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Checklists and illustrative financial statements for not-for-profit organizations : a financial accounting and reporting practice aid, May 1997 edition

American Institute of Certified Public Accountants. Accounting and Auditing Publications

Anita M. Lyons

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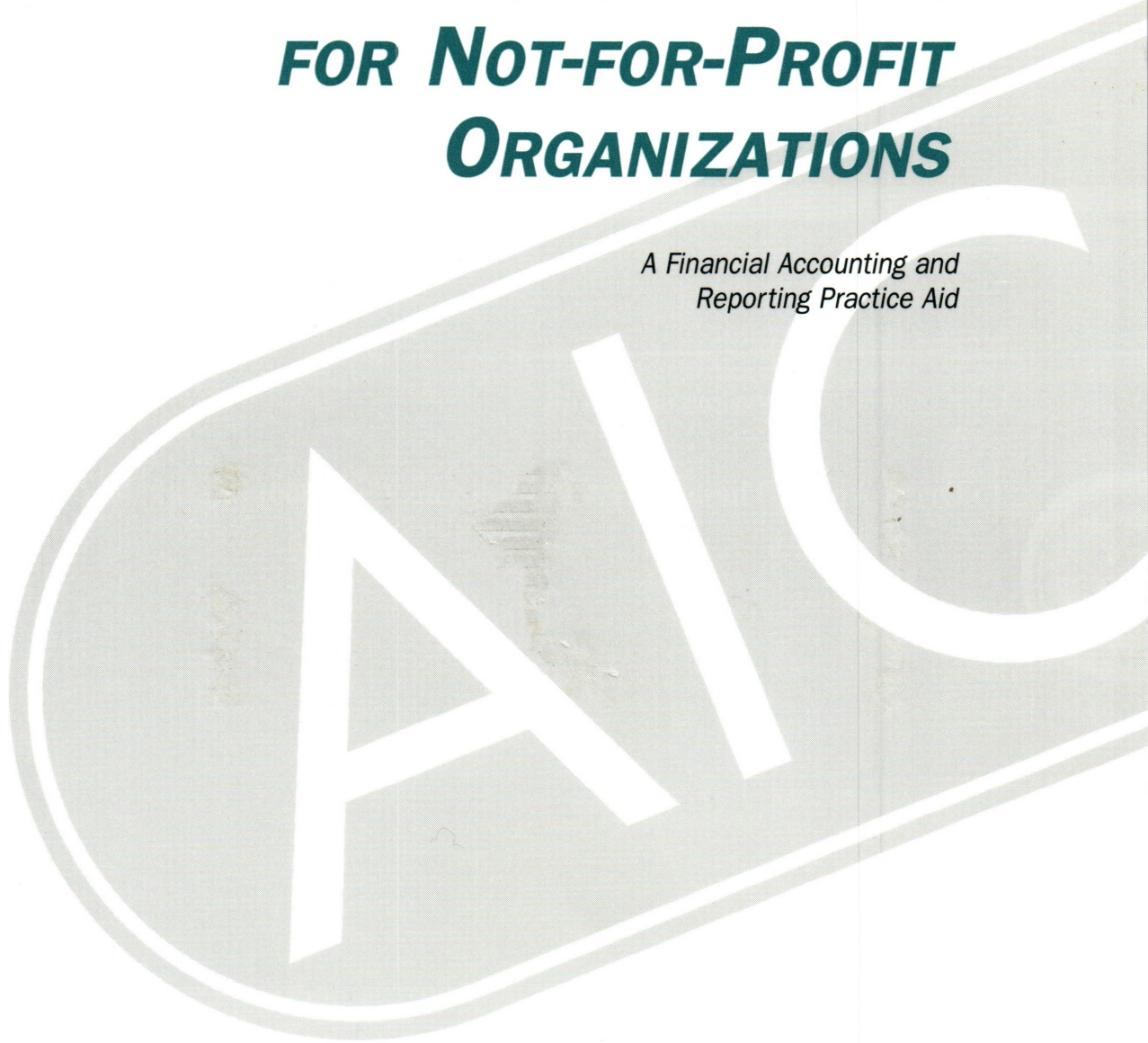
AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

MAY 1997 EDITION

**CHECKLISTS
AND ILLUSTRATIVE
FINANCIAL STATEMENTS
FOR NOT-FOR-PROFIT
ORGANIZATIONS**

*A Financial Accounting and
Reporting Practice Aid*



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CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR NOT-FOR-PROFIT ORGANIZATIONS

*A Financial Accounting and
Reporting Practice Aid*

Edited by

Anita M. Lyons, CPA

Technical Manager, Accounting and Auditing Publications

*Checklists and Illustrative Financial Statements
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FSP Section 14,000

Checklists and Illustrative Financial Statements for Not-for-Profit Organizations

.01 The checklists and illustrative financial statements included in this section are designed to be applied to organizations meeting the definition of a not-for-profit organization included in Appendix D of SFAS 116, *Accounting for Contributions Received and Contributions Made*.

.02 The checklists and illustrative financial statements have been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as nonauthoritative technical practice aids. At the request of certain AICPA members, the checklists and illustrative financial statements are also being made available for purchase by AICPA members subject to their recognition of the following:

- The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated. Pronouncements for which the likelihood of applicability to not-for-profit organizations is deemed remote are not included in this document.
- The checklists and illustrative financial statements are “tools” and in no way represent official positions or pronouncements of the AICPA.
- The checklists and illustrative financial statements have been updated to include relevant accounting pronouncements through AICPA Statement on Auditing Standards No. 82, AICPA Statement on Standards for Accounting and Review Services No. 7, FASB Statement of Financial Accounting Standards No. 129, FASB Interpretation No. 42, FASB Technical Bulletin No. 94-1, AICPA Statement of Position 96-1, Practice Bulletin 14, the AICPA Audit and Accounting Guide *Not-for-Profit Organizations*—1997 edition, and EITF Consensuses adopted up to and including the March 13, 1997 Emerging Issues Task Force meeting. The checklists and illustrative financial statements should be modified, as appropriate, for subsequent pronouncements. In determining the applicability of a pronouncement, its effective date should also be considered.
- 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 checklists and illustrative financial statements do not represent minimum requirements and do not purport to be all-inclusive. The referenced standards should be reviewed if clarification is needed to determine whether the disclosure indicated is required or suggested, and to what extent each disclosure is relevant to the statements being presented.

.03 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 1-800-862-4272.

Note: This publication was extracted from sections 14,000 through 14,700 of the AICPA *Financial Statement Preparation Manual* (FSP).

FSP Section 14,100

Introduction

.01 In June 1993, the FASB issued SFAS 117, *Financial Statements for Not-for-Profit Organizations*, to enhance the relevance, understandability, and comparability of financial statements of not-for-profit organizations. The Statement requires that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows. These financial statements present the organization's total assets, liabilities, and net assets; the balances of and changes in each of three classes of net assets—permanently restricted, temporarily restricted, and unrestricted; and the change in cash and cash equivalents.

.02 Prior to adoption of SFAS 117, most not-for-profit organizations generally presented their expenses classified on a functional basis (according to the purpose for which costs are incurred, such as specific programs and supporting services) with the exception of those receiving no significant support from the general public, which often reported expenses by natural classification (i.e., salaries, employee benefits, and purchased services). Upon adoption of SFAS 117, all not-for-profit organizations are required to report expenses on a functional basis. An additional reporting requirement is placed on voluntary health and welfare organizations, which are required to include a separate statement of functional expenses (presenting information about their expenses by both functional and natural classifications) as part of their general-purpose external financial statements.

.03 A wide variety of users are interested in the financial statements of not-for-profit organizations. Among the principal users are (1) contributors to the organization, (2) beneficiaries of the organization, (3) the organization's trustees or directors, (4) employees of the organization, (5) governmental units, (6) the organization's creditors and potential creditors, and (7) constituent organizations.

.04 A principal purpose of a not-for-profit organization's financial statements is to communicate the ways resources have been used to carry out the organization's objectives. In addition, while adequate measures of program accomplishment generally are not available in the context of present financial statements, the financial statements should identify the organization's principal programs and their costs. A third aspect of financial reporting for not-for-profit organizations is disclosure of the degree of control exercised by donors over use of resources. A fourth aspect is that the financial statements of a not-for-profit organization should help the user evaluate the organization's ability to carry out its fiscal objectives.

.05 Many not-for-profit organizations receive resources restricted for particular purposes. To facilitate observance of limitations, the accounts are often maintained using fund accounting, by which resources are classified for internal purposes into funds associated with specific activities or objectives. Each fund is a separate accounting entity with a self-balancing set of accounts for recording assets, liabilities, fund balance, and changes in the fund balance. Although separate accounts may be maintained for each fund for internal purposes, financial statements prepared in accordance with SFAS 117 focus on the organization as a whole rather than on fund balances and changes in fund balances.

FSP Section 14,200

Checklists—General

.01 AICPA disclosure checklists have been designed as practice aids to assist accountants in the preparation of financial statements and to assist auditors in their evaluation of the adequacy of disclosures in the financial statements they audit. Authoritative literature does not require the use of checklists, nor does it prescribe their format or content.

.02 This checklist consists of a number of questions or statements that are accompanied by references to the established sources of GAAP in which the disclosure requirements are found. These sources include Statements of Financial Accounting Standards, FASB Interpretations, Accounting Principles Board Opinions, Accounting Research Bulletins, AICPA Audit and Accounting Guides, AICPA Statements of Position, and EITF consensuses. Checklists are designed to serve as convenient memory aids but should not be used as a substitute for direct reference to authoritative literature.

.03 To use this checklist, simply check “yes,” “no,” or “not applicable” for each question. If additional information needs to be documented, include separate cross-referenced memoranda.

.04 As you use this checklist, please remember that:

- The exercise of sound professional judgment is of paramount importance in applying the checklist provisions.
 - The checklist may require modification based on the engagement circumstances.
 - The checklist may not be all-inclusive.
 - Users need to modify the checklist for any pronouncements issued subsequent to those mentioned in the checklist.
-

FSP Section 14,300

Financial Statements and Notes 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 for use by accountants in preparing financial statements and by auditors in auditing them.

.02 Explanation of References:

AAG-NPO =	AICPA Audit and Accounting Guide <i>Not-for-Profit Organizations</i> (May 1997)
AAG-VHW =	AICPA Industry Audit Guide <i>Audits of Voluntary Health and Welfare Organizations</i> (May 1994)
SFAS =	Statement of Financial Accounting Standards
FASBI =	Financial Accounting Standards Board Interpretation
FASCON =	FASB Statement of Financial Accounting Concepts
APB =	Accounting Principles Board Opinion
ARB =	Accounting Research Bulletin
FTB =	Technical Bulletin issued by the staff of FASB ¹
SOP =	AICPA Statement of Position
PB =	AICPA Accounting Standards Division Practice Bulletin
EITF =	Emerging Issues Task Force Abstracts
AC =	Reference to section number in <i>FASB Accounting Standards—Current Text</i>
AU =	Reference to section number in <i>AICPA Professional Standards</i> (vol. 1)
ACC & AUD =	Reference to section number in <i>AICPA Technical Practice Aids</i> (vol. 2)
SAS =	Statement on Auditing Standards

.03 Some questions in this checklist do not cite a specific authoritative reference but indicate that the disclosure is generally accepted. Most organizations disclose that information even though a requirement to do so in the authoritative literature cannot be identified.

This checklist is organized into the sections listed below. Carefully review the topics listed and consider whether they represent potential disclosure items for the not-for-profit organization. Place a check mark by the topics or sections considered not applicable; these sections need not be completed. For example, if the organization does not have any extraordinary items, place a check by "Extraordinary Items" and skip this section when completing the checklist.

Place ✓ by
Sections Not Applicable

- General

- A. Titles and References

- B. Accounting Policies and Other Disclosures

¹ The FASB staff issues FASB Technical Bulletins to provide guidance concerning the application of FASB Statements or Interpretations, APB Opinions, or Accounting Research Bulletins. FASB Technical Bulletins do not establish new financial accounting and reporting standards or amend existing standards.

Place ✓ by
Sections Not Applicable

- Additional Financial Statements
 - A. Statement of Cash Flows _____
 - B. Statement of Functional Expenses _____
- Auditors' Reports _____
- Auditors' Reports on Audits Performed Under *Government Auditing Standards* and Under OMB Circular A-133 _____
- Accountants' Reports on Compiled or Reviewed Financial Statements _____

.04 Checklist Questionnaire:

Yes No N/A

I. General

A. Titles and References

1. Are the financial statements suitably titled?
[SAS 62, par. 7 (AU 623.07)] _____
2. Does each statement include a general reference that the notes are an integral part of the financial statement presentation?
[Generally Accepted] _____
3. For each period, are the following financial statements presented:
 - a. Statement of financial position? _____
 - b. Statement of activities? _____
 - c. Statement of cash flows? _____

Organizations Other Than VHWOs Omit Step *d*.

