
5. Does each page of the financial statements include a reference such as "See Accountant's Review Report"? [SSARS 1, par. 40, as amended by SSARS 9 (AR 100.40)]	_____	_____	_____
6. When accompanying information is presented with the financial statements, does the accountant clearly indicate his or her degree of responsibility with respect to such information? [SSARS 1, par. 49 (AR 100.49)]	_____	_____	_____
7. When the basic financial statements are accompanied by other data presented only for supplementary analysis purposes, does the review report or the separate report on the other data state that:			
a. The review was made primarily for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformance with generally accepted accounting principles? and either:	_____	_____	_____
• The other data accompanying the financial statements are presented only for supplementary analysis purposes and have been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and the accountant did not become aware of any material modifications that should be made to such data?	_____	_____	_____
or:			
• The other data accompanying the financial statements are presented only for supplementary analysis purposes and have not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but were compiled from information that is the representation of management, without audit or review, and the accountant does not express an opinion or any other form of assurance on such data? [SSARS 1, par. 49, as amended by SSARS 9 (AR 100.49)]	_____	_____	_____
8. If an audit engagement is changed to a review, does the report omit reference to:			
a. The original engagement?	_____	_____	_____
b. Any auditing procedures that may have been performed?	_____	_____	_____
c. Any scope limitation that resulted in the changed engagement? [SSARS 1, par. 55 (AR 100.55)]	_____	_____	_____
9. If comparative financial statements are presented, does the accountant's report cover each period presented? [SSARS 2, par. 2 (AR 200.02)]	_____	_____	_____
10. If the level of service performed by a continuing accountant on the current-period financial statements is the same as, or higher than, that performed on the financial statements of the prior period presented, is the report on the prior period updated? [SSARS 2, par. 8 (AR 200.08)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
11. If the level of service performed by a continuing accountant on the current-period financial statements is lower than that performed on the financial statements of the prior period presented, is the current report modified appropriately or combined with a reissued report from the prior period? [SSARS 2, pars. 8, 11, and 12 (AR 200.08, .11, and .12)]	_____	_____	_____
12. If the report requires a changed reference to a departure from GAAP regarding the prior period presented, does the explanatory paragraph include:			
a. The date of the accountant’s previous report?	_____	_____	_____
b. The circumstances or events that caused the reference to be changed?	_____	_____	_____
c. When applicable, that the financial statements of the prior period have been changed? [SSARS 2, pars. 14 and 15 (AR 200.14 and .15)]	_____	_____	_____
13. If the financial statements of the prior period presented are changed, does the predecessor or successor accountant report on them as restated? [SSARS 2, pars. 25 and 26 (AR 200.25 and .26)]	_____	_____	_____
14. If the current-period financial statements were reviewed and the financial statements of the prior period presented were audited and the audit report was not reissued, does the current-period report include a separate paragraph that indicates:			
a. That the financial statements of the prior period were audited previously?	_____	_____	_____
b. The date of the previous report?	_____	_____	_____
c. The type of opinion expressed previously?	_____	_____	_____
d. If the opinion was other than unqualified, the substantive reasons therefore?	_____	_____	_____
e. That no auditing procedures were performed after the date of the previous report? [SSARS 2, par. 28 (AR 200.28)]	_____	_____	_____
Predecessor’s Review Report			
15. If a predecessor accountant does not reissue his or her compilation or review report on the prior-period financial statements, does the successor accountant:			
a. Make appropriate reference in the report to the predecessor’s report in accordance with paragraphs 17–19 of SSARS 2? or	_____	_____	_____
b. Perform a compilation, review, or audit of the statements of the prior period and report on them accordingly? [SSARS 2, pars. 16–19, as amended by SSARS 11 (AR 200.16–.19)]	_____	_____	_____
Required Supplementary Information			
16. If the basic financial statements are reviewed, is the required supplementary information accompanying the basic financial statements, at a minimum, compiled? [AAG, par. 8.12]	_____	_____	_____
17. If the basic financial statements are reviewed and the accompanying required supplementary information is compiled, does the accountant indicate in the report, or in a separate report, the degree of responsibility he or she is taking for the supplementary information? [AAG, par. 8.13]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
18. If, on the basis of facts known to him or her, the accountant is aware that the required supplementary information is not measured or presented in accordance with prescribed guidelines, does the accountant indicate in his or her report that the information does not conform to the guidelines and describe the nature of any material departure? [AAG, par. 8.14]	_____	_____	_____
19. If the reviewed financial statements are not accompanied by the required supplementary information, is a paragraph added to the compilation or review report indicating that the required supplementary information is omitted? [AAG, par. 8.15]	_____	_____	_____

FSP Section 4600

Illustrative Financial Statements

.01 The illustrative financial statements are reproduced from the AICPA Audit and Accounting Guide *Common Interest Realty Associations*. These financial statements are intended to provide sample financial statement formats and disclosures for a hypothetical CIRA. They are not intended to illustrate all disclosures required by GAAP or all of the disclosures covered in the financial statement checklist. The following exhibits illustrate a fund accounting presentation and a set of nonfund accounting financial statements for condominiums and HOAs, as well as a set of financial statements for a cooperative housing corporation.