- d. Statement of functional expenses?
[SFAS 117, pars. 1 and 6 (AC No5.104); AAG-NPO, par. 3.01] _____
4. If the primary component of the organization's mission is to receive resources as an agent, has presentation of the statement of cash flows as the first financial statement been considered?
[AAG-NPO, par. 3.01, fn. 1] _____

B. Accounting Policies and Other Disclosures

1. Is a description of all significant accounting policies adopted and followed presented as an integral part of the financial statements?
[APB 22, par. 9 (AC A10.103)] _____
 - a. Are the organization's accounting policies disclosed for:
 - (1) Grant commitments? _____
 - (2) Capitalization?
[Generally Accepted] _____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. If the organization prepared its financial statements on a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), was disclosure made of the basis of presentation and how that basis differs from GAAP? [SAS 62, par. 10 (AU 623.10)]	_____	_____	_____
3. Does disclosure of significant accounting policies encompass important judgments as to appropriateness of principles concerning recognition of revenue, and allocation of asset costs to current and future periods? [APB 22, par. 12 (AC A10.105)]	_____	_____	_____
4. Does the disclosure of significant accounting policies include appropriate reference to details presented elsewhere (in the statements and notes thereto) so duplication of details is avoided? [APB 22, par. 14 (AC A10.107)]	_____	_____	_____
5. If material, is the accounting policy used in recognizing amounts related to a modification of an operating lease (that does not change the lease classification) disclosed? [EITF 95-17]	_____	_____	_____

C. Accounting Changes

1. In the initial year of application of SFAS 116 and SFAS 117, is the nature of any restatement and its effect on the change in net assets for each period presented disclosed? [SFAS 116, par. 30; SFAS 117, par. 31]	_____	_____	_____
2. If SFAS 116 is not applied retroactively, is the cumulative effect of the change in accounting on each class of net assets reported in the statement of activities between the captions "extraordinary items", if any, and "change in unrestricted net assets", "change in temporarily restricted net assets", and "change in permanently restricted net assets"? [SFAS 116, par. 29]	_____	_____	_____
3. For an accounting change, does disclosure in the period of the change include:			
a. Nature of the change?	_____	_____	_____
b. Justification for the change and a clear explanation of why the newly adopted principle is preferable?	_____	_____	_____
c. Effect on excess of revenues over expenses? [APB 20, par. 17 (AC A06.113)]	_____	_____	_____
4. For all changes in accounting principles, except those concerning a change in entity:			
a. Are financial statements included for prior periods, for comparative purposes, as previously reported?	_____	_____	_____
b. Is the effect of the new accounting principle on change in net assets before extraordinary items and on change in net assets disclosed in the period of the change?	_____	_____	_____
c. Is change in net assets before extraordinary items and statement of activities computed on a pro forma basis on the face of the statement	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
of activities 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)]	_____	_____	_____
5. If a change in reporting entity occurs, are the disclosures made in accordance with APB 20, paragraphs 34 and 35? [APB 20, pars. 34 and 35 (AC A35.112 and .113)]	_____	_____	_____
6. If appropriate, is the cumulative effect of a change in accounting principle reported on each class of net assets in the statement of activities between the captions "extraordinary items" and "change in unrestricted net assets," "change in temporarily restricted net assets," and "change in permanently restricted net assets" ? [APB 20, pars. 18–26 (AC A06.114–.122)]	_____	_____	_____
7. 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 effect? [APB 20, pars. 25 and 26 (AC F43.101 and .102)]	_____	_____	_____
8. Is a correction of an error shown as a prior period adjustment with disclosure of the following in the period of its discovery and correction:			
a. Nature and effect of the error in previously issued financial statements?	_____	_____	_____
b. Effect of its correction on excess of revenues over expenses before and after extraordinary items? [APB 20, par. 37 (AC A35.105); SFAS 109, par. 288n (AC A35.103); APB 9, par. 26 (AC A35.107)]	_____	_____	_____
c. For single period statements, the effects of the prior period adjustment on net assets at the beginning of the period? [APB 9, par. 26 (AC A35.107)]	_____	_____	_____
9. Are the effects of changes in accounting estimates disclosed if material? [APB 20, pars. 31–33 (AC A06.130–.132)]	_____	_____	_____

D. Comparative Financial Statements

1. Has presentation of comparative statements been considered? [SFAS 117, par. 69; ARB 43, Ch. 2A, pars. 1 and 2 (AC F43.101 and .102)]	_____	_____	_____
2. Are the disclosures included in the prior year's financial statements 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 changes have 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. If comparative annual financial statements are presented for earlier periods, are those financial statements reclassified (or restated) to reflect retroactive application of the provisions of SFAS 116 and SFAS 117? [SFAS 116, par. 30; SFAS 117, par. 31]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. If prior year information is summarized and does not include the minimum information required by SFAS 117 and AAG-NPO, is the nature of the prior year information described by appropriate titles and in the notes? [AAG-NPO, par. 3.20]	_____	_____	_____
E. Related Entities			
1. If consolidated financial statements are presented in accordance with SOP 94-3, refer to section I.G., "Consolidated Financial Statements"; if an investment is accounted for under the equity method, refer to section II.C., "Investments/Marketable Securities". [SOP 94-3, pars. 5-13 (ACC 10,610.05-.13)]	_____	_____	_____
2. Is the nature of a controlled relationship disclosed, even though there are no transactions between the enterprises, if the reporting entity and one or more other enterprises are under common ownership or management control, and the existence of the control could result in operating results or financial position of the reporting entity being significantly different from those that would have been obtained if the entity were autonomous? [SFAS 57, par. 4 (AC R36.104)]	_____	_____	_____
3. If the organization controls a separate not-for-profit organization through a form other than majority ownership or voting interest and has an economic interest in that other organization and consolidated financial statements are not presented, do disclosures include:			
a. Identification of the other organization and the nature of its relationship with the reporting organization that results in control?	_____	_____	_____
b. Summarized financial data of the other organization including: total assets, liabilities, net assets, revenue, and expenses, and resources that are held for the benefit of the reporting organization or that are under its control?	_____	_____	_____
c. Disclosures required by SFAS 57 as described in Step 2? [SOP 94-3, par. 12 (ACC 10,610.12)]	_____	_____	_____
4. Are the nature and extent of leasing transactions with related parties appropriately disclosed? [SFAS 13, par. 29 (AC L10.125)]	_____	_____	_____
F. Business Combinations			
1. If a business combination occurred during the period and met the specified conditions for a pooling-of-interests, do the statements and notes include the required disclosures? (Note: Not-for-profit organizations are, under certain circumstances, permitted to use the pooling-of-interests method, even though they generally do not issue common stock. [AAG-NPO, pars. 1.15 and 1.16]) [APB 16, pars. 45-48 and 63-65 (AC B50.104-.107 and .122-.124)]	_____	_____	_____
2. If a business combination does not meet the specified conditions for a pooling-of-interests:			
a. Is the combination accounted for by the purchase method? [APB 16, pars. 66-88 and 90-94 (AC B50.125-.146 and .159-.163);	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
SFAS 38 (AC B50.148–.150 and .166); FASBI 4 (AC B50.151 and .152) concerns research and development activities of an acquired subsidiary]			
b. Do the statements and notes include the required disclosures? [APB 16, pars. 95 and 96 (AC B50.164 and .165); SFAS 79, par. 6 (AC B50.165)]	_____	_____	_____

G. Consolidated Financial Statements

1. If consolidated financial statements are presented:			
a. Is the consolidation policy disclosed? [ARB 51, par. 5 (AC C51.108); APB 22, pars. 12–14 as amended by SFAS 95, par. 152 (AC A10.105–.107)]	_____	_____	_____
b. In instances in which the financial reporting periods of subsidiaries differ from that of the parent, is recognition given to the effect of intervening events that materially affect financial position or the results of operations? [ARB 51, par. 4 (AC C51.107)]	_____	_____	_____
c. Are restrictions made by entities outside of the reporting entity on distributions from the controlled not-for-profit organization to the reporting organization and any resulting unavailability of the net assets of the controlled not-for-profit organization for use by the reporting organization disclosed? [SOP 94-3, par. 14 (ACC 10,610.14)]	_____	_____	_____

H. Financial Instruments

1. For financial instruments with off-balance-sheet risk (except for those excluded in SFAS 105), are the following disclosed either in the body of the financial statements or in the notes by category of financial instrument: ²			
a. The face or contract amount (or notional principal amount if there is no face or contract amount)?	_____	_____	_____
b. The nature and terms, including, at a minimum, a discussion of:			
(1) The credit and market risk of those instruments?	_____	_____	_____
(2) The cash requirements of those instruments?	_____	_____	_____
(3) The related accounting policy pursuant to the requirements of APB 22 (AC A10)? [SFAS 105, par. 17, as amended by SFAS 119, par. 14 (AC F25.112)]	_____	_____	_____
2. Do the disclosures in Steps 1.a. and 1.b. distinguish between financial instruments with off-balance-sheet risk held or issued for trading purposes, including dealing and other trading activities measured at			

² *Category of financial instrument* refers to class of financial instrument, business activity, risk, or other category that is consistent with the management of those instruments. If disaggregation of financial instruments is other than by class, the entity also should describe for each category the classes of financial instruments included in that category. Practices for grouping and separately identifying similar financial instruments into *classes* in statements of financial position, in notes to financial statements, and in various regulatory reports have developed and become generally accepted, largely without being codified in authoritative literature. In SFAS 105 [AC F25], “class of financial instrument” refers to those classifications.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
fair value with gains and losses recognized in earnings, and financial instruments with off-balance-sheet risk held or issued for purposes other than trading? [SFAS 105, par. 17, as amended by SFAS 119, par. 14 (AC F25.112A)]	_____	_____	_____
3. For financial instruments with off-balance-sheet credit risk (except for those excluded in SFAS 105), are the following disclosed either in the body of the financial statements or in the notes by category of financial instrument: ³			
a. The amount of accounting loss the organization would incur if any party to the financial instrument failed completely to perform according to the terms of the contract and the collateral or other security, if any, for the amount due proved to be of no value to the organization?	_____	_____	_____
b. The organization's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the organization'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? [SFAS 105, par. 18 as amended by SFAS 119, par. 14 (AC F25.113)]	_____	_____	_____
4. Do disclosures of all significant concentrations of credit risk arising from all financial instruments, whether from an individual counterparty or groups of counterparties (except for certain insurance and investment contracts, purchase and pension obligations), include:			
a. Information about the (shared) activity, region, or economic characteristic that identifies the concentration?	_____	_____	_____
b. The amount of the accounting loss due to credit risk the organization 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 organization?	_____	_____	_____
c. The organization's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the organization'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? [SFAS 105, par. 20 (AC F25.115)]	_____	_____	_____

Note: SFAS 126, *Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities*, states that disclosures about the fair value of financial instruments prescribed in SFAS 107 shall be optional for an entity that meets all of the following criteria:

- a. The entity is a nonpublic company.
- b. The entity's total assets are less than \$100 million on the date of the financial statements.
- c. The entity has not held or issued any derivative financial instruments as defined in SFAS 119 other than loan commitments, during the reporting period.

Consider this exemption when reviewing items 5 through 10 below.

³ See footnote 2.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Is the fair value of financial instruments for which it is practicable to estimate that value (except for those excluded in paragraphs 8 and 13 of SFAS 107) disclosed, 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? ⁴ [SFAS 107, par. 10 as amended by SFAS 119, par. 15 (AC F25.115C)]	_____	_____	_____
6. Do the disclosures in Step 5 distinguish between financial instruments held or issued for trading purposes, including dealing and other trading activities measured at fair value with gains and losses recognized in earnings, and financial instruments held or issued for purposes other than trading? [SFAS 107, par. 10 as amended by SFAS 119, par. 15 (AC F25.115C)]	_____	_____	_____
7. Are the methods and significant assumptions used to estimate the fair value of financial instruments disclosed? [SFAS 107, par. 10 (AC F25.115C)]	_____	_____	_____
8. If it is not practicable to estimate the fair market value of a financial instrument, do disclosures include:			
a. Information pertinent to estimating the fair value of the financial instrument or class of financial instruments, such as the carrying amount, effective interest rate, and maturity?	_____	_____	_____
b. The reasons why it is not practicable to estimate fair value? [SFAS 107, par. 14 (AC F25.115J)]	_____	_____	_____
9. If the offsetting of derivative financial instruments against nonderivative financial instruments is not permitted under FASB Interpretation No. 39, <i>Offsetting of Amounts Related to Certain Contracts</i> , does the organization, in disclosing the fair value of a derivative financial instrument, <i>not</i> :			
a. Combine, aggregate, or net the fair value with the fair value of a nonderivative financial instrument?	_____	_____	_____
b. Net the fair value with the fair value of other derivative financial instruments? [SFAS 107, par. 13 as amended by SFAS 119, par. 15 (AC F25.115I)]	_____	_____	_____
10. For all fiscal years subsequent to the year of transition, are SFAS 107 disclosures included for each year for which a statement of financial position is presented for comparative purposes? [SFAS 107, par. 17]	_____	_____	_____
11. Are gains or losses on written put options that require net cash settlement included in earnings and disclosed in the financial statements? [EITF 96-1]	_____	_____	_____

I. Derivatives

1. For options held and other derivative financial instruments not within the scope of SFAS 105 that do not have off-balance-sheet risk, are the following disclosures made by category of financial instrument:

⁴ If disclosed in more than a single note, one of the notes should include a summary table containing the fair value and related carrying amounts and cross-references to the location(s) of the remaining disclosures required by SFAS 107, as amended.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The face or contract amount (or notional principal amount if there is no face or contract amount)?	_____	_____	_____
b. The nature and terms, including a discussion of:			
(1) Credit and market risk?	_____	_____	_____
(2) Cash requirements?	_____	_____	_____
(3) Related accounting policy as required by APB 22?	_____	_____	_____
c. Do disclosures in Steps a. and b. above distinguish between financial instruments held or issued for:			
(1) Trading purposes, including dealing and other trading activities measured at fair value with gains and losses recognized in earnings?	_____	_____	_____
(2) Purposes other than trading? [SFAS 119, pars. 8 and 9 (AC F25.115L and .115M)]	_____	_____	_____
2. Does the organization that holds derivative financial instruments for trading purposes disclose:			
a. The average fair value during the reporting period and the related end-of-period fair value, distinguishing between assets and liabilities?	_____	_____	_____
b. The net gains or losses (net trading revenue) arising from trading activities during the reporting period disaggregated by class, business activity, risk or other category consistent with management of those activities and where those net trading gains or losses are reported in the income statement?	_____	_____	_____
(1) If the disaggregation is other than by class, did the organization also disclose for each category the classes of derivative financial instruments, other financial instruments, and non-financial assets and liabilities from which the net trading gains and losses arose?	_____	_____	_____
c. The average fair value for assets and liabilities from the trading of other types of financial instruments or nonfinancial assets? (This disclosure is encouraged but not required.) [SFAS 119, par. 10 (AC F25.115N)]	_____	_____	_____
3. Does an organization that holds derivative financial instruments for purposes other than trading disclose:			
a. A description of:			
(1) The objectives for holding?	_____	_____	_____
(2) The context needed to understand those objectives?	_____	_____	_____
(3) The strategies for achieving those objectives?	_____	_____	_____
(4) The classes of derivative financial instruments used?	_____	_____	_____
b. A description of how each class of derivative financial instrument is reported in the financial statements, including:			
(1) The policies for recognition and measurement or nonrecognition of the derivative financial instruments?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(2) When recognized, where the instruments and related gains and losses are reported?	_____	_____	_____
c. For derivative financial instruments that are held or issued and accounted for as hedges of anticipated transactions, both firm and forecasted transactions for which there is no firm commitment, including:			
(1) A description of the anticipated transactions whose risks are hedged, including the expected time period of occurrence?	_____	_____	_____
(2) A description of the classes of derivative financial instruments used to hedge?	_____	_____	_____
(3) The amount of explicitly deferred hedging gains and losses?	_____	_____	_____
(4) A description of the transaction or events that result in the recognition in earnings of the deferred gains or losses? [SFAS 119, par. 11 (AC F25.115O)]	_____	_____	_____
4. Are the following encouraged, but not required, quantitative disclosures made:			
a. Interest rate?	_____	_____	_____
b. Foreign exchange?	_____	_____	_____
c. Commodity price?	_____	_____	_____
d. Other market risk consistent with management's strategies?	_____	_____	_____
e. Information of the risk of other financial instruments or nonfinancial assets and liabilities related by risk management strategy pertaining to the objectives for holding or issuing derivative financial instruments? ⁵ [SFAS 119, pars. 12 and 13 (AC F25.115P and .115Q)]	_____	_____	_____
J. 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 C11.102 and N35.120); FASBI 30 (AC N35.114-.119)]	_____	_____	_____
K. Contingencies and Commitments			
1. Are the nature and amount of accrued loss contingencies disclosed as necessary to keep the financial statements from being misleading? [SFAS 5, par. 9 (AC C59.108)]	_____	_____	_____

⁵ Suggested methods of disclosure of the above include:

- a. Additional details about current positions and period activity.
- b. Hypothetical effects on equity or on annual income due to several possible changes in market prices.
- c. Gap analysis of interest rate repricing or maturity dates.
- d. Duration of financial instruments.
- e. The entity's value at risk from derivative financial instruments and other positions at period end and the average value at risk during the year.
- f. Any other helpful informative disclosures.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. For loss contingencies not accrued, do disclosures indicate:			
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)]	_____	_____	_____
3. If exposure to loss exists in excess of the amount accrued for a loss contingency, do disclosures include the excess amount or state that no estimate is possible? [SFAS 5, par. 10 (AC C59.109)]	_____	_____	_____
4. Are the nature and amount of guarantees disclosed (for example, of indebtedness of others)? [SFAS 5, par. 12 (AC C59.113); FASBI 34, pars. 2 and 3 (AC C59.114)]	_____	_____	_____
5. Are gain contingencies adequately disclosed to avoid any misleading implications about likelihood of realization? [SFAS 5, par. 17 (AC C59.118)]	_____	_____	_____
6. Is there adequate disclosure of commitments such as those for capital expenditures, grants to be awarded to others, restrictive covenants in financing agreements, inventory purchase agreements, and employment contracts? [SFAS 5, pars. 18 and 19 (AC C59.120)]	_____	_____	_____
7. Are encumbrances, appropriations of fund balances, unspecified reserves, and other commitments not meeting the criteria of SFAS 5, paragraph 8 <i>not</i> reported as expenses or liabilities? (Note: These may be reported as segregations of net assets of individual funds if such funds are reported separately on the statement of financial position.) [SFAS 5, pars. 14 and 15 (AC C59.116 and .117); AAG-NPO, par. 11.03, fn. 2]	_____	_____	_____
8. If the organization has failed to maintain an appropriate composition of assets in amounts needed to comply with all donor restrictions, are the amounts and circumstances disclosed? [AAG-NPO, par. 3.27]	_____	_____	_____
9. If there is a reasonable possibility that noncompliance with donor-imposed restrictions has resulted in a material contingent liability having been incurred at the financial statement date, could lead to a material loss of revenue, or could cause inability to continue as a going concern, are the amounts and circumstances disclosed? [AAG-NPO, par. 3.27]	_____	_____	_____
10. Is disclosure made of conditions that raise questions about the organization's ability to continue in existence for a reasonable period of time, and any mitigating factors, including management's plans? [SAS 59, pars. 10 and 11 (AU 341.10 and .11)]	_____	_____	_____

L. Risks and Uncertainties

1. Is a description of the principal services/activities performed by the organization, a description of each of its major classes of programs,

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
and the revenue sources for the organization's services included in the financial statements? [SOP 94-6, par. 10]	_____	_____	_____
2. 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]	_____	_____	_____
3. Is disclosure regarding an estimate made when known information available prior to the issuance of the financial statements indicates that both of the criteria in SOP 94-6, paragraph 13 are met? [SOP 94-6, par. 13]	_____	_____	_____
4. Does the disclosure in Step 3 above, indicate the nature of the uncertainty including an indication that it is at least reasonably possible that a change in estimate will occur in the near term? [SOP 94-6, par. 14]	_____	_____	_____
5. Have the optional disclosures in paragraphs 14 and 15 of SOP 94-6 been considered? [SOP 94-6, pars. 14 and 15]	_____	_____	_____
6. Is disclosure of the concentrations described in paragraph 22 of SOP 94-6 made, if, based on information known to management prior to issuance of the financial statements, the criteria in paragraph 21 are met? [SOP 94-6, pars. 21 and 22]	_____	_____	_____

M. Related Parties

1. For related-party transactions, do disclosures include:			
a. The nature of the relationship involved (e.g., affiliate companies, officers, etc.)?	_____	_____	_____
b. A description of the transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which a statement of activity is presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements?	_____	_____	_____
c. The dollar amount of transactions for each of the periods for which a statement of activities is presented and the effects of any change in the method of establishing the terms from that used in the preceding period?	_____	_____	_____
d. Amounts due from or to related parties as of the date of each statement of financial position presented and, if not otherwise apparent, the terms and manner of settlement? [SFAS 57, pars. 2-4 (AC R36.102-.104)]	_____	_____	_____

N. Subsequent Events

1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provided additional evidence about conditions that existed at the statement of financial position date? [SFAS 5, par. 8 (AC C59.105); SAS 1, secs. 560.03, .04, .07, and 561.01-.10 (AU 560.03, .04, .07, and 561.01-.10)]	_____	_____	_____
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------	-------	-------

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Are subsequent events that provide evidence about conditions that did not exist at the statement of financial position date, but arose subsequent to that date adequately disclosed to keep the financial statements from being misleading? [SFAS 5, par. 11 (AC C59.112); APB 16, par. 61 (AC B50.120) and SAS 1, secs. 560.05-.07 and 561.01-.10 (AU 560.05-.07 and 561.01-.10)]	_____	_____	_____

Note: Consider the appropriateness of dual dating the auditor's report if a subsequent event is disclosed in the financial statements.
[SAS 1, sec. 530.05 (AU 530.05)]

O. Pension Plans [For defined benefit pension plans, accounting and reporting by the plans themselves should be in conformity with SFAS 35 (AC Pe5)]

1. If there is a defined benefit plan, do disclosures include:			
a. A description of the plan including employee groups covered, type of benefit formula, funding policy, types of assets held and significant nonbenefit liabilities, if any, and the nature and effect of significant matters affecting comparability of information for all periods presented? [SFAS 87, par. 54a (AC P16.150a)]	_____	_____	_____
b. The amount of net periodic pension cost for the period showing separately the service cost component, the interest cost component, the actual return on assets for the period, and the net total of other components? ⁶ [SFAS 87, par. 54b (AC P16.150b)]	_____	_____	_____
c. A schedule reconciling the funded status of the plan with amounts reported in the employer's statement of financial position, showing separately:			
(1) The fair value of plan assets?	_____	_____	_____
(2) The projected benefit obligation identifying the accumulated benefit obligation and the vested benefit obligation?	_____	_____	_____
(3) The amount of unrecognized prior service cost?	_____	_____	_____
(4) The amount of unrecognized net gain or loss (including asset gains and losses not yet reflected in market-related value)?	_____	_____	_____
(5) The amount of any remaining unrecognized net obligation or net asset existing at the date of initial application of SFAS 87 (AC P16)?	_____	_____	_____
(6) The amount of any additional liability recognized pursuant to SFAS 87, paragraph 36 (AC P16.130)?	_____	_____	_____
(7) The amount of net pension asset or liability recognized in the statement of financial position pursuant to SFAS 87, para-	_____	_____	_____

⁶ The net total of other components is the net effect during the period of certain delayed recognition provisions of SFAS 87 (AC P16). That net total includes:

- (1) The net asset gain or loss during the period deferred for later recognition (in effect, and offset or a supplement to the actual return on assets)
- (2) Amortization of the net gain or loss from earlier periods
- (3) Amortization of unrecognized prior service cost
- (4) Amortization of unrecognized net obligation or net asset existing at the date of initial application of SFAS 87 (AC P16).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
graphs 35 and 36 (AC P16.129 and .130) (which is the net result of combining the preceding six items)? [SFAS 87, par. 54c (AC P16.150c)]	_____	_____	_____
d. The weighted-average assumed discount rate and rate of compensation increase (if applicable) used to measure the projected benefit obligation and the weighted-average expected long-term rate of return on plan assets? [SFAS 87, par. 54d (AC P16.150d)]	_____	_____	_____
e. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, and the approximate amount of annual benefits of employees and retirees covered by annuity contracts issued by the employer and related parties? [SFAS 87, par. 54e (AC P16.150e)]	_____	_____	_____
f. If applicable, the alternative amortization method used pursuant to SFAS 87, paragraphs 26 and 33 (AC P16.120 and .127), and the existence and nature of the commitment discussed in SFAS 87 paragraph 41 (AC P16.135)? [SFAS 87, par. 54e (AC P16.150e)]	_____	_____	_____
g. If more than one defined benefit plan exists:			
(1) Are the required disclosures above aggregated for all of the employer's single-employer defined benefit plans or disaggregated in groups so as to provide the most useful information?	_____	_____	_____
(2) Are plans with assets in excess of accumulated benefit obligations not aggregated with plans that have accumulated benefit obligations that exceed plan assets? [SFAS 87, par. 56 (AC P16.153)]	_____	_____	_____
2. If there is a defined contribution plan, are the following items disclosed:			
a. A description of the plan including employee groups covered, the basis for determining contributions, and the nature and effect of significant matters affecting comparability of information for all periods presented?	_____	_____	_____
b. The amount of cost recognized during the period? [SFAS 87, par. 65 (AC P16.162)]	_____	_____	_____
c. If the pension plan has characteristics of both a defined benefit plan and a defined contribution plan and the substance of the plan is to provide a defined benefit, are Steps 1.a.–1.g. followed? [SFAS 87, par. 66 (AC P16.163)]	_____	_____	_____
3. If there is a multiemployer plan, do disclosures include:			
a. A description of the multiemployer plan, including the employee groups covered, the type of benefits provided (defined benefit or defined contribution), and the nature and effect of significant matters affecting comparability of information for all periods presented? [SFAS 87, par. 69a (AC P16.166a)]	_____	_____	_____
b. The amount of cost recognized during the period? [SFAS 87, par. 69b (AC P16.166b)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. If the situation arises where the withdrawal from a multiemployer plan may result in the employer having an obligation to the plan for a portion of its unfunded benefit obligations that is either probable or reasonably possible, are the provisions of SFAS 5 (AC C59) applied? [SFAS 87, par. 70 (AC P16.167)]	_____	_____	_____
4. If there is a settlement or curtailment of a defined benefit pension plan or of termination benefits under such plan, do disclosures include:			
a. A description of the nature of the event(s)?	_____	_____	_____
b. The amount of gain or loss recognized? [SFAS 88, par. 17 (AC P16.187)]	_____	_____	_____
5. If the organization terminates a defined benefit plan and (1) contributes the assets withdrawn to a defined contribution plan, (2) the amount contributed is in excess of the employer's required annual contribution to the plan, and (3) the risk and rewards of the ownership of the assets are retained by the employer, were the following considered for the defined contribution plan:			
a. Is the excess contribution that is not allocated to individual participants accounted for as an asset regardless of the source of funds?	_____	_____	_____
b. Is the unallocated amount treated as if it were part of the employer's investments portfolio and recorded as an asset?	_____	_____	_____
(1) Is the income attributed to such securities including dividends, interest, and realized gains and losses reported in a manner consistent with the employer's reporting of similar items?	_____	_____	_____

P. Postretirement Benefits Other Than Pensions

1. If there are one or more defined benefit postretirement plans, do disclosures include:			
a. A description of the substantive plan(s) that is the basis for the accounting, including the nature of the plan, any modifications of the existing cost-sharing provisions that are encompassed by the substantive plan(s), and the existence and nature of any commitment to increase monetary benefits provided by the postretirement benefit plan, employee groups covered, types of benefits provided, funding policy, types of assets held and significant nonbenefit liabilities, and the nature and effect of significant matters affecting the comparability of information for all periods presented, such as the effect of a business combination or divestiture?	_____	_____	_____
b. The amount of net periodic postretirement benefit cost, showing separately the service cost component, the interest cost component, the actual return on plan assets for the period, amortization of the unrecognized transition obligation or transition asset, and the net total of other components? ⁷	_____	_____	_____

⁷ The net total of other components is generally the net effect during the period of certain delayed recognition provisions of SFAS 106 (AC P40). That net total includes:

- a. The net asset gain or loss during the period deferred for later recognition (in effect, an offset or a supplement to the actual return on plan assets).
- b. Amortization of unrecognized prior service cost.
- c. Amortization of the net gain or loss from earlier periods.
- d. Any gain or loss recognized due to a temporary deviation from the substantive plan (of SFAS 106, par. 61 (AC P40.156)).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. A schedule reconciling the funded status of the plan(s) with amounts reported in the employer's statement of financial position, showing separately:			
(1) The fair value of plan assets?	_____	_____	_____
(2) The accumulated postretirement benefit obligation, identifying separately the portion attributable to retirees, other fully eligible plan participants, and other active plan participants?	_____	_____	_____
(3) The amount of unrecognized prior service cost?	_____	_____	_____
(4) The amount of unrecognized net gain or loss (including plan asset gains and losses not yet reflected in market-related value)?	_____	_____	_____
(5) The amount of any remaining unrecognized transition obligation or transition asset?	_____	_____	_____
(6) The amount of net postretirement benefit asset or liability recognized in the statement of financial position, which is the net result of combining the preceding five items?	_____	_____	_____
d. The assumed health care cost trend rate(s) used to measure the expected cost of benefits covered by the plan (gross eligible charges) for the next year and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved?	_____	_____	_____
e. The weighted-average of the assumed discount rate(s) and rate(s) of compensation increase (for pay-related plans) used to measure the accumulated postretirement benefit obligation and the weighted-average of the expected long-term rate(s) of return on plan assets?	_____	_____	_____
f. The effect of a one-percentage-point increase in the assumed health care cost trend rates for each future year on the aggregate of the service and interest cost components of net periodic postretirement health care benefit cost; and the accumulated postretirement benefit obligation for health care benefits (for purposes of this disclosure, all other assumptions should be held constant and the effects should be measured based on the substantive plan that is the basis for the accounting)?	_____	_____	_____
g. The amounts and types of securities of the employer and related parties included in plan assets, and the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer and related parties?	_____	_____	_____
h. Any alternative amortization method used pursuant to paragraph 53 or 60 of SFAS 106 (e.g., a straight-line amortization of the cost over the average remaining years of service to full eligibility for benefits of the active plan participants)?	_____	_____	_____
i. The amount of gain or loss recognized during the period for a settlement or curtailment and a description of the nature of the event(s)?	_____	_____	_____
j. The cost of providing special or contractual termination benefits recognized during the period and a description of the nature of the event(s)? [SFAS 106, par. 74a-j (AC P40.169a-j)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. If more than one defined benefit postretirement plan exists:			
a. Are the disclosures required by Step 1 above aggregated for all of an employer's single-employer defined benefit postretirement plans or disaggregated in groups so as to provide the most useful information (except, for purposes of the disclosures required by Step 1.c. above, the aggregate plan assets and the aggregate accumulated postretirement benefit obligation of the underfunded plans should be separately disclosed)? [SFAS 106, par. 77 (AC P40.172)]	_____	_____	_____
b. Are plans that provide primarily postretirement healthcare benefits and plans that provide primarily other postretirement welfare benefits separately disclosed if the accumulated postretirement benefit obligation of the latter plans is significant relative to the aggregate accumulated postretirement benefit obligation for all the plans? [SFAS 106, par. 78 (AC P40.173)]	_____	_____	_____
3. If there is a multiemployer plan, do disclosures include:			
a. A description of the multiemployer plan(s) including the employee groups covered, the type of benefits provided (defined benefit or defined contribution), and the nature and effect of significant matters affecting comparability of information for all periods presented?	_____	_____	_____
b. The amount of postretirement benefit cost recognized during the period, if available. Otherwise, the amount of the aggregate required contribution for the period to the general health and welfare benefit plan that provides health and welfare benefits to both active employees and retirees? [SFAS 106, par. 82 (AC P40.178)]	_____	_____	_____
c. Are the provisions of SFAS 5 (AC C59) applied if the situation arises where withdrawal from a multiemployer plan may result in an employer's having an obligation to the plan for a portion of the plan's unfunded accumulated postretirement benefit obligation and it is probable or reasonably possible that:			
(1) An employer would withdraw from the plan under circumstances that would give rise to an obligation?	_____	_____	_____
or			
(2) An employer's contribution to the fund would be increased during the remainder of the shortfall in the funds necessary to maintain the negotiated level of benefit coverage? [SFAS 106, par. 83 (AC P40.179)]	_____	_____	_____
4. If there is one or more defined contribution postretirement plans, are the following items disclosed separately from defined benefit postretirement plan disclosures:			
a. A description of the plan(s) including employee groups covered, the basis for determining contributions, and the nature and effect of significant matters affecting comparability of information for all periods presented?	_____	_____	_____
b. The amount of cost recognized during the period? [SFAS 106, par. 106 (AC P40.198)]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|
| 5. If an obligation for postemployment benefits (other than pensions) is not accrued in accordance with SFASs 5 (AC C59) or 43 (AC C44) only because the amount cannot reasonably be estimated, is that fact disclosed?
[SFAS 112, par. 7 (AC P32.105)] | _____ | _____ | _____ |

Q. Extraordinary Items

- | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. Are extraordinary items segregated and shown on the face of the statement of activities using the caption "extraordinary items"? | _____ | _____ | _____ |
| 2. Are descriptive captions and amounts presented for individual extraordinary events or transactions, preferably on the face of the statement of activities? | _____ | _____ | _____ |
| 3. Do disclosures include descriptions of extraordinary events or transactions and the principal items entering into determination of extraordinary gains or losses?
[APB 30, par. 11 (AC I17.102)] | _____ | _____ | _____ |
| 4. For an adjustment of an extraordinary item reported in a prior period: | | | |
| a. Is the adjustment classified separately as an extraordinary item in the current period? | _____ | _____ | _____ |
| b. Are the nature, origin, and amount of the item disclosed?
[SFAS 16, par. 16(c) (AC I17.119)] | _____ | _____ | _____ |
| 5. 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)] | _____ | _____ | _____ |

R. Advertising Costs

Note: Fund-raising by nonprofit organizations is not considered advertising. [(SOP 93-7, par. 22, fn. 4)]

- | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. Do the disclosures for advertising costs include: | | | |
| a. The accounting policy selected from the two alternatives in paragraph 26 of SOP 93-7 (as interpreted by PB 13, <i>Direct-Response Advertising and Probable Future Benefits</i>), including whether such costs are expensed as incurred or the first time the advertising takes place? | _____ | _____ | _____ |
| b. A description of the direct-response-advertising reported as assets (if any), the related accounting policy, and the amortization method and period? | _____ | _____ | _____ |
| c. The amount charged to advertising expense for each statement of activities presented, with separate disclosure of amounts, if any, | | | |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
representing a write-down of the capitalized advertising costs to net realizable value and the reasons for the write-down?	_____	_____	_____
d. The amount of advertising reported as assets in each statement of financial position presented? [SOP 93-7, par. 49; APB 17, pars. 30 and 31 (AC I60.111 and .112)]	_____	_____	_____

S. Costs to Exit an Activity

1. If the organization commits to an exit plan meeting the criteria of EITF 94-3, <i>Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)</i> , has the organization made the disclosures prescribed by EITF 94-3? [EITF 94-3]	_____	_____	_____
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II. Statement of Financial Position

A. General

1. For classified statements of financial position, are assets and liabilities segregated into current and noncurrent classifications, with totals presented for current assets and current liabilities? [ARB 43, Ch. 3A, par. 3; SFAS 78, pars. 5 and 13 (AC B05.102-.109B); SFAS 6, par. 15 (AC B05.118); FASBI 8, par. 3 (AC B05.117); TB 79-3, par. 2 (AC B05.501-.503); SFAS 117, par. 12 (AC No5.110)]	_____	_____	_____
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)]	_____	_____	_____
3. Does the statement of financial position report total assets, liabilities, and net assets as well as separate amounts for each of three classes of net assets with captions used to describe their meaning as explained in SFAS 117? [SFAS 117, pars. 10, 13, and 100 (AC No5.131, fn. a)]	_____	_____	_____
4. Does the organization provide information about liquidity by one or more of the following presentations:			
a. Sequencing assets according to their nearness of conversion to cash and sequencing liabilities according to the nearness of their maturity and resulting use of cash?	_____	_____	_____
b. Classifying assets and liabilities as current and noncurrent?	_____	_____	_____
c. Disclosing in notes to financial statements relevant information about the liquidity or maturity of assets and liabilities, including restrictions on the use of particular assets? [SFAS 117, par. 12 (AC No5.110)]	_____	_____	_____
5. Is the information described in Step 4.c. disclosed in a separate note if that information is not apparent from the face of the statements or the other notes? [AAG-NPO, par. 3.04]	_____	_____	_____
6. Are valuation allowances for assets shown as deductions from their related assets with appropriate disclosure? [APB 12, par. 3 (AC V18.102)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. Is the need for disclosure of the impact of a new FASB Statement issued but not yet effective where restatement of prior periods is required considered? [SAS 1, sec. 9410.13–.18 (AU 9410.13–.18)]	_____	_____	_____
8. Are contractual limitations on the use of particular assets disclosed on the face of the financial statements or in the notes? [AAG-NPO, par. 3.07]	_____	_____	_____

B. Cash

1. Are restricted amounts appropriately segregated from other cash balances? [ARB 43, Ch. 3A, par. 6 (AC B05.107)]	_____	_____	_____
2. If a concentration of credit risk arises from deposits in excess of federally insured limits, is it disclosed? [SFAS 105, par. 20 (AC F25.115)]	_____	_____	_____
3. If the organization has material bank overdrafts or a material balance of undelivered checks as of the statement of financial position date, are:			
a. Bank overdrafts presented as a separate caption within current liabilities?	_____	_____	_____
b. Undelivered checks classified as accounts payable? [Generally Accepted]	_____	_____	_____
4. Is the organization’s policy for treating items as cash equivalents disclosed? [SFAS 95, par. 10 (AC C25.108)]	_____	_____	_____

C. Investments/Marketable Securities

Investments Covered by SFAS 124

1. Are investments in equity securities with readily determinable fair values and all investments in debt securities measured at fair value in the statement of financial position? [SFAS 124, par. 7 (AC No5.152)]	_____	_____	_____
2. Are other types of investments (such as real estate, venture capital funds, etc.) reported in accordance with applicable guidance (i.e., in accordance with the relative AICPA Audit and Accounting Guides, AICPA Industry Guides, and AICPA Statements of Position governing the accounting for such types of investments)? [SFAS 124, par. 31 (AC No5.152, fn. 15)]	_____	_____	_____
3. Are realized gains and losses, unrealized gains and losses, dividend, interest and other similar investment income, and other than temporary impairment losses reported in the statement of activities as increases or decreases in unrestricted net assets or in temporarily restricted net assets or in permanently restricted net assets, depending on the existence of or lack of donor restrictions or law? [SFAS 124, pars. 8 and 9 (AC No5.154 and .155)]	_____	_____	_____
4. If realized gains and losses arise from selling or otherwise disposing of investments for which unrealized gains and losses have been recog-			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
nized in the statement of activities of prior reporting periods, does the amount reported in the statement of activities as gain or loss upon the sale or other disposition of the investments exclude the amount that has been previously recognized in the statement of activities? [AAG-NPO, par. 8.11]	_____	_____	_____
5. If an entity reports gains and investment income that are limited to specific uses by donor-imposed restrictions as increases in unrestricted net assets because the restrictions are met in the same reporting period as the gains and income are recognized, does the entity:			
a. Have a similar policy for reporting contributions received?	_____	_____	_____
b. Report consistently from period to period?	_____	_____	_____
c. Disclose its accounting policy? [SFAS 124, par. 10 (AC No5.156)]	_____	_____	_____
6. For each period that a statement of activities is presented, are the following disclosures made on the face of the financial statements or in the notes thereto:			
a. The composition of investment return including, at a minimum, investment income, net realized gains or losses on investments reported at other than fair value, and net gains or losses on investments reported at fair value?	_____	_____	_____
b. A reconciliation of investment return to amounts reported in the statement of activities, if investment return is separated into operating and nonoperating amounts?	_____	_____	_____
c. A description of the policy used to determine the amount of investment return included in the measure of operations, if investment return is separated into operating and nonoperating amounts?	_____	_____	_____
d. A discussion of circumstances leading to a change, if any, in the policy referred to in the Step c. above? [SFAS 124, par. 14 (AC No5.161)]	_____	_____	_____
7. For each period for which a statement of financial position is presented, are the following disclosures made on the face of the financial statements or in the notes thereto:			
a. The aggregate carrying amount of investments by major types (e.g., equity securities, corporate debt securities, etc.)?	_____	_____	_____
b. The basis for determining the carrying amount for investments other than equity securities with readily determinable fair values and all debt securities?	_____	_____	_____
c. The methods and assumptions used to estimate the fair values of investments other than financial instruments, if those other investments are reported at fair value?	_____	_____	_____
d. The aggregate amount of the deficiencies for all donor-restricted endowment funds, for which the fair value of the assets at the reporting date is less than the level required by donor stipulations or law? [SFAS 124, par. 15 (AC No5.162)]	_____	_____	_____
8. For the most recent period for which a statement of financial position is presented, does the entity disclose the nature of and carrying amount			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
for every individual investment or group of investments that represents a significant concentration of market risk (market risk may result from the nature of the investments, a lack of diversity of industry, currency, or geographic location)? [SFAS 124, par. 16 (AC No5.163)]	_____	_____	_____
9. In the period that SFAS 124 is first applied, does the entity disclose the nature of any restatements and its effect on the change in net assets and on each class of net assets for each period presented? [SFAS 124, par. 19]	_____	_____	_____
10. Are the appropriate disclosures made for investments in common stock accounted for by the equity method? [APB 18, par. 20, as amended by SFAS 94 (AC I82.110)]	_____	_____	_____
11. Are significant net realized and net unrealized gains and losses that arose after the latest statement of financial position date, but before issuance of the financial statements, disclosed? [SAS 1, sec. 560, pars. 5 and 7 (AU 560.05 and 07)]	_____	_____	_____
Investments Not Covered by SFAS 124			
12. Are the appropriate disclosures made for investments in common stock accounted for under the equity method? [APB 18, par. 20, as amended and superseded by SFAS 94 (AC I82.110)]	_____	_____	_____
For VHWOs			
13. Is the basis of carrying investments the same in all funds and clearly disclosed in the financial statements:			
a. If carried at cost, is the total market value of investments at the balance sheet date shown parenthetically for each fund, or disclosed in the notes?	_____	_____	_____
b. If carried at market value, is the cost disclosed parenthetically for each fund or disclosed in the notes?	_____	_____	_____
c. Is the unrealized appreciation (or depreciation) in such investments at the beginning and end of the year disclosed in the notes? [AAG-NPO, pars. 8.02 and 8.28; AAG-VHW 2.05]	_____	_____	_____
For Colleges and Universities			
14. Is the amount of investment income and realized and unrealized gains and losses disclosed? [AAG-NPO, par. 8.28]	_____	_____	_____
For Organizations Other Than VHWOs and Colleges and Universities			
15. Do the notes to financial statements summarize total realized and unrealized gains and losses and income earned from investments held by all funds, except life income and custodial funds? [AAG-NPO, par. 8.02; SOP 78-10, par. 83]	_____	_____	_____
D. Receivables⁸			
1. Are accounts and notes receivable due from officers, employees, and affiliated organizations shown separately with appropriate disclosures? [ARB 43, Ch. 1A, par. 5 (AC R36.105)]	_____	_____	_____

⁸ If the organization has extended a loan that is impaired, refer to SFAS 114, as amended by SFAS 118, for presentation and disclosure requirements.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. 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 statement of activity? [APB 21, par. 16 (AC I69.109)]	_____	_____	_____
3. Are unearned discounts, finance charges and interest included in the face amount of receivables shown as a deduction from the related receivables? [APB 6, par. 14 (AC B05.107A, note 3)]	_____	_____	_____
4. Do organizations that receive unconditional promises to give disclose the following:			
a. The amounts of promises receivable in less than one year, in one to five years, and in more than five years?	_____	_____	_____
b. The face amount of contributions promised to the organization?	_____	_____	_____
c. The amount of any allowance for uncollectible promises receivable?	_____	_____	_____
d. Unamortized discount?	_____	_____	_____
e. The amounts of unconditional promises to give received in the current year that are expected to be uncollected?	_____	_____	_____
f. Amounts pledged as collateral or otherwise limited as to use? [SFAS 116, par. 24 (AC C67.121); AAG-NPO, par. 5.63]	_____	_____	_____
5. Do organizations that receive conditional promises to give disclose the following:			
a. The total of the amounts promised?	_____	_____	_____
b. A description and amount for each group of promises having similar characteristics (such as amount of promises conditioned on establishing new programs, completing a new building, and raising matching gifts by a specified date)? [SFAS 116, par. 25 (AC C67.122)]	_____	_____	_____