- Exhibits A-1 through A-8 illustrate financial statements and supplementary information for a condominium association. Condominiums generally do not hold title to property transferred to them by the developers. Exhibits A-1 and A-2 present a balance sheet and a statement of revenues and expenses using fund reporting in a multicolumn format with a total funds column for the current and prior years. Exhibit A-3 illustrates a statement of cash flows using the direct method. Exhibit A-4 illustrates a statement of cash flows using the indirect method. This set of financial statements reflects an interfund receivable and payable of \$20,000, which the board of directors intends for the operating fund to repay to the replacement fund in the next fiscal year. The statements also disclose a transfer of \$10,000 from the replacement fund to the operating fund, which is an amount that the board of directors does not intend for the operating fund to repay to the replacement fund.
- The illustrative notes in Exhibit A-5 include alternative presentations for Note 4, which discloses information about a CIRA's fund for future major repairs and replacements. Alternative A illustrates disclosure based on a study conducted by the board of directors. Alternative B is based on a study conducted by an independent consulting firm. Note 4 also illustrates disclosure for a loan from the replacement fund to the operating fund as well as a permanent transfer.
- Exhibits A-6 and A-7 present detailed schedules of actual and budgeted amounts of revenues and expenses for the operating fund and of changes in replacement fund balances. These schedules are not a required part of the basic financial statements; however, if they are included with the financial statements in an auditor-submitted document, the auditor should refer to SAS 29, *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents*, as amended, for reporting guidance.
- Exhibit A-8 presents required unaudited supplementary information. Alternative A illustrates disclosure based on a study conducted by the board of directors and presents estimates of current replacement costs. Alternative B is based on a study conducted by an independent consulting firm and presents estimates of future replacement costs, which are calculated considering inflation and estimated investment income.
- Exhibits A-9, A-10, and A-11 illustrate, respectively, an HOA's balance sheet, statement of revenues and expenses, and statement of cash flows for a presentation using nonfund reporting financial statements.* Exhibit A-12 illustrates a statement of changes in members' equity, which would be presented with those financial statements. The statements reflect common real property that has been reported as assets of a CIRA.
- Exhibit A-13 illustrates a schedule of expenditures for major repairs and replacements. This schedule is not a required part of the basic financial statements; however, if it is included in an auditor-submitted document, the auditor should refer to SAS No. 29 for reporting guidance.

* Note: Nonfund reporting is permitted, although fund reporting is preferred.

- Exhibits A-14 through A-17 present financial statements and notes for a cooperative housing corporation.
- Exhibit A-18 presents unaudited supplementary information, based on a study conducted by the board of directors, required for a cooperative housing corporation and presents estimates of current replacement costs.

.02 Auditors and accountants of financial statements of CIRAs should be familiar with the rules and regulations of the appropriate state regulator that relate to the form and content of the financial statements.

.03

Exhibit A-1

These illustrative financial statements are intended to provide sample financial statement formats and disclosures for a hypothetical CIRA; they are not intended to illustrate all disclosures required by GAAP or all of the disclosures covered in the financial statement checklist.

XYZ CONDOMINIUM ASSOCIATION, INC.**Balance Sheets****December 31, 20X2****(With Comparative Totals for 20X1)**

	20X2		20X1	
	<i>Operating Fund</i>	<i>Replacement Fund</i>	<i>Total</i>	<i>Total</i>
Assets				
Cash and cash equivalents	\$110,000	\$364,000	\$474,000	\$298,000
Assessments receivable	28,000		28,000	9,000
Prepaid expenses	7,000		7,000	7,000
Due from operating fund		20,000	20,000	
Due to replacement fund	(20,000)		(20,000)	
Equipment, net of accumulated depreciation of \$8,000 and \$5,000	21,000		21,000	17,000
Total Assets	\$146,000	\$384,000	\$530,000	\$331,000
Liabilities				
Accounts payable	20,000	4,000	24,000	6,000
Wages payable	6,000		6,000	
Income taxes payable		1,000	1,000	5,000
Prepaid assessments	20,000		20,000	15,000
	46,000	5,000	51,000	26,000
Fund Balances	100,000	379,000	479,000	305,000
Total Liabilities and Fund Balances	\$146,000	\$384,000	\$530,000	\$331,000

The accompanying notes are an integral part of these financial statements.

.04

Exhibit A-2

XYZ CONDOMINIUM ASSOCIATION, INC.
Statements of Revenues and Expenses and Changes in Fund Balances
Year Ended December 31, 20X2
(With Comparative Totals for 20X1)

	20X2		20X1	
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
Revenues				
Member assessments	\$747,000	\$247,000	\$ 994,000	\$ 909,000
Interest		49,000	49,000	46,000
Lawsuit settlements		141,000	141,000	91,000
Other	22,000		22,000	20,000
Total Revenues	<u>769,000</u>	<u>437,000</u>	<u>1,206,000</u>	<u>1,066,000</u>
Expenses				
Wages and benefits	294,000		294,000	284,000
Utilities	160,000		160,000	141,000
Roofs		144,000	144,000	160,000
Service and contracts	129,000		129,000	134,000
Exterior siding		94,000	94,000	98,000
Repairs and supplies	92,000		92,000	61,000
Insurance and licenses	50,000		50,000	46,000
Administrative	28,000		28,000	18,000
Income taxes	1,000	11,000	12,000	13,000
Legal fees		10,000	10,000	
Recreational equipment		5,000	5,000	2,000
Solar equipment		5,000	5,000	
Streets		4,000	4,000	20,000
Tennis courts				12,000
Depreciation	3,000		3,000	3,000
Bad debts	2,000		2,000	
Pools and spas				18,000
Total Expenses	<u>759,000</u>	<u>273,000</u>	<u>1,032,000</u>	<u>1,010,000</u>
Excess of revenues over expenses	10,000	164,000	174,000	56,000
Beginning fund balances	80,000	225,000	305,000	249,000
Transfer from replacement fund	10,000	(10,000)		
Ending Fund Balances	<u>\$100,000</u>	<u>\$379,000</u>	<u>\$ 479,000</u>	<u>\$ 305,000</u>

The accompanying notes are an integral part of these financial statements.