E. Inventories

1. Are the major classes of inventory disclosed (e.g., finished goods, work in process, raw materials)? [ARB 43, Ch. 3A, par. 4 (AC B05.105); ARB 43, Ch. 4, par. 3 (AC I78.102 and .103)]	_____	_____	_____
2. Is the method of determining inventory cost (e.g., LIFO, FIFO) disclosed? [ARB 43, Ch. 3A, par. 9 (AC I78.120)]	_____	_____	_____
3. Is the basis for stating inventory disclosed (e.g., lower of cost or market) and, if necessary, the nature of a change in basis for stating inventory and the effect on income of such a change? [ARB 43, Ch. 4, pars. 4–16 (AC I78.104–.117, .119, and .120); APB 22, par. 13 (AC A10.106)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Are valuation allowances for inventory losses shown as a deduction from the related inventory? [APB 12, par. 3 (AC V18.102)]	_____	_____	_____
5. Are contributions of inventory reported in the period received at fair value? [AAG-NPO, par. 7.03]	_____	_____	_____

F. Property and Equipment

1. If an impairment loss is recognized for assets to be held and used, are the following disclosures made in financial statements that include the period of the impairment write-down:			
a. A description of the impaired assets and the facts and circumstances leading to the impairment?	_____	_____	_____
b. The amount of the impairment loss and how fair value was determined?	_____	_____	_____
c. The caption in the statement of activities in which the impairment loss is aggregated if that loss has not been presented as a separate caption or reported parenthetically on the face of the statement? [SFAS 121, par. 14]	_____	_____	_____
2. If assets to be disposed of are accounted for in accordance with paragraphs 15–17 of SFAS 121, <i>Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of</i> , are all of the following disclosed in financial statements that include a period during which those assets are held:			
a. A description of assets to be disposed of, the facts and circumstances leading to the expected disposal, the expected disposal date, and the carrying amount of those assets?	_____	_____	_____
b. The loss resulting from the application of paragraph 15 of SFAS 121?	_____	_____	_____
c. The gain or loss, resulting from changes in the carrying amounts of assets to be disposed of that arises from application of paragraph 17 of SFAS 121?	_____	_____	_____
d. The caption in the statement of activities in which the gains or losses in Steps b. and c. above, are aggregated if those gains or losses have not been presented as a separate caption or reported parenthetically on the face of the statement?	_____	_____	_____
e. The results of operations for assets to be disposed of to the extent that those results are included in the organization’s results of operations for the period and can be identified? [SFAS 121, par. 19]	_____	_____	_____
3. If an impairment loss is recognized, is it reported as a component of changes in net assets before the effects of extraordinary items, discontinued operations, or accounting changes in the statement of activities? [SFAS 121, pars. 13 and 18]	_____	_____	_____
4. Are the following disclosed:			
a. Depreciation expense for each period?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Balances of major classes of depreciable assets by nature or function at the statement-of-financial-position date?	_____	_____	_____
c. Accumulated depreciation, either by major classes of assets or in total?	_____	_____	_____
d. The method(s) used in computing depreciation with respect to major classes of depreciable assets? [APB 12, par. 5 (AC D40.105)]	_____	_____	_____
5. Is the amount of capitalized interest disclosed? [SFAS 34, par. 21 (AC I67.118)]	_____	_____	_____
6. Is donated property or equipment recognized when received at its fair value? [SFAS 116, pars. 5 and 8 (AC C67.104 and .108)]	_____	_____	_____
7. If tangible property is accepted solely to be saved for its potential future use in scientific or educational research and has no alternative use, and has an uncertain value (or no value) is the contributed property not recognized in the financial statements? [SFAS 116, par. 19, fn. 7 (AC C67.115, fn. 8)]	_____	_____	_____
8. Are material commitments for property expenditures disclosed? [SFAS 5, pars. 18 and 19 (AC C59.1200)]	_____	_____	_____
9. Is the basis of valuation of property and equipment disclosed (e.g., cost for purchased items, fair value for contributed items)? [AAG-NPO, par. 9.13]	_____	_____	_____
10. Is separate disclosure of nondepreciable assets made? [AAG-NPO, par. 9.13]	_____	_____	_____
11. Is separate disclosure made of property and equipment not held for use in operations (e.g., items held for sale, items held for investment purposes, items held for construction in process, etc.)? [AAG-NPO, par. 9.13]	_____	_____	_____
12. Is separate disclosure made of assets restricted by donors for investment in property and equipment? [AAG-NPO, par. 9.13]	_____	_____	_____
13. Are disclosures made concerning the liquidity of the organization's property and equipment, including information about limitations on their use:			
a. Is information provided about property and equipment pledged as collateral or otherwise subject to lien?	_____	_____	_____
b. Is information provided about property and equipment acquired with restricted assets where title may revert to another party, such as a resource provider?	_____	_____	_____
c. Is information provided about donor or legal limitations on the use of or proceeds from the disposal of property and equipment? [AAG-NPO, par. 9.15]	_____	_____	_____

G. Collections of Works of Art and Similar Items

1. If the organization adopts a policy of retroactively or prospectively capitalizing collections that *meet* the definition in SFAS 116, does the

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
statement of financial position include the total amount capitalized on a separate line item, entitled "Collections" or "Collection Items"? [AAG-NPO, par. 7.11]	_____	_____	_____
2. If the organization adopts a policy of retroactively or prospectively capitalizing collections that <i>do not</i> meet the definition in SFAS 116, is the amount that is capitalized disclosed separately on the face of the statement of financial position or in the notes? [AAG-NPO, par. 7.11]	_____	_____	_____
3. Does the organization disclose whether or not it recognizes contributions of collection items? [AAG-NPO, par. 5.63]	_____	_____	_____
4. For organizations that maintain a collection of works of art, historical treasures, or similar assets, that are not capitalized, are the following items reported separately on the statement of activities, separately from revenues, expenses, gains, and losses:			
a. Costs of collection items purchased as a decrease in the appropriate class of net assets?	_____	_____	_____
b. Proceeds from the sale of collection items as an increase in the appropriate class of net assets?	_____	_____	_____
c. Proceeds from insurance recoveries of lost or destroyed collection items as an increase in the appropriate class of net assets? [SFAS 116, pars. 13 and 26 (AC C67.113 and .123); AAG-NPO, par. 7.12]	_____	_____	_____
5. For organizations that capitalize collections prospectively, are proceeds from sales and insurance recoveries of items not previously capitalized reported separately from revenues, expenses, gains, and losses? [SFAS 116, par. 26 (AC C67.123); AAG-NPO, par. 7.12]	_____	_____	_____
6. For organizations that do not capitalize collections or that capitalize prospectively, are the following items disclosed:			
a. Description of collections including their relative significance?	_____	_____	_____
b. Accounting and stewardship policies for collections? [SFAS 116, par. 27 (AC C67.124); AAG-NPO, par. 7.13]	_____	_____	_____
7. If collection items not capitalized are disposed of during the period, does the organization also:			
a. Describe the items given away, damaged, destroyed, lost, or otherwise deaccessed during the period, or	_____	_____	_____
b. Disclose their fair value? [SFAS 116, par. 27 (AC C67.124); AAG-NPO, par. 7.13]	_____	_____	_____
8. Is the item on the financial statement that refers to the disclosures required by Steps 3 and 4 dated if collections are capitalized prospectively? [SFAS 116, par. 27 (AC C67.124); AAG-NPO, par. 7.13]	_____	_____	_____
9. Are contributions <i>made by</i> the organization, of previously recognized collection items, reported as expenses and decreases in assets in the period in which the contributions are made at fair value? [AAG-NPO, par. 7.09]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
10. Are contributions <i>made by</i> the organization, of previously <i>unrecognized</i> collection items <i>not</i> reported on the face of the financial statements and disclosed in the notes? [AAG-NPO, par. 7.09]	_____	_____	_____
H. Other Assets and Deferred Charges			
1. Do disclosures include the method and period of amortization of intangible assets? [APB 17, par. 30 (AC I60.111); APB 22, par. 13 (AC A10.106)]	_____	_____	_____
2. Is an asset (prepaid pension cost) recognized if net periodic pension cost is less than amounts the employer contributed to the plan? [SFAS 87, par. 35 (AC P16.129)]	_____	_____	_____
3. If an additional minimum liability is recognized pursuant to SFAS 87, paragraph 36 (AC P16.130), is an equal amount recognized as an intangible asset, provided that the asset recognized does not exceed the amount of unrecognized prior-service cost? [SFAS 87, pars. 37 and 38 (AC P16.131 and .132)]	_____	_____	_____
4. Are donated materials and supplies recognized when received at their fair values? [SFAS 116, pars. 5 and 8 (AC C67.104 and .108)]	_____	_____	_____
5. Are investments in life insurance reported at amounts that can be realized as of the statement-of-financial-position date? [TB 85-4, par. 2 (AC I50.508)]	_____	_____	_____
I. Interfund Borrowings			
1. Are interfund receivables and payables clearly identified and arranged in the statement of financial position to eliminate their amounts when displaying total assets or liabilities? [SFAS 117, par. 85, fn. 8 (AC No5.109, fn. 4)]	_____	_____	_____
J. Current Liabilities			
1. For classified statements of financial position, do current liabilities include:			
a. Obligations for items that entered the operating cycle?	_____	_____	_____
b. Collections received in advance of the delivery of goods or performance of services?	_____	_____	_____
c. Debts that arise from operations directly related to the operating cycle?	_____	_____	_____
d. Other liabilities whose regular and ordinary liquidation is expected to occur within a relatively short time period?	_____	_____	_____
e. Obligations that, by their terms, are due on demand or will be due within one year (or operating cycle, if longer) from the balance-sheet date, even though liquidation may not be expected within that period? [ARB 43, Ch. 3A, pars. 7 and 8 (AC B05.108 and .109); SFAS 78, par. 5 (AC B05.109A and B05.118)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. In classified statements of financial position, are current portions of debt obligations presented as current liabilities? [ARB 43, Ch. 3A, pars. 7 and 8 (AC B05.108 and .109)]	_____	_____	_____
3. In classified statements of financial position, do current liabilities exclude short-term obligations that the organization intends to refinance on a long-term basis, provided the organization demonstrates the ability to consummate the long-term financing? [SFAS 6, pars. 9–14 (AC B05.113–.116); FASBI 8 (AC B05.117, .138, and .139)]	_____	_____	_____

K. Notes Payable and Other Debt

1. Is there adequate disclosure of interest rates, maturities, and other terms and conditions provided in loan agreements and bond indentures, such as assets pledged as collateral, etc.? [SFAS 5, pars. 18 and 19 (AC C59.120); and Generally Accepted]	_____	_____	_____
2. Are the combined aggregate amount of maturities and sinking fund requirements for all long-term borrowings disclosed for each of the five years following the date of the latest balance sheet presented? [SFAS 47, par. 10b (AC C32.105b)]	_____	_____	_____
3. For unconditional purchase obligations that have been recorded in accordance with SFAS No. 47, par. 6, are the amount of payments due in the aggregate and for each of the five years following the date of the latest statement of financial position presented disclosed? [SFAS 47, par. 10a (AC C32.105a)]	_____	_____	_____
4. If a note is noninterest bearing or has an inappropriate stated interest rate:			
<i>a.</i> Is the discount or premium presented as a deduction from or addition to the face amount of the note?	_____	_____	_____
<i>b.</i> Does the disclosure include the effective interest rate and face amount of the note?	_____	_____	_____
<i>c.</i> Is amortization of the discount or premium reported as interest in the statement of activity?	_____	_____	_____
<i>d.</i> Are issue costs reported in the statement of financial position as deferred charges? [APB 21, par. 16 (AC I69.109)]	_____	_____	_____
5. If a short-term obligation is to be classified as a long-term borrowing, do disclosures include:			
<i>a.</i> General description of the financing agreement?	_____	_____	_____
<i>b.</i> Terms of any new obligation incurred or expected to be incurred, as a result of the refinancing? [SFAS 6, par. 15 (AC B05.118)]	_____	_____	_____
6. Are debt conversion features (such as rates and pertinent dates) disclosed? [FASCON 5, par. 11; APB 14 (AC D10)]	_____	_____	_____
7. If the organization finances its activities from the proceeds of tax-exempt bonds and other obligations issued through state and local fi-			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
nancing authorities, is such financing reported as liabilities in the statement of financial position? [AAG-NPO, par. 10.02]	_____	_____	_____

L. Lessee Leases

- | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. For capital leases, do disclosures include: | | | |
| a. Gross amounts of assets recorded by major classes as of the date of each statement of financial position presented?
[SFAS 13, par. 16a (AC L10.112a(1))] | _____ | _____ | _____ |
| b. Future minimum lease payments as of the date of the latest statement of financial position presented, in the aggregate and for each of the five succeeding fiscal years, with separate deductions therefrom for executory costs and imputed interest to reduce net minimum lease payments to present value?
[SFAS 13, par. 16a (AC L10.112a (2))] | _____ | _____ | _____ |
| c. Total of future minimum sublease rentals under noncancelable subleases as of the date of the latest statement of financial position presented?
[SFAS 13, par. 16a (AC L10.112a (3))] | _____ | _____ | _____ |
| d. Total contingent rentals actually incurred for each period for which a statement of activity is presented?
[SFAS 13, par. 16a (AC L10.112a (4))] | _____ | _____ | _____ |
| e. Separate identification of: | | | |
| (1) Assets recorded under capital leases? | _____ | _____ | _____ |
| (2) Accumulated amortization of capital leases? | _____ | _____ | _____ |
| (3) Obligations under capital leases? | _____ | _____ | _____ |
| (4) Amount of amortization of capital lease assets or the fact that the amortization of capital lease assets is included in depreciation expense?
[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: | | | |
| a. Future minimum rental payments required as of the date of the latest statement of financial position presented in the aggregate and for each of the five succeeding fiscal years? | _____ | _____ | _____ |
| b. Total of future minimum rentals to be received under noncancelable subleases as of the date of the latest statement of financial position presented?
[SFAS 13, par. 16b (AC L10.112b)] | _____ | _____ | _____ |
| 3. For all operating leases, do disclosures include rental expense for each period for which a statement of activities (or revenue and expenses, etc.) is presented, with separate amounts for minimum rentals, contingent rentals, and 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: | | | |
| a. Bases for determining contingent rentals? | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Existence and terms of any renewal or purchase options or escalation clauses?	_____	_____	_____
c. Restrictions imposed by lease agreements (e.g., those concerning dividends, additional debt and further leasing?) [SFAS 13, par. 16d (AC L10.112d)]	_____	_____	_____
5. Is the nature and extent of leasing transactions with related parties disclosed? [SFAS 13, par. 29 (AC L10.125)]	_____	_____	_____
6. If material, is the accounting policy used in recognizing amounts related to a modification of an operating lease (that does not change the lease classification) disclosed? [EITF 95-17]	_____	_____	_____
7. Is separate disclosure made of improvements to leased facilities and equipment? [AAG-NPO, par. 9.13]	_____	_____	_____
M. Other Liabilities and Deferred Credits			
1. Are liabilities properly accrued and reported for employees' compensation for future absences? [SFAS 43, par. 6 (AC C44.104)]	_____	_____	_____
2. If an obligation for postemployment benefits is not accrued in accordance with SFAS 5 or SFAS 43 only because the amount cannot be reasonably estimated, is the fact that the benefits have not been accrued disclosed in the financial statements? [SFAS 112, par. 7 (AC P32.105)]	_____	_____	_____
3. Do the notes to the financial statements include information about an aging schedule of unconditional promises to give (showing the total amount separated into amounts payable in less than one year, in one to five years, and in more than five years) and the unamortized discount? [AAG-NPO, par. 10.08]	_____	_____	_____
N. Agency Transactions			
1. In transactions in which the organization is acting as an agent, trustee, or intermediary, are resources received reported as increases in assets and liabilities and are distributions of those resources to third parties reported as decreases in those accounts? [AAG-NPO, par. 5.06]	_____	_____	_____
O. Net Assets/Fund Balances			
1. Are limits on the use of unrestricted net assets (such as loan covenants and board-designated endowments) disclosed? [SFAS 117, par. 16 (AC No5.114)]	_____	_____	_____
P. Restricted Resources			
1. Are cash or other assets received with a donor-imposed restriction that limits their use to long-term purposes reported separately from assets that are unrestricted and available for current use? [SFAS 117, par. 11 (AC No5.109)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Does the organization provide information about the nature and amounts of different types of permanent restrictions and temporary restrictions by reporting their amounts on the face of the statement of financial position or by including relevant details in notes to financial statements? [SFAS 117, par. 14 (AC No5.112)]	_____	_____	_____

III. Statement of Activities/Activity (or Statement of Revenue and Expenses, or Statement of Support and Revenue, Expenses, Capital Additions, and Changes in Fund Balances)

A. General

1. Does the statement of activities report the amount of change in net assets for the period for the organization as a whole (using a descriptive term such as “change in net assets” or “change in equity”), and does that amount articulate to the net assets reported in the statement of financial position? [SFAS 117, par. 18 (AC No5.116)]	_____	_____	_____
2. Does the statement of activities report the amount of change in permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets for the period? [SFAS 117, par. 19 (AC No5.117)]	_____	_____	_____
3. Does the statement of activities report the following:			
a. Revenues as increases in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions?	_____	_____	_____
b. Expenses as decreases in unrestricted net assets?	_____	_____	_____
c. Events that simultaneously increase one class of net assets and decrease another (reclassifications), including expiration of donor-imposed restrictions, separately from revenues, expenses, gains, and losses? [SFAS 117, pars. 19 and 20 (AC No5.117 and 118); SFAS 116, par. 17 (AC No5.146)]	_____	_____	_____
4. If the organization reports an intermediate measure of operations (for example, excess or deficit of operating revenues over expenses), is this intermediate measure reported only in a financial statement that, at a minimum, reports the change in unrestricted net assets for the period? [SFAS 117, par. 23 (AC No5.120)]	_____	_____	_____
5. If the organization’s use of the term operations is not apparent from the details provided on the face of the statement of activities, does a note to financial statements describe the nature of the reported measure of operations or the items excluded from operations? [SFAS 117, par. 23 (AC No5.120)]	_____	_____	_____
6. Does the statement of activities report gross amounts of revenues and expenses? ⁹ [SFAS 117, par. 24 (AC No5.121)]	_____	_____	_____

⁹ Investment revenues may be reported net of related expenses.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. If the organization reports net gains and losses on its statement of activities, do these net amounts result from peripheral or incidental transactions or from events largely beyond the control of the organization and its management? [SFAS 117, pars. 25 and 138 (AC No5.122)]	_____	_____	_____
8. If the organization regularly provides discounts to certain recipients of its goods or services, are revenues reported net of those discounts or are the discounts displayed immediately beneath the revenues? [AAG-NPO, par. 12.05]	_____	_____	_____
9. If special events and other fund-raising activities are ongoing major or central activities of the organization, are the revenues and expenses related to those events and activities reported as gross amounts? [SFAS 117, par. 138; AAG-NPO, par. 13.17]	_____	_____	_____
10. Are costs which are netted against receipts from peripheral or incidental special events limited to direct costs? [AAG-NPO, par. 13.21]	_____	_____	_____
11. If investment revenues are reported net of related expenses, is the amount of the expenses disclosed either on the face of the statement of activities or in the notes to the financial statements? [SFAS 117, par. 24; AAG-NPO, par. 13.23]	_____	_____	_____
12. For VHWOs, when investment revenues are reported net of related expenses, are those expenses reported by their functional classification on the separate statement that reports information about expenses by their natural classification as well as by their functional classification in a matrix format? [AAG-NPO, par. 13.23]	_____	_____	_____
B. Taxes			
1. Does the organization disclose the following information about its tax status:			
a. Reference to the Internal Revenue Code section under which the organization is exempt?	_____	_____	_____
b. Whether the organization is classified as a private foundation? [Generally Accepted]	_____	_____	_____
2. If the organization's tax exempt status is in question by the IRS, is the potential impact disclosed? [SFAS 5, pars. 1 and 39 (AC C59.101 and .145)]	_____	_____	_____
3. If the organization incurs income tax expense, do the notes to the financial statements disclose the amount of the taxes and describe the nature of the activities that generated the taxes? [AAG-NPO, par. 13.50]	_____	_____	_____
C. Refunds Due To and Advances From Third Parties			
1. Are advances from third parties for services not yet performed, as well as refunds due to third parties for amounts previously received, included as liabilities on the statement of financial position? [AAG-NPO, par. 10.05]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
D. Donated or Contributed Services			
1. If the organization receives contributed services, does it disclose the following:			
a. A description of the programs or activities for which those services were used, including the nature and extent of contributed services received for the period and the amount recognized as revenues for the period?	_____	_____	_____
b. The fair value of contributed services received but not recognized, if practicable (optional)?	_____	_____	_____
c. Nonmonetary information such as the number and trends of donated hours received or service outputs provided by volunteer efforts (optional)?	_____	_____	_____
d. Dollar amount of contributions raised by volunteers (optional)? [SFAS 116, pars. 10 and 123 (AC C67.110)]	_____	_____	_____
E. Donated Materials and Facilities			
1. If donated materials merely pass through the organization to its charitable beneficiaries, and the organization is only an agent for the donors, has that donation not been recorded as a contribution? (Refer to the Agency Transactions section) [SFAS 116, pars. 52 and 53]	_____	_____	_____
2. Is property and equipment that is donor-restricted reported as temporarily or permanently restricted assets? [SFAS 116, par. 14; (AC No5.143)]	_____	_____	_____
3. Is property and equipment used in exchange transactions, in which the resource provider retains legal title during the term of the arrangement, reported as a contribution at fair value at the date received, only if it is probable that the organization will be permitted to keep the assets when the arrangement terminates? [AAG-NPO, par. 9.04]	_____	_____	_____
F. Fund-Raising¹⁰			
1. Do the financial statements disclose total fund-raising expenses? [AAG-NPO, par. 13.30]	_____	_____	_____
2. For joint costs of informational materials or activities that include a fund-raising appeal:			
a. If it cannot be demonstrated that a program or management and general function has been conducted in conjunction with the appeal for funds, are the joint costs reported as fund-raising expense?	_____	_____	_____

¹⁰ In September 1993, the AICPA issued an exposure draft of a proposed Statement of Position, *Accounting for Costs of Materials and Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include a Fund-Raising Appeal*. The proposed SOP would apply to all not-for-profit organizations that report expenses by function and would require reporting the costs of all materials and activities that include a fund-raising appeal as fund-raising expenses, unless a program or management and general function has been conducted in conjunction with the appeal for funds. The disclosure requirements of the exposure draft of the SOP are not reflected in this checklist. The final SOP is expected to be issued in the third quarter of 1997. Note that this proposed SOP, when issued, will supersede similar guidance in the Not-for-Profit Audit and Accounting Guide.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>b. If it can be demonstrated that a bona fide program or management and general function has been conducted in conjunction with the appeal for funds, are the joint costs allocated between fund-raising expense and the appropriate program or management and general function? [AAG-NPO, par. 13.33]</p>	_____	_____	_____
<p>3. If joint costs of informational materials or activities further an organization's program goals by educating the public on what they can or should do about particular issues, are those joint costs allocated to program activities? [AAG-NPO, par. 13.36]</p>	_____	_____	_____
<p>4. If the organization incurs joint costs of informational materials or activities that include a fund-raising appeal, are the following disclosures made:</p>			
<p>a. The fact that such costs have been allocated?</p>	_____	_____	_____
<p>b. The total amount of such costs allocated during the period?</p>	_____	_____	_____
<p>c. The portion of such costs allocated to each functional expense category? [AAG-NPO, par. 13.40]</p>	_____	_____	_____
<p>5. If there are no significant benefits or duties connected with an organization's membership, are the costs associated with membership-development activities reported as fund-raising expense? [AAG-NPO, par. 13.41]</p>	_____	_____	_____

G. Contributions

<p>1. Does the organization distinguish between contributions received with permanent restrictions, those received with temporary restrictions, and those received without donor-imposed restrictions, so that they are reported as support increasing permanently restricted net assets, temporarily restricted net assets, or unrestricted net assets, respectively? [SFAS 116, par. 14 (AC No5.143)]</p>	_____	_____	_____
<p>2. If donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support, is such treatment consistent from period to period and is the policy disclosed? [SFAS 117, par. 21; SFAS 116, par. 14 (AC No5.143); AAG-NPO, par. 9.13]</p>	_____	_____	_____
<p>3. Does the organization report receipt of unconditional promises to give with payments due in future periods as restricted support, unless explicit donor stipulations or circumstances surrounding the receipt of the promise make clear that the donor intended the contribution to be used to support activities of the current period? [SFAS 116, par. 15 (AC No5.144)]</p>	_____	_____	_____
<p>4. Does an organization that receives gifts of long-lived assets without donor stipulation about how long the donated asset must be used:</p>			
<p>a. Disclose its accounting policy of implying or not implying a time restriction that expires over the useful life of the asset?</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Report such support as restricted if it is the organization's policy to imply a time restriction that expires over the useful life of the donated asset?	_____	_____	_____
c. Report such support as unrestricted in the absence of such a policy? [SFAS 116, par. 16 (AC No5.145); AAG-NPO, par. 9.13]	_____	_____	_____
5. Does an organization that receives unconditional promises to give in which cash promised will be received in future periods measure the fair value of the contribution as the present value of estimated future cash flows using a discount rate commensurate with the risks involved and report subsequent accruals of the interest element as contribution income increasing either the temporarily or permanently restricted class of net assets if the underlying promise to give is donor restricted? [SFAS 116, par. 20 (AC C67.116)]	_____	_____	_____
6. If significant, does the organization disclose its accounting policy regarding whether donor-restricted contributions of long-lived assets are reported as unrestricted or restricted support when restrictions are satisfied in the same reporting period in which the contributions are received? [AAG-NPO, par. 9.13]	_____	_____	_____

H. Split-Interest Agreements

1. Are assets and liabilities recognized under split-interest agreements disclosed separately from other assets and liabilities in the statement of financial position or in the related notes? [AAG-NPO, par. 6.15]	_____	_____	_____
2. Is contribution revenue and changes in the value of split-interest agreements recognized under such agreements disclosed as separate line items in the statement of activities or in the related notes? [AAG-NPO, par. 6.15]	_____	_____	_____
3. Do the notes to the financial statements include the following disclosures related to split-interest agreements:			
a. A description of the general terms of existing split-interest agreements?	_____	_____	_____
b. The basis used for recognized assets?	_____	_____	_____
c. The discount rates and actuarial assumptions used in calculating present value? [AAG-NPO, par. 6.15]	_____	_____	_____
4. Is contribution revenue recognized under split-interest agreements classified as:			
a. Permanently restricted net assets, if the donor has permanently restricted the organization's use of its interest?	_____	_____	_____
b. Unrestricted net assets, if the organization has the immediate right to use its interest without restrictions?	_____	_____	_____
c. Temporarily restricted net assets, if not classified as permanently restricted or unrestricted net assets? [AAG-NPO, par. 6.08]	_____	_____	_____

I. Expenses

VHWOs Omit Step 1

- | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| <p>1. Does the organization provide information about expenses reported by their functional classification (such as major classes of program services and supporting services) either in the statement of activities or in notes to financial statements?
(Note that "losses" need not be reported by their functional classification.)
[SFAS 117, par. 26 (AC No5.123)]</p> | _____ | _____ | _____ |
| <p>2. Are expenses which relate to more than one program or supporting activity allocated among the appropriate functions?
[AAG-NPO, par. 13.42]</p> | _____ | _____ | _____ |
| <p>3. Are payments to affiliated organizations reported by their functional classification to the extent that it is practicable and reasonable to do so?
[AAG-NPO, par. 13.48]</p> | _____ | _____ | _____ |
| <p>4. Are payments to affiliates that cannot be allocated to functions treated as a separate supporting service and reported in the statement of activities as a separate line item, and labeled "unallocated payments to affiliated organizations"?
[AAG-NPO, par. 13.48]</p> | _____ | _____ | _____ |
| <p>5. If the components of the organization's total program expenses are not evident from the details provided on the face of the statement of activities, do the notes to the financial statements disclose total program expenses and provide information about why total program expenses disclosed in the notes does not articulate with the statement of activities?
[AAG-NPO, par. 13.27]</p> | _____ | _____ | _____ |
| <p>6. If reductions in amounts the organization charges for goods and services are given in exchange for goods or services provided to the organization, are such reductions reported as expenses in the same functional classification in which the cost of the goods or services provided to the organization are reported?
[AAG-NPO, par. 13.07]</p> | _____ | _____ | _____ |
| <p>7. If reductions in amounts the organization charges for goods and services are given <i>other than</i> in exchange for goods or services provided to the organization, are such amounts reported as follows:</p> <p style="margin-left: 20px;">a. As expenses to the extent that the organization incurs incremental expense in providing such goods or services?</p> <p style="margin-left: 20px;">b. As discounts if the organization incurs no incremental expense in providing such goods or services (discounts may be netted with related revenue)?
[AAG-NPO, par. 13.07]</p> | _____ | _____ | _____ |

Organizations Other Than VHWOs Omit Steps 8 and 9

- | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| <p>8. Does the organization report information about expenses both by function and by natural classification (such as salaries, rent, electricity, etc.) in a matrix format in a separate financial statement?¹¹
[SFAS 117, par. 26 (AC No5.123)]</p> | _____ | _____ | _____ |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|