.05

Exhibit A-3

XYZ CONDOMINIUM ASSOCIATION, INC.

Statements of Cash Flows (Direct Method)

Year Ended December 31, 20X2

(With Comparative Totals for 20X1)

	20X2			20X1
	Operating Fund	Replacement Fund	Total	Total
Cash Flows From Operating Activities				
Member assessments collected	\$733,000	\$247,000	\$980,000	\$920,000
Interest received		49,000	49,000	46,000
Lawsuit settlement		141,000	141,000	91,000
Other income received	22,000		22,000	20,000
Cash paid for operating expenditures [†]	(735,000)		(735,000)	(673,000)
Replacement expenditures paid		(258,000)	(258,000)	(310,000)
Income taxes paid	(1,000)	(15,000)	(16,000)	(26,000)
Transfers from replacement fund	10,000	(10,000)		
Net borrowings from replacement fund	20,000	(20,000)		
Net cash provided by operating activities	49,000	134,000	183,000	68,000
Cash Flows From Investing Activities				
Equipment purchases	(7,000)		(7,000)	(3,000)
Net increase in cash and cash equivalents	42,000	134,000	176,000	65,000
Cash and cash equivalents at beginning of year	68,000	230,000	298,000	233,000
Cash and cash equivalents at end of year	<u>\$110,000</u>	<u>\$364,000</u>	<u>\$474,000</u>	<u>\$298,000</u>
Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities				
Excess of revenues over expenses	10,000	164,000	174,000	56,000
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities				
Increase (decrease) in interfund balances	20,000	(20,000)		
Transfer from replacement fund	10,000	(10,000)		
Depreciation	3,000		3,000	3,000
Increase in assessments receivable	(19,000)		(19,000)	(1,000)
Decrease in prepaid expenses				1,000
Increase in accounts payable	14,000	4,000	18,000	2,000
Increase in wages payable	6,000		6,000	
Decrease in income taxes payable		(4,000)	(4,000)	
Increase in prepaid assessments	5,000		5,000	7,000
Total adjustments	39,000	(30,000)	9,000	12,000
Net cash provided by operating activities	<u>\$ 49,000</u>	<u>\$134,000</u>	<u>\$183,000</u>	<u>\$ 68,000</u>

The accompanying notes are an integral part of these financial statements.

[†] As an alternative presentation, this line item can be further detailed as shown in Exhibit A-11.

.06

Exhibit A-4

XYZ CONDOMINIUM ASSOCIATION, INC.
Statements of Cash Flows (Indirect Method)
Year Ended December 31, 20X2
(With Comparative Totals for 20X1)

	20X2			20X1
	<i>Operating Fund</i>	<i>Replacement Fund</i>	<i>Total</i>	<i>Total</i>
Excess of Revenues Over Expenses	<u>\$ 10,000</u>	<u>\$164,000</u>	<u>\$174,000</u>	<u>\$ 56,000</u>
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities				
Increase (decrease) in interfund balances	20,000	20,000		
Transfer from replacement fund	10,000	(10,000)		
Depreciation	3,000		3,000	3,000
Increase in assessments receivable	(19,000)		(19,000)	(1,000)
Decrease in prepaid expenses				1,000
Increase in accounts payable	14,000	4,000	18,000	2,000
Increase in wages payable	6,000		6,000	
Decrease in income taxes payable		(4,000)	(4,000)	
Increase in prepaid assessments	<u>5,000</u>		<u>5,000</u>	<u>7,000</u>
Total adjustments	<u>39,000</u>	<u>(30,000)</u>	<u>9,000</u>	<u>12,000</u>
Net cash provided by operating activities	49,000	134,000	183,000	68,000
Cash Flows From Investing Activities				
Equipment purchases	<u>(7,000)</u>		<u>(7,000)</u>	<u>(3,000)</u>
Net increase in cash and cash equivalents	42,000	134,000	176,000	65,000
Cash and cash equivalents at beginning of year	<u>68,000</u>	<u>230,000</u>	<u>298,000</u>	<u>233,000</u>
Cash and cash equivalents at end of year	<u><u>\$110,000</u></u>	<u><u>\$364,000</u></u>	<u><u>\$474,000</u></u>	<u><u>\$298,000</u></u>

The accompanying notes are an integral part of these financial statements.

.07

Exhibit A-5

XYZ CONDOMINIUM ASSOCIATION, INC.
Notes to Financial Statements
December 31, 20X2 and 20X1

Note 1: Organization

The XYZ Condominium Association is a statutory condominium association organized as a not-for-profit corporation for the purposes of maintaining and preserving common property of the XYZ condominium. The XYZ condominium consists of 800 residential units occupying a site of approximately 10 acres located at _____. The Association began its operations in June 20XX.

Note 2: Summary of Significant Accounting Policies

Pervasiveness of Estimates. The preparation of financial statements to conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund accounting. The Association uses fund accounting, which requires that funds, such as operating funds, deferred maintenance funds, and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement fund generally may be made only for designated purposes.

Interest earned. The board's policy is to allocate to each fund interest earned on all cash accounts net of income taxes.

Recognition of assets and depreciation policy. The Association recognizes personal property assets at cost. The property is depreciated over its estimated useful life using the straight-line method of depreciation.

Note 3: Owners' Assessments

Monthly assessments to owners were \$103.54 and \$94.69 in 20X2 and 20X1. Of those amounts, \$25.73 and \$22.50 were designated to the replacement fund.

The annual budget and assessments of owners are determined by the board of directors and are approved by the owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Note 4: Future Major Repairs and Replacements

Alternative A. The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

The board of directors conducted a study in November 20X2 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed contractors who inspected the property. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study.

The board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$302,000, based on a full funding plan, has been included in the 20X3 budget.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The Association used \$30,000 from the replacement fund for operations during 20X2. The board intends to repay \$20,000 of that amount during 20X3 and has, therefore, reflected \$20,000 as an interfund receivable and payable. The board does not intend to repay \$10,000 of the amount and has, therefore, reflected \$10,000 as a transfer from the replacement to the operating fund.

Alternative B. The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

The ABC Consulting Company conducted a study in November 20X2 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 5 percent and interest of 8 percent, net of taxes, on amounts funded for future major repairs and replacements. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study.

The board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$374,000, based on a threshold funding plan, has been included in the 20X3 budget.

Funds are being accumulated in the replacement fund based on estimated future costs for repairs and replacements of common property components. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The Association used \$30,000 from the replacement fund for operations during 20X2. The board intends to repay \$20,000 of that amount during 20X3 and has, therefore, reflected \$20,000 as an interfund receivable and payable. The board does not intend to repay \$10,000 of the amount and has, therefore, reflected \$10,000 as a transfer from the replacement to the operating fund.

Note 5: Federal and State Taxes

In 20X2, the Association filed its income tax return, form 1120, as a regular corporation. The Association had an excess of expenses for the maintenance of the common property over membership source income. That excess may be carried over to future periods to offset future income from membership sources when the Association files as a regular corporation. In 20X1, the Association elected to file as a homeowner's association in accordance with Internal Revenue Service Code section 528, using form 1120-H. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to owners. In both years, the Association's investment income and other nonexempt income were subject to tax.

Note 6: Lawsuit Settlements

During 20X1, the Association settled a lawsuit against the developer for defective construction and received a partial settlement of \$91,000. During 20X2, the Association received another settlement of \$141,000. Legal fees of \$10,000 were incurred in connection with that lawsuit.

The following net amounts have been added to the replacement fund:

	<u>20X2</u>	<u>20X1</u>
Roof	\$131,000	\$66,000
Tennis courts	0	23,000
Pools and spas	0	1,000
Streets	<u>0</u>	<u>1,000</u>
Total	<u>\$131,000</u>	<u>\$91,000</u>

Note 7: Assessments Receivable

The Association’s policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are 30 days in arrears and therefore considered delinquent. As of December 31, 20X2, the Association had assessments receivable of \$28,000, of which \$22,000 were delinquent. As of February 12, 20X3, judgments and settlements of approximately \$15,000 have been received. It is the opinion of the board of directors that the Association will ultimately prevail against the remaining homeowners whose assessments are delinquent, and, accordingly, no allowance for uncollectible accounts is deemed necessary.

.08

Exhibit A-6

XYZ CONDOMINIUM ASSOCIATION, INC.
Schedules of Operating Fund Revenues and Expenses
Years Ended December 31, 20X2 and 20X1

	<u>20X2</u>		<u>20X1</u>	
	<u>20X2</u> <i>Actual</i>	<u>20X2</u> <i>Budget</i> <i>(Unaudited)</i>	<u>20X1</u> <i>Actual</i>	<u>20X1</u> <i>Budget</i> <i>(Unaudited)</i>
Revenues:				
Assessments	\$747,000	\$747,000	\$693,000	\$693,000
Other charges	22,000	23,000	20,000	20,000
Total	<u>769,000</u>	<u>770,000</u>	<u>713,000</u>	<u>713,000</u>
Expenses				
Wages and Benefits:				
Grounds	130,000	144,000	106,000	128,000
Maintenance	87,000	100,000	98,000	100,000
Payroll taxes and benefits	37,000	31,000	31,000	30,000
Office	27,000	31,000	34,000	35,000
Workers' compensation insurance	13,000	16,000	15,000	15,000
	<u>294,000</u>	<u>322,000</u>	<u>284,000</u>	<u>308,000</u>
Utilities:				
Electricity	111,000	108,000	100,000	95,000
Water	29,000	33,000	33,000	33,000
Gas	20,000	9,000	8,000	12,000
	<u>160,000</u>	<u>150,000</u>	<u>141,000</u>	<u>140,000</u>
Service and Contracts:				
Security	43,000	45,000	45,000	50,000
Cable T.V.	21,000	20,000	19,000	20,000
Trash disposal	19,000	19,000	18,000	20,000
Pool service	18,000	18,000	17,000	15,000
Janitorial	15,000	21,000	21,000	20,000
Pest control	13,000	14,000	14,000	10,000
	<u>129,000</u>	<u>137,000</u>	<u>134,000</u>	<u>135,000</u>
Repairs and Supplies:				
Landscape supplies	15,000	11,000	9,000	10,000
Equipment repairs	14,000	11,000	13,000	12,000
Equipment rental	13,000	13,000	8,000	7,000
Vehicle maintenance	12,000	14,000	7,000	10,000

XYZ CONDOMINIUM ASSOCIATION, INC.
Schedules of Operating Fund Revenues and Expenses—continued
Years Ended December 31, 20X2 and 20X1