¹¹ Not-for-profit organizations (other than VHWOs) are encouraged, but not required, to provide information about expenses by their natural classification. [AC No5.123]

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|
| 9. If certain expenses are reported by other than their natural classification on the statement of activities, are these expenses included with other expenses of their natural classification on the separate financial statement (matrix)? Example: If certain salaries are included in cost of goods sold on the statement of activities, are they "regrouped" and reported along with other salaries and wages on the separate financial statement (matrix)?
[AAG-NPO, par. 3.14] | _____ | _____ | _____ |
| 10. For deferred compensation agreements, are estimated amounts to be paid properly accrued?
[APB 12, pars. 6 and 7 (AC C38.101 and .102)] | _____ | _____ | _____ |

J. Wills

- | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. If the organization receives a promise to give conditioned on a future uncertain event that is contained in a will and the will has been declared valid by the probate court, has the organization disclosed the conditional promise to give?
[SFAS 116, par. 208] | _____ | _____ | _____ |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|

K. Investments and Endowments

- | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. Does the organization report gains and losses on investments or other assets (or liabilities) as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law?
[SFAS 117, par. 22 (AC No5.119)] | _____ | _____ | _____ |
| 2. Does the organization report gains and losses on endowments in the following manner: | | | |
| a. As an increase or decrease in permanently restricted net assets if the governing board has determined that the relevant law requires the organization to retain permanently some portion of gains on investments?
[SFAS 117, pars. 22 and 129 (AC No5.119)] | _____ | _____ | _____ |
| b. As an increase or decrease in unrestricted or temporarily restricted net assets, whichever is consistent with the reporting of the endowment's income, in the absence of such a law noted in Step 2a.? [SFAS 117, par. 129 (AC No5.119, fn. 8)] | _____ | _____ | _____ |
| 3. If the organization elects to report investment revenues net of related expenses, does the organization disclose the amount of expenses, either on the face of the statement of activities or in the notes to financial statements?
[SFAS 117, par. 24 (AC No5.121)] | _____ | _____ | _____ |

IV. Additional Financial Statements

A. Statement of Cash Flows

- | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. Is a statement of cash flows presented as a basic financial statement for each period for which both a statement of financial position and a statement of activities is presented?
[SFAS 95, par. 3, as amended by SFAS 117, par. 30a (AC C25.101)] | _____ | _____ | _____ |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Does the statement of cash flows report net cash provided or used by operating, investing, and financing activities and the net 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)]	_____	_____	_____
3. Are cash receipts and disbursements classified as cash flows from operating, investing, and financing activities in accordance with the classifications prescribed by SFAS 95, paragraphs 14 through 24 (as amended by SFAS 102 and SFAS 117)? [SFAS 95, pars. 14–24, as amended by SFAS 102 and SFAS 117 (AC C25.112–.122)]	_____	_____	_____
4. Are cash payments for debt issue costs classified as a financing activity? [EITF 95-13]	_____	_____	_____
5. Are cash flows from purchases, sales, and insurance recoveries of unrecognized, noncapitalized collection items reported as investing activities? [AAG-NPO, par. 7.08]	_____	_____	_____
6. Do the notes disclose the organization’s accounting policy for determining which items are treated as cash equivalents? (Note: any change in policy for determining which items are treated as cash equivalents is a change in accounting principle.) [SFAS 95, par. 10 (AC C25.108)]	_____	_____	_____
7. Does the statement of cash flows separately report:			
a. Cash received from contributors?	_____	_____	_____
b. Cash received from service recipients?	_____	_____	_____
c. Interest and dividends received?	_____	_____	_____
d. Cash collected on contributions receivable?	_____	_____	_____
e. Other operating cash receipts (if any)?	_____	_____	_____
f. Cash paid to employees and suppliers?	_____	_____	_____
g. Grants paid?	_____	_____	_____
h. Interest paid?	_____	_____	_____
i. Other operating cash payments (if any)? [SFAS 95, par. 27, as amended by SFAS 117, par. 30e (AC C25.125)]	_____	_____	_____
8. If the direct method is used, is a separate reconciling schedule provided to reconcile the change in net assets or excess of revenue and support over expenses, as applicable, to net cash used (provided) by operating activities? [SFAS 95, par. 29 (AC C25.127)]	_____	_____	_____
9. If the indirect method is used, is the change in net assets or excess of revenue and support over expenses, as applicable, reconciled to net cash flow from operating activities within the statement of cash flows or in a separate schedule? [SFAS 95, pars. 28 and 30, as amended by SFAS 117, par. 30f (AC C25.126 and .128)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
10. Are investing and financing activities that affect recognized assets or liabilities but that do not result in cash receipts or cash payments disclosed? [SFAS 95, par. 32, as amended by SFAS 117, par. 30g (AC C25.134)]	_____	_____	_____
11. In the statement of cash flows, are amounts received with donor-imposed stipulations that they must be used for long-term purposes reported simultaneously as cash flow from financing activities and cash outflow from investing activities? [SFAS 117, par. 30(c) (AC C25.116); AAG-NPO, par. 3.18]	_____	_____	_____
12. Is the reconciliation of the change in net assets to net cash used/provided by operating activities adjusted if the amounts received with donor imposed stipulations that they must be used for long-term purposes are not included in "cash or cash equivalents" on the statement of financial activities? [AAG-NPO, par. 3.18]	_____	_____	_____
13. If contributions with donor-imposed restrictions limiting their use to the purchase of equipment are received and the equipment is purchased in a subsequent period, are both the proceeds of the sale of the assets restricted to equipment investment and the purchase of the equipment reported as cash flows from investing activities? [AAG-NPO, par. 3.18]	_____	_____	_____
14. Are cash flows from agency transactions included in cash flows from operating activities? [AAG-NPO, par. 3.16]	_____	_____	_____

For VHWOs

B. Statement of Functional Expenses

1. Is a statement of functional expenses presented as a basic financial statement for each period for which a statement of activities is presented? [SFAS 117, par. 26 (AC No5.123)]	_____	_____	_____
2. Does the statement of functional expenses contain sufficient information to enable a reader to obtain a general understanding of the nature of the costs of carrying out the organization's activities? [SFAS 117, par. 26 (AC No5.123)]	_____	_____	_____

FSP Section 14,400

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:

- SAS = Statement on Auditing Standards
 AU = Reference to section number in AICPA *Professional Standards* (vol. 1)
 SSARS = Statement on Standards for Accounting and Review Services
 AR = Reference to section number in AICPA *Professional Standards* (vol. 2)
 AAG-NPO = AICPA Audit and Accounting Guide *Not-for-Profit Organizations* (May 1997)

.03 Checklist Questionnaire:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Does the auditor's report include the appropriate:			
a. Addressee? [SAS 58, par. 9, as amended by SAS 79 (AU 508.09)]	_____	_____	_____
b. Date (or dual dates) of the report? [SAS 1, sec. 530.05 (AU 530.05); SAS 58, pars. 8 and 28, as amended by SAS 79 (AU 508.08 and .28)]	_____	_____	_____
c. Title that includes the word "independent"? [SAS 58, par. 8, as amended by SAS 79 (AU 508.08)]	_____	_____	_____
2. If the auditor is not independent, is a compilation report the highest level of service performed? [SAS 26, par. 10 (AU 504.10); SSARS 1, pars. 22 and 38 (AR 100.22 and .38)]	_____	_____	_____
3. Does the reporting language conform with the auditor's standard report on:			
a. Financial statements of a single year or period?	_____	_____	_____
b. Comparative financial statements? [SAS 58, par. 8, as amended by SAS 79 (AU 508.08)]	_____	_____	_____
4. Does the report include appropriate language for the following situations:			
a. Only one basic financial statement is presented and there are no scope limitations? [SAS 58, pars. 33 and 34, as amended by SAS 79 (AU 508.33 and .34)]	_____	_____	_____
b. Audited and unaudited financial statements are presented in comparative form? [SAS 26, pars. 14-17 (AU 504.14-.17)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if:			
a. There is substantial doubt about the organization's ability to continue as a going concern for a reasonable period of time, and is that conclusion expressed through the use of the phrase "substantial doubt about the organization's ability to continue as a going concern"?	_____	_____	_____
[SAS 59, par. 13, as amended by SAS 64 and SAS 77 (AU 341.12)]			
b. There is a material change between periods in accounting principles or in the method of their application?	_____	_____	_____
[SAS 58, pars. 16–18, as amended by SAS 79 (AU 508.16–18)]			
c. In an updated report on comparative financial statements, the current opinion on the prior period is different from the one previously expressed?	_____	_____	_____
[SAS 58, pars. 68, 69, 72, and 73, as amended by SAS 79 (AU 508.68, .69, .72, and .73)]			
d. The prior period financial statements are audited by a predecessor auditor whose report is not presented?	_____	_____	_____
[SAS 58, par. 74, as amended by SAS 64, par. 2, and SAS 79 (AU 508.74)]			
e. The auditor's opinion is based in part on the report of another auditor?	_____	_____	_____
[SAS 1, sec. 543 (AU 543); SAS 58, pars. 12 and 13, as amended by SAS 79 (AU 508.12 and .13)]			
f. The financial statements contain a departure from a promulgated accounting principle when conformity with GAAP would result in a misleading presentation?	_____	_____	_____
[SAS 58, pars. 14 and 15, as amended by SAS 79 (AU 508.14 and .15)]			
g. Other information in a document containing audited financial statements is materially inconsistent with information appearing in the financial statements?	_____	_____	_____
[SAS 8, par. 4 (AU 550.04)]			
h. The auditor decides to emphasize a matter in the report?	_____	_____	_____
[SAS 58, par. 19, as amended by SAS 79 (AU 508.19); Interpretation 38 of SAS 1, sec. 410 (AU 9410.17); Interpretation 1 of SAS 57 (AU 9342.03)]			
i. The auditor uses the work of a specialist in performing an audit and the auditor decides to add an explanatory paragraph?	_____	_____	_____

Note: Reference to and identification of the specialist may be made if the auditor believes such a reference will facilitate an understanding of the reason for the explanatory paragraph.
[SAS 73, par. 16 (AU 336.16)]

* 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, *Amendment to Statements on Auditing Standards No. 22, Planning and Supervision, No. 59, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern, and No. 62, Special Reports (AU 311, 341, and 623, respectively)*, for an example.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>j.</i> The disclosures required by paragraph 3.20 of the June 1996 AICPA Audit and Accounting Guide <i>Not-for-Profit Organizations</i> concerning summarized comparative financial information are not included in the financial statements? (Note that such an explanatory paragraph should follow the opinion paragraph and should not be referred to in either the scope or opinion paragraphs.) [AAG-NPO, par. 14.05]</p>	_____	_____	_____
<p>6. Is a qualified opinion or disclaimer of opinion expressed if:</p> <p><i>a.</i> Scope limitations preclude application of one or more auditing procedures considered necessary in the circumstances?¹ [SAS 58, pars. 22–27, as amended by SAS 79 (AU 508.22–.27; SAS 31, par. 22 (AU 326.23))]</p>	_____	_____	_____
<hr/> <p>Note: Consult the Topical Index to the AICPA <i>Professional Standards</i> 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.</p> <hr/>			
<p>7. Is a qualified opinion or adverse opinion expressed if a lack of conformity with GAAP (including inadequate disclosure) is present?² [SAS 58, pars. 35–57, as amended by SAS 79 (AU 508.35–.57)]</p>	_____	_____	_____
<hr/> <p>Note: Consult the Topical Index to the AICPA <i>Professional Standards</i> under “Departures from Established Principles,” “Adverse Opinions,” and “Qualified Opinions” for additional references to specific types of GAAP departures that could result in either a qualified or adverse opinion.</p> <hr/>			
<p>8. If a qualified opinion, adverse opinion, or disclaimer of opinion is expressed, are all the substantive reasons for the opinion or disclaimer disclosed and is the reporting language appropriately modified? [SAS 58, pars. 21, 59, 60, and 62, as amended by SAS 79 (AU 508.21, .59, .60, and .62)]</p>	_____	_____	_____
<p>9. If information accompanies the basic financial statements in an auditor-submitted document, does the report on the accompanying information:</p> <p><i>a.</i> State that the audit is performed for the purpose of forming an opinion on the basic financial statements taken as a whole?</p> <p><i>b.</i> Specifically identify the accompanying information?</p> <p><i>c.</i> State that the accompanying information is presented for purposes of additional analysis and is not part of the basic financial statements?</p>	_____	_____	_____

¹ This includes when 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, par. 31, as amended by SAS 79]

² The auditor should express a qualified or an adverse opinion if the auditor concludes that (a) a matter involving a risk or an uncertainty is not adequately disclosed, (b) the accounting principles used cause the financial statements to be materially misstated when the inability to make a reasonable estimate raises questions about the appropriateness of the accounting principles used, and (c) management’s estimate is unreasonable and that its effect is to cause the financial statements to be materially misstated. [SAS 58, pars. 46–49, as amended by SAS 79]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. State whether the accompanying information is subject to the auditing procedures applied in an audit of the basic financial statements and the appropriate expression of opinion or disclaimer? [SAS 29, pars. 6–11 (AU 551.06–.11)]	_____	_____	_____
10. Is the reporting form and content of SAS 60, paragraphs 9–19, followed when communicating internal control structure related matters noted in an audit? ³ [SAS 60, pars. 9–19 (AU 325.09–.19)]	_____	_____	_____
11. If the auditor is requested to audit Internal Revenue Form 990, “Return of Organizations Exempt From Income Tax,” is the appropriate report prepared? [Interpretation 2 of SAS 62, sec. 623 (AU 9623.47–.54)]	_____	_____	_____
12. If during a GAAS audit of the financial statements the auditor becomes aware that the organization is subject to an audit requirement not encompassed in the terms of the engagement (e.g., the entity is required to have an audit performed in accordance with OMB Circular A-133), the auditor must communicate to management and the audit committee, or to others with equivalent authority and responsibility that a GAAS audit may not satisfy relevant legal, regulatory, or contractual requirements. Did the auditor consider the client’s actions in response to such communication (e.g., not arranging for an audit that meets the applicable requirements) including the potential effect on the financial statements and auditor’s report? [SAS 74, pars. 22 and 23 (AU 801.22 and .23)]	_____	_____	_____

³ Reportable conditions in internal control structure that have not been corrected must be communicated, preferably in writing, to senior management and the board of trustees or its audit committee. [SAS 60]

FSP Section 14,500

Auditors' Reports on Audits Performed Under Government Auditing Standards and Under OMB Circular A-133 Checklist

NOTE

The single audit policy is currently undergoing a massive overhaul. Several important developments have already taken place and others continue to be finalized. At the time this checklist went to print, guidance is still being developed on reporting under the Single Audit Act Amendments of 1996 and OMB Circular A-133. The new guidance will be effective for fiscal years beginning after June 30, 1996.