	20X2		20X1	
	20X2 <i>Actual</i>	20X2 <i>Budget</i>	20X1 <i>Actual</i>	20X1 <i>Budget</i>
		<i>(Unaudited)</i>		<i>(Unaudited)</i>
Repairs and supplies (cont.):				
Fence repairs	\$ 8,000	\$ 8,000	\$ 8,000	\$ 7,000
Plumbing	6,000	5,000	5,000	8,000
Street repairs	5,000	2,000	2,000	6,000
Parts and supplies	5,000	2,000	2,000	1,000
Pool repairs	4,000	5,000	1,000	2,000
Sprinkler supplies	4,000	7,000	3,000	2,000
Electrical	3,000	3,000	2,000	3,000
Tennis courts	3,000	2,000	1,000	2,000
	92,000	83,000	61,000	70,000
Insurance and licenses:				
Insurance	49,000	49,000	45,000	40,000
Licenses	1,000	1,000	1,000	
	50,000	50,000	46,000	40,000
Administrative:				
Accounting	11,000	10,000	6,000	7,000
Legal	9,000	11,000	8,000	8,000
Office	4,000	4,000	1,000	1,000
Telephone	4,000	3,000	3,000	4,000
	28,000	28,000	18,000	20,000
Bad debts:	2,000			
Depreciation:	3,000		3,000	
Income taxes:	1,000			
Total Expenses	759,000	770,000	687,000	713,000
Excess of Revenues Over Expenses	\$ 10,000	\$	\$ 26,000	\$

.09

Exhibit A-7

XYZ CONDOMINIUM ASSOCIATION, INC.
Schedules of Changes in Replacement Fund Balances
Years Ended December 31, 20X2 and 20X1

	20X2			Components of Ending Fund Balance
	<i>Beginning Fund Balance</i>	<i>Additions to Fund[‡]</i>	<i>Charges to Fund</i>	
Common Area Component				
Roofs	\$ 96,000	\$202,000	\$144,000	\$154,000
Streets	17,000	44,000	4,000	57,000
Recreation facilities	50,000	10,000	5,000	55,000
Exterior siding	38,000	104,000	94,000	48,000
Pools, spas, solar equipment	8,000	36,000	5,000	39,000
Tennis courts	4,000	10,000		14,000
Furniture and equipment	12,000			12,000
Lawsuit legal fees		10,000	10,000	
Total	<u>\$225,000</u>	<u>\$416,000</u>	<u>\$262,000</u>	<u>\$379,000</u>

	20X1			Components of Ending Fund Balance
	<i>Beginning Fund Balance</i>	<i>Additions to Fund[‡]</i>	<i>Charges to Fund</i>	
Common Area Component				
Roofs	\$102,000	\$154,000	\$160,000	\$ 96,000
Streets	11,000	26,000	20,000	17,000
Recreation facilities	35,000	17,000	2,000	50,000
Exterior siding	32,000	104,000	98,000	38,000
Pools, spas, solar equipment	13,000	13,000	18,000	8,000
Tennis courts	2,000	14,000	12,000	4,000
Furniture and equipment		12,000		12,000
Total	<u>\$195,000</u>	<u>\$340,000</u>	<u>\$310,000</u>	<u>\$225,000</u>

[‡] Includes interest income of \$49,000, net of income taxes of \$11,000 and net of a \$10,000 transfer to the operating fund in 20X2 and interest income of \$46,000, net of income taxes of \$13,000 in 20X1. (Note: These reconciling items may be presented as illustrated here or in separate columns in this schedule.)

.10

Exhibit A-8

XYZ CONDOMINIUM ASSOCIATION, INC.

Supplementary Information on Future Major Repairs and Replacements

December 31, 20X2

(Unaudited)

Alternative A

The board of directors conducted a study in November 20X2 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed contractors who inspected the property.

The following table is based on the study and presents significant information about the components of common property.

<i>Components</i>	<i>Estimated Remaining Useful Lives (Years)</i>	<i>Estimated Current Replacement Costs</i>	<i>20X3 Funding Requirement</i>	<i>Components of Fund Balance at Dec. 31, 20X2</i>
Roofs	5 to 14	\$1,620,000	\$120,000	\$154,000
Streets	5 to 14	96,000	40,000	57,000
Recreation facilities	2 to 11	120,000	12,000	55,000
Exterior siding	7 to 11	760,000	72,000	48,000
Pools, spas, solar equipment	2 to 14	112,000	36,000	39,000
Tennis courts	5 to 10	64,000	10,000	14,000
Furniture and equipment	3 to 7	80,000	12,000	12,000
		<u>\$2,852,000</u>	<u>\$302,000</u>	<u>\$379,000</u>

Alternative B

The ABC Consulting Company conducted a study in November 20X2 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 5 percent and interest rate of 8 percent, net of taxes, on amounts funded for future major repairs and replacements.

The following table is based on the study and presents significant information about the components of common property.

<i>Components</i>	<i>Estimated Remaining Useful Lives (Years)</i>	<i>Estimated Current Replacement Costs</i>	<i>20X3 Funding Requirement</i>	<i>Components of Fund Balance at Dec. 31, 20X2</i>
Roofs	5 to 14	\$3,023,000	\$152,000	\$154,000
Streets	5 to 14	179,000	46,000	57,000
Recreation facilities	2 to 11	180,000	15,000	55,000
Exterior siding	7 to 11	1,256,000	93,000	48,000
Pools, spas, solar equipment	2 to 14	174,000	42,000	39,000
Tennis courts	5 to 10	97,000	12,000	14,000
Furniture and equipment	3 to 7	107,000	14,000	12,000
		<u>\$5,016,000</u>	<u>\$374,000</u>	<u>\$379,000</u>

Exhibit A-9

These illustrative financial statements are intended to provide sample financial statement formats and disclosures for a hypothetical CIRA; they are not intended to illustrate all disclosures required by GAAP or all of the disclosures covered in the financial statement checklist.

XYZ HOMEOWNERS' ASSOCIATION, INC.

Balance Sheets

December 31, 20X2 and 20X1

	<u>20X2</u>	<u>20X1</u>
Assets		
Cash	\$ 110,000	\$ 68,000
Cash for future major repairs and replacements	64,000	30,000
Certificates of deposit for future major repairs and replacements	300,000	200,000
Member assessments receivable	28,000	9,000
Prepaid expenses	7,000	7,000
Manager's dwelling (net of accumulated depreciation of \$20,000 and \$10,000)	200,000	210,000
Equipment (net of accumulated depreciation of \$8,000 and \$5,000)	21,000	17,000
Total Assets	<u>\$ 730,000</u>	<u>\$ 541,000</u>
Liabilities and Members' Equity		
Accounts payable	24,000	6,000
Wages payable	6,000	
Income taxes payable	1,000	5,000
Prepaid assessments	20,000	15,000
Total Liabilities	<u>51,000</u>	<u>26,000</u>
Members' Equity	<u>679,000</u>	<u>515,000</u>
Total Liabilities and Members' Equity	<u>\$ 730,000</u>	<u>\$ 541,000</u>

The accompanying notes are an integral part of the financial statements.

.12

Exhibit A-10

XYZ HOMEOWNERS' ASSOCIATION, INC.
Statements of Revenues and Expenses
Years Ended December 31, 20X2 and 20X1

	<u>20X2</u>	<u>20X1</u>
Revenues		
Member assessments:		
Operations	\$ 747,000	\$ 693,000
Future major repairs and replacements	247,000	216,000
Lawsuit settlements	141,000	91,000
Interest	49,000	46,000
Other charges	22,000	20,000
Total Revenues	<u>1,206,000</u>	<u>1,066,000</u>
Expenses		
Wages and benefits	294,000	284,000
Major repairs and replacements ¹¹	262,000	310,000
Utilities	160,000	141,000
Services and contracts	129,000	134,000
Repairs and supplies	92,000	61,000
Insurance and licenses	50,000	46,000
Administrative	28,000	18,000
Depreciation	13,000	13,000
Income taxes	12,000	13,000
Bad debts	2,000	
Total Expenses	<u>1,042,000</u>	<u>1,020,000</u>
Excess of Revenues Over Expenses	<u>\$ 164,000</u>	<u>\$ 46,000</u>

The accompanying notes are an integral part of the financial statements.

¹¹ Expenditures for major repairs and replacements may be presented as one amount, listed separately in this statement, or listed in an accompanying schedule as illustrated in Exhibit A-13.

.13

Exhibit A-11

XYZ HOMEOWNERS' ASSOCIATION, INC.

Statements of Cash Flows (Direct Method)

Years Ended December 31, 20X2 and 20X1

Increase (Decrease) in Cash and Cash Equivalents

	<u>20X2</u>	<u>20X1</u>
Cash flows from operating activities:		
Member assessments collected:		
For operations	\$ 733,000	\$ 704,000
For future major repairs and replacements	247,000	216,000
Lawsuit settlement	141,000	91,000
Interest received	49,000	46,000
Other income received	22,000	20,000
Administrative expenses	(30,000)	(21,000)
Utilities	(160,000)	(143,000)
Services and contracts	(111,000)	(125,000)
Income taxes	(16,000)	(12,000)
Insurance and licenses	(50,000)	(50,000)
Repairs and supplies	(92,000)	(64,000)
Wages and benefits	(288,000)	(284,000)
Expenditures for major repairs and replacements	<u>(262,000)</u>	<u>(310,000)</u>
Net cash provided by operating activities	183,000	68,000
Net cash flows from investing activities:		
Purchase of equipment	<u>(7,000)</u>	<u>(3,000)</u>
Net increase in cash and cash equivalents	176,000	65,000
Cash and cash equivalents at beginning of year	<u>298,000</u>	<u>233,000</u>
Cash and cash equivalents at end of year	<u>\$ 474,000</u>	<u>\$ 298,000</u>
Analysis of Cash		
Cash in bank-operating account	\$ 110,000	\$ 68,000
Cash-designated for future major repairs and replacements	<u>364,000</u>	<u>230,000</u>
Total Cash	<u>\$ 474,000</u>	<u>\$ 298,000</u>

The accompanying notes are an integral part of the financial statements.

XYZ HOMEOWNERS' ASSOCIATION, INC.
Statements of Cash Flows—continued
Years Ended December 31, 20X2 and 20X1

	20X2	20X1
Reconciliation of excess of revenues over expenses to net cash provided by operating activities:		
Excess of revenues over expenses	\$ 164,000	\$ 46,000
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	13,000	13,000
(Increase) Decrease in member assessments receivable	(19,000)	8,000
Increase in accounts payable	18,000	6,000
Increase in wages payable	6,000	5,000
(Decrease) in income taxes payable	(4,000)	(10,000)
Increase in prepaid assessments	5,000	
Net cash provided by operating activities	\$ 183,000	\$ 68,000

The accompanying notes are an integral part of the financial statements.

.14

Exhibit A-12

XYZ HOMEOWNERS' ASSOCIATION, INC.

Statements of Changes in Members' Equity

Years Ended December 31, 20X2 and 20X1

	20X2			
	<i>Future Major Repairs and Replacements</i>	<i>Members' Initial Capital Contributions[#]</i>	<i>Retained Earnings (Deficit)</i>	<i>Total Members' Equity</i>
Members' Equity—				
Beginning of Year	\$225,000	\$265,000	\$ 25,000	\$515,000
Excess of revenues over expenses			164,000	164,000
Amounts allocated to major repairs and replacements**	164,000		(164,000)	
Transfer from future major repairs and replacements to retained earnings	<u>(10,000)</u>		<u>10,000</u>	
Members' Equity—				
End of Year	<u>\$379,000</u>	<u>\$265,000</u>	<u>\$ 35,000</u>	<u>\$679,000</u>

The accompanying notes are an integral part of the financial statements.

[#] If this column is used, the following note is added to the financial statements:

Members' initial capital contributions. At the time of closing by initial owners, one month's assessment was contributed to the association to provide additional working capital.

** Consisting of assessments for future major repairs and replacements, lawsuit settlements, and interest less income taxes, net of expenditures for major repairs and replacements. [Note: This amount does not necessarily equal excess of revenues over expenses.] As an alternative presentation, the components of this amount could be summarized in the notes to the financial statements and the "Future Major Repairs and Replacements" column could be omitted.

XYZ HOMEOWNERS' ASSOCIATION, INC.
Statements of Changes in Members' Equity—continued
Years Ended December 31, 20X2 and 20X1

	20X1			
	<i>Future Major Repairs and Replacements</i>	<i>Members' Initial Capital Contributions[†]</i>	<i>Retained Earnings (Deficit)</i>	<i>Total Members' Equity</i>
Members' Equity— Beginning of Year	\$195,000	\$265,000	\$ 9,000	\$469,000
Excess of revenues over expenses			46,000	46,000
Amounts allocated to major repairs and replacements [‡]	30,000	_____	(30,000)	_____
Members' Equity— End of Year	\$225,000	\$265,000	\$25,000	\$515,000

The accompanying notes are an integral part of the financial statements.

[†] If this column is used, the following note is added to the financial statements:
Members' initial capital contributions. At the time of closing by initial owners, one month's assessment was contributed to the association to provide additional working capital.

[‡] Consisting of assessments for future major repairs and replacements, lawsuit settlements, and interest less income taxes, net of expenditures for major repairs and replacements.

.15

Exhibit A-13

XYZ HOMEOWNERS' ASSOCIATION, INC.

Schedules of Expenses
for Major Repairs and Replacements

Years Ended December 31, 20X2 and 20X1

	<u>20X2</u>	<u>20X1</u>
Roofs	\$ 144,000	\$ 160,000
Exterior siding	94,000	98,000
Legal fees	10,000	
Recreation	5,000	2,000
Solar equipment	5,000	
Streets	4,000	20,000
Pools and spas		18,000
Tennis courts		12,000
Total	<u>\$ 262,000</u>	<u>\$ 310,000</u>

.16

Exhibit A-14

These illustrative financial statements are intended to provide sample financial statement formats and disclosures for a hypothetical CIRA; they are not intended to illustrate all disclosures required by GAAP or all of the disclosures covered in the financial statement checklist.

ABC COOPERATIVE, INC.^{||||}
(A COOPERATIVE HOUSING CORPORATION)

Balance Sheet

December 31, 20X2

Assets

Cash, including investment in money market fund of \$6,850		\$ 38,000
Tenant-shareholders' rent receivables		15,000
Prepaid expenses		9,000
Property and equipment		
Land	\$ 640,000	
Building	1,720,000	
Building improvements:		
construction in progress	140,000	
Furniture and equipment	90,000	
	2,590,000	
Less: accumulated depreciation	1,620,000	
Net property		970,000
Mortgage refinancing costs, less accumulated amortization of \$15,000		25,000
Total Assets		\$1,057,000

Liabilities and Shareholders' Equity (Deficit)

Accounts payable and accrued expenses		118,000
Prepaid rents		6,000
Mortgage note payable		1,865,000
Security deposits of commercial lessees		8,000
Total Liabilities		1,997,000
Shareholders' equity (deficit)		
Common stock—\$2.00 par value; authorized—40,000 shares; issued and outstanding—20,000 shares	40,000	
Additional paid-in-capital	420,000	
	460,000	
Deficit	(1,400,000)	
Total shareholders' equity (deficit):		(940,000)
Total Liabilities and Shareholders' Deficit		\$1,057,000

The accompanying notes are an integral part of these financial statements.

^{||||} If separate funds are maintained for future major repairs and replacements or for other purposes, fund reporting may be more informative to users of the financial statements of cooperative housing corporations and may be used as an alternative presentation.

Exhibit A-15

**ABC COOPERATIVE, INC.
(A COOPERATIVE HOUSING CORPORATION)**

Statements of Revenues, Expenses, and Deficit

Year Ended December 31, 20X2

Revenues		
Carrying charges		\$ 700,000
Commercial rent		89,000
Appliance and air-conditioning charges		45,000
Interest		10,000
Resale fees		3,000
Forfeited security deposits		<u>2,000</u>
Total Revenues		849,000
Expenses		
Wages, including fringe benefits	\$ 295,000	
Real estate taxes	237,000	
Interest	195,000	
Utilities	121,000	
Repairs and maintenance	53,000	
Management fees	24,000	
Insurance	16,000	
Legal and accounting	10,000	
Security	4,000	
Income taxes	2,000	
Total Expenses Before Depreciation and Amortization		<u>957,000</u>
Deficiency of revenues over expenses before depreciation		(108,000)
Depreciation		<u>72,000</u>
Deficiency of revenues over expenses		(180,000)
Deficit—beginning of year		<u>(1,220,000)</u>
Deficit—End of Year		<u><u>\$(1,400,000)</u></u>

The accompanying notes are an integral part of these financial statements.

.18

Exhibit A-16

ABC COOPERATIVE, INC.
(A COOPERATIVE HOUSING CORPORATION)

Statement of Cash Flows (Direct Method)

Year Ended December 31, 20X2

Cash Flows From Operating Activities	
Tenant-shareholder carrying charges, net of \$60,000 allocated to financing activities	\$ 640,000
Commercial rent	89,000
Appliance and air-conditioning charges and resale fees	48,000
Interest income	10,000
Forfeited security deposits	2,000
Cash paid to employees and suppliers	(437,000)
Real estate taxes	(292,000)
Interest expense	(140,000)
Net cash absorbed by operating activities	<u>(80,000)</u>
Cash Flows From Financing Activities	
Tenant-shareholder carrying charges	60,000
Repayment of debt	(60,000)
Net cash from financing activities	<u>0</u>
Cash Flows From Investing Activities	
Additions to building, furniture, and equipment	(150,000)
Net decrease in cash and cash equivalents	(230,000)
Cash and Cash Equivalents	
Beginning of period	<u>268,000</u>
End of period	<u>\$ 38,000</u>
Reconciliation of Deficiency of Revenues Over Expenses to Net Cash Absorbed by Operating Activities	
Deficiency of revenues over expenses	\$(180,000)
Adjustments to Reconcile Deficiency of Revenues Over Expenses to Net Cash Absorbed by Operating Activities	
Revenue allocated to financial activities	(60,000)
Depreciation	72,000
(Increase) in tenant-shareholder rent receivables	(2,000)
Decrease in prepaid expenses	3,000
Increase in accounts payable and accrued expenses	85,000
Increase in prepaid rents	3,000
(Decrease) in security deposits of commercial leases	(1,000)
Net cash absorbed by operating activities	<u>\$ (80,000)</u>

The accompanying notes are an integral part of these financial statements.

Exhibit A-17

**ABC COOPERATIVE, INC.
(A COOPERATIVE HOUSING CORPORATION)**

Notes to Financial Statements

December 31, 20X2

Note 1: Organization

ABC Cooperative, Inc., a cooperative housing corporation, was incorporated in the state of New York in April, 20XX. The Corporation owns the eighteen-story building known as ABC Apartments located at _____ in New York City and consisting of 175 residential apartments and ten commercial units.

Note 2: Summary of Significant Accounting Policies

Pervasiveness of Estimates. The preparation of financial statements to conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment. Property and equipment are stated at cost. Depreciation is computed on the straight-line basis, based on a thirty-year life for the building and a ten-year life for building improvements, furniture, and equipment.

Mortgage refinancing costs. Mortgage refinancing costs are amortized by the interest method over the ten-year term of the loan.

Note 3: Revenue

Carrying charges. Carrying charges are based on an annual budget determined by the board of directors. Tenant-shareholders are billed monthly based on their respective stock holdings. The Corporation retains excess operating funds, if any, at the end of the operating year, for use in future operating periods.

Commercial rent. The Corporation has entered into five-year lease agreements with ten commercial tenants providing for annual rentals aggregating \$92,000 with increases based on the Consumer Price Index.

Note 4: Mortgage Note Payable

The Corporation has a mortgage note payable, secured by the land and building, to XYZ Bank of New York with interest at the rate of 10 percent. The aggregate amount of required principal payments at December 31, 20X2 is as follows:

20X3	\$ 61,000
20X4	62,000
20X5	63,000
20X6	65,000
20X7	67,000
later years	<u>1,547,000</u>
Total	<u><u>\$1,865,000</u></u>

Note 5: Federal and State Taxes

The cooperative pays federal taxes on net income from patronage and non-patronage income in accordance with Subchapter T. Income tax expense in 20X2 was \$2,000.

Note 6: Future Major Repairs and Replacements

The Corporation's governing documents require that funds be accumulated for future major repairs and replacements. The Corporation has not accumulated those funds. When those funds are needed, the Corporation plans to borrow, increase carrying charges, or delay repairs and replacements until funds are available.##

The board of directors conducted a study in November 20X2 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed contractors who inspected the property. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study.

Many co-ops have no corporate requirement for reserves; some have a requirement as a condition of a loan. Some states have statutes dealing with reserves, most are vague, but not all. For instance Florida has the opt-out provision for reserves and Hawaii has specific language and examples that address the calculation of reserve fund status.

.20

Exhibit A-18

**ABC COOPERATIVE, INC.
(A COOPERATIVE HOUSING CORPORATION)**

**Supplementary Information on Future Major
Repairs and Replacements**

December 31, 20X2

(Unaudited)

In November, 20X2, the board of directors conducted a study to estimate the remaining useful lives and the replacement costs of the components of the building, furniture, and equipment. The estimates were obtained from licensed contractors who inspected the property. The following table is based on that study and presents significant information about the components of the building, furniture, and equipment.

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>
Roof	15	\$175,000
Exterior	3	30,000
Recreation Facilities	2-5	25,000
Carpeting	5	45,000
Furniture and equipment	2-7	15,000
		<u>\$290,000</u>

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