A brief rundown of four key pieces of guidance which have been or are currently being revised follows:

1. *Single Audit Act Amendments of 1996 (1996 Amendments)*

Passed July 5, 1996

Effective date: Fiscal years beginning after June 30, 1996

For more info.:

- Nov. 1996 Journal of Accountancy, "Auditing Federal Awards, a New Approach"
- AICPA Fax Hotline, dial (201) 938-3787 from a fax machine and select document # 402
- Full text available online at <http://www.sbaonline.sba.gov/ignet>

2. *OMB Circular A-133*

Proposed revision issued November 5, 1996; final document expected to be issued in May, 1997

Effective date: Fiscal years beginning after June 30, 1996

Once finalized, final revision available from:

- *Federal Register*
- OMB fax information line 202-395-9063, document # 1133
- OMB Internet home page at <http://www.whitehouse.gov/WH/EOP/OMB/html/ombhome.html>
- Call or write the OMB

3. *Compliance Supplement*

Provisional supplement expected to be issued in May 1997; final supplement anticipated for 1998. Auditors should use the provisional supplement until the final supplement is issued.

For more info.:

- AICPA's CPA Letter
- AICPA Internet home page at <http://www.aicpa.org>

- OMB Internet home page
- Full text available from the Government Printing Office

4. *AICPA Statement of Position (SOP)*

As a result of the changes described in 1–3 above, SOP 92-9, *Audits of Not-for-Profit Organizations Receiving Federal Awards*, has become outdated. The AICPA is in the process of developing a new SOP that will supersede SOP 92-9. **It is expected to be issued in late summer 1997** and it will include guidance on the work performed and reports issued for audits under the 1996 Amendments and Circular A-133. **It will also include simplified illustrative audit reports. The new illustrative reports will include one report on the financial statements, one that will meet the requirements for reporting on compliance and internal control under *Government Auditing Standards*, and one report that will meet the requirements of the 1996 Amendments and Circular A-133 for reporting on single audits of federal awards.** The AICPA expects to make these illustrative audit reports available on the AICPA Internet home page and the AICPA Fax Hotline before the final issuance of the new SOP.

The reporting guidance in the new SOP and illustrative audit reports will be included in section 14,500, as an update to the looseleaf service, as it becomes available. Additionally, it will be incorporated into the 1998 bound edition of this checklist.

Auditors issuing reports on audits performed under *Government Auditing Standards* and under OMB Circular A-133 for fiscal years beginning after June 30, 1996 should closely follow developments in this area and look for the illustrative audit reports on the AICPA Internet home page or the AICPA Fax Hotline.

FSP Section 14,600

Accountants' Reports on Compiled or Reviewed Financial Statements 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:

SSARS = AICPA Statement on Standards for Accounting and Review Services

AR = Reference to section number in AICPA *Professional Standards* (vol. 2)

.03 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.

.04 Checklist Questionnaire:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Part I—For Compilation Engagements			
1. Is the compilation report appropriately worded to state that:			
a. A compilation is performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants?	_____	_____	_____
b. A compilation is limited to presenting in the form of financial statements information that is the representation of management? [See SSARS 3, par. 3 (AR 300.03) for reporting on financial statements included in a prescribed form, and the form calls for departure from GAAP]	_____	_____	_____
c. The financial statements are not audited or reviewed and, accordingly, the accountant does not express an opinion or any other form of assurance on them? [SSARS 1, par. 14, as amended by SSARS 7 (AR 100.14)]	_____	_____	_____
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. 14 (AR 100.14)]	_____	_____	_____
3. For compiled financial statements that contain departures ¹ from 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. 19 and 21, as amended by SSARS 7 (AR 100.19 and .21)]	_____	_____	_____

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>
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, where applicable, OCBOA) Are Not Included"? [SSARS 1, par. 19 (AR 100.19)]	_____	_____	_____
c. If compiled financial statements that omit substantially all required disclosures are prepared on a basis of accounting other than GAAP, and if such financial statements do not include disclosure of the basis of accounting used, does the accountant's report disclose the basis of accounting? ² [SSARS 1, par. 20 (AR 100.20)]	_____	_____	_____
d. If compiled financial statements contain a departure from GAAP or, where applicable, OCBOA, does the accountant modify his or her report to disclose the departure in a separate paragraph? [SSARS 1, pars. 39 and 40, as amended by SSARS 3 and SSARS 7 (AR 100.39 and .40)]	_____	_____	_____
(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. 40, as amended by SSARS 3 and SSARS 7 (AR 100.40)]	_____	_____	_____
(2) If the effects of the departure on the financial statements are not determined, does the accountant state this in his or her report? [SSARS 1, par. 40, as amended by SSARS 3 and SSARS 7 (AR 100.40)]	_____	_____	_____
4. If the accountant is not independent with respect to the organization, does the last paragraph of the compilation report state, "I am (We are) not independent with respect to XYZ organization"? [SSARS 1, par. 22 (AR 100.22)]	_____	_____	_____
5. Is the report dated as of the date that substantially all compilation procedures have been completed? [SSARS 1, par. 15 (AR 100.15)]	_____	_____	_____
6. Does each page of the financial statements compiled by the accountant include a reference such as "See Accountant's Compilation Report"? [SSARS 1, par. 16 (AR 100.16)]	_____	_____	_____
7. 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. 40, fn. 18, as amended by SSARS 7 (AR 100.40, fn. 18)]	_____	_____	_____
8. If the accountant compiles both the basic financial statements and other data that is presented for supplementary analysis purposes, does the compilation report also include the other data indicating the degree of responsibility taken? [SSARS 1, par. 43 (AR 100.43)]	_____	_____	_____

² 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 OCBOA.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. If an audit or review engagement is changed to a compilation, does the report omit reference to: (a) the original engagement, (b) any auditing or review procedures that may have been performed, and (c) any scope limitation that results in the changed engagement? [SSARS 1, par. 49, as amended by SSARS 7 (AR 100.49)]	_____	_____	_____
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 presented with the comparative financial statements that previously included all disclosures, 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 and 30, as amended by SSARS 7 (AR 200.29 and .30)]	_____	_____	_____
12. For comparative statements, if the level of service performed by the continuing accountant on the current-period financial statements is the same as, or higher than, that performed on the prior period financial statements presented, is the report on the prior period updated? [SSARS 2, pars. 8–10, as amended by SSARS 7 (AR 200.08–.10)]	_____	_____	_____
13. For comparative statements, if the level of service performed by the continuing accountant on the current-period financial statements is lower than that performed on the prior period financial statements:			
a. Does the report on the current period include a separate paragraph that describes the responsibility assumed for the prior period?	_____	_____	_____
or			
b. Is the report on the current period accompanied by or combined with a reissued report on the prior period financial statements? [SSARS 2, pars. 8, 11, and 12 (AR 200.08, .11, and .12)]	_____	_____	_____
14. If the report requires a changed reference to a departure from GAAP regarding the prior period presented, does the report indicate:			
a. The date of the previous report?	_____	_____	_____
b. Description of the circumstances or events underlying the change?	_____	_____	_____
c. If applicable, that the prior-period financial statements are changed? [SSARS 2, pars. 14 and 15 (AR 200.14 and .15)]	_____	_____	_____
15. For comparative statements, if the current-period financial statements are compiled and the prior period financial statements are audited and the audit report is not issued, does the current-period report include a separate paragraph that contains the following:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. A statement that the prior-period financial statements were audited previously?	_____	_____	_____
b. The date of the previous report?	_____	_____	_____
c. The type of opinion previously expressed?	_____	_____	_____
d. If the opinion is other than unqualified, the substantive reasons therefor?	_____	_____	_____
e. The fact 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 the 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 his or her report to the predecessor's report in accordance with paragraphs 17 to 19 of SSARS 2?	_____	_____	_____
or			
b. Perform a compilation, review, or audit of the prior period statements and report on them accordingly? [SSARS 2, pars. 16–19 (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 and 26 (AR 200.25 and .26)]	_____	_____	_____

Part II—For Review Engagements

Note: An accountant is precluded from issuing a review report on the financial statements of an organization with respect to which he or she is not independent.
[SSARS 1, par. 38 (AR 100.38)]

1. Is the review report appropriately worded to state that:			
a. A review is performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants?	_____	_____	_____
b. All information included in the financial statements is the representation of the management of the organization?	_____	_____	_____
c. A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data?	_____	_____	_____
d. 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. 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 GAAP or, where applicable, with OCBOA, other than those modifications, if any, indicated in the report? [SSARS 1, par. 32 (AR 100.32)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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. 32 (AR 100.32)]	_____	_____	_____
3. For reviewed financial statements that contain departures from GAAP or, where applicable, OCBOA (including the omission of required disclosures), is the accountant's report modified to disclose the departure? [SSARS 1, pars. 39 and 40, as amended by SSARS 3 and SSARS 7 (AR 100.39 and .40)]	_____	_____	_____
a. If the effects of the departure 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. 40, as amended by SSARS 7 (AR 100.40)]	_____	_____	_____
b. If the effects of the departure are not determined, does the accountant state this in his or her modified report? [SSARS 1, par. 40, as amended by SSARS 7 (AR 100.40)]	_____	_____	_____
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. 40, fn. 18, as amended by SSARS 7 (AR 100.40, fn. 18)]	_____	_____	_____
5. Is the report dated as of the completion of substantially all review procedures? [SSARS 1, par. 33 (AR 100.33)]	_____	_____	_____
6. Does each page of the financial statements include a reference such as "See Accountant's Review Report"? [SSARS 1, par. 34 (AR 100.34)]	_____	_____	_____
7. 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 as follows:			
a. If the basic financial statements are reviewed, is the degree of responsibility disclosed in the report or in a separate report on the other data that states:			
(1) The review is 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 conformity with GAAP or, where applicable, OCBOA? and either:	_____	_____	_____
(2) The other data accompanying the financial statements was subject to the inquiry and analytical procedures applied in the review of the basic financial statements? or	_____	_____	_____
(3) The other data accompanying the financial statements was not subject to the inquiry and analytical procedures applied in the review of the basic financial statements but have been compiled? [SSARS 1, par. 43 (AR 100.43)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
8. If the client does not provide a representation letter, were the matters discussed in paragraphs 44–49 of SSARS 1 considered in deciding whether it is appropriate to issue a compilation report?	_____	_____	_____
9. If an audit engagement is changed to a review, 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. 49, as amended by SSARS 7 (AR 100.49)]	_____	_____	_____
10. If comparative financial statements are presented, does the accountant’s report cover each period presented? [SSARS 2, par. 2 (AR 200.02)]	_____	_____	_____
11. For comparative statements, if the level of service performed by the continuing accountant on the current-period financial statements is the same as, or higher than, that performed on the prior period financial statements, is the continuing accountant’s report on the prior period updated? [SSARS 2, pars. 8–10, as amended by SSARS 7 (AR 200.08–.10)]	_____	_____	_____
12. For comparative statements, if the level of service performed by the continuing accountant on the current-period financial statements is lower than that performed on the prior period financial statements:			
a. Does the report on the current period include a separate paragraph that describes the responsibility assumed for the prior period? or	_____	_____	_____
b. Is the report on the current period accompanied by or combined with a reissued report on the prior period financial statements? [SSARS 2, pars. 8, 11, and 12 (AR 200.08, .11, and .12)]	_____	_____	_____
13. If the report requires a changed reference to a departure from GAAP regarding the prior period presented, does the report indicate:			
a. The date of the previous report?	_____	_____	_____
b. A description of the circumstances or events underlying the change?	_____	_____	_____
c. If applicable, that the prior-period financial statements are changed? [SSARS 2, pars. 14 and 15 (AR 200.14 and .15)]	_____	_____	_____
14. 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)]	_____	_____	_____
15. If the current-period financial statements are reviewed and the financial statements of the prior period presented are audited and the audit report is not reissued, does the current-period report include a separate paragraph that contains the following:			
a. A statement that the prior-period financial statements were audited previously?	_____	_____	_____
b. The date of the previous report?	_____	_____	_____
c. The type of opinion expressed previously?	_____	_____	_____
d. If the opinion is other than unqualified, the substantive reasons therefor?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. The fact that no auditing procedures were performed after the date of the previous report? [SSARS 2, par. 28 (AR 200.28)]	_____	_____	_____

Predecessor's Review Report

16. If the 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 to 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 (AR 200.16–.19)]	_____	_____	_____

FSP Section 14,700

Illustrative Financial Statements

.01 The following illustrative auditor's reports and financial statements (Exhibits 1 and 2) demonstrate financial statement formats and disclosures appropriate for not-for-profit organizations. These illustrations are not intended to represent the *only* appropriate presentation and disclosure formats, however. Not-for-profit organizations are urged to develop financial statement formats that are appropriate for their individual circumstances while being consistent with the accounting and reporting practices promulgated. Furthermore, the illustrative financial statements do not include all disclosures and presentation items promulgated.

Independent Auditor's Report

The Board of Directors
Big Brothers of Any County, Inc.

We have audited the accompanying statement of financial position of Big Brothers of Any County, Inc. (an Any State not-for-profit corporation) as of December 31, 19X4 and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers of Any County, Inc. as of December 31, 19X4, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 10 to the financial statements, in 19X4 the Organization changed its method of accounting for contributions, its method of accounting for investments, and its method of financial reporting and financial statement presentation.

[Signature]

[Date]

The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated.

.03

BIG BROTHERS OF ANY COUNTY, INC.

Statement of Financial Position

December 31, 19X4

Assets

Current assets

Cash and cash equivalents	\$ 36,450
Contributions receivable (Note 3)	42,100
Leasehold interest, current (Note 4)	34,500
Prepaid expenses	3,800
Deposit	2,000
Total current assets	<u>118,850</u>

Noncurrent assets

Vehicles and office equipment (Note 5)	26,400
Leasehold interest, noncurrent (Note 4)	213,950
Investments (Note 6)	71,800
Assets to be disposed of (Note 2)	5,000
Total noncurrent assets	<u>317,150</u>

Total assets \$436,000

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 34,500
---------------------------------------	-----------

Net assets

Unrestricted	66,250
Temporarily restricted (Note 11)	266,550
Permanently restricted (Note 12)	68,700
Total net assets	<u>401,500</u>

Total liabilities and net assets \$436,000

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

BIG BROTHERS OF ANY COUNTY, INC.

Statement of Activities

Year Ended December 31, 19X4

Changes in Unrestricted Net Assets

Revenues

Contributions	\$ 91,400
Program revenue	212,600
Special events, net of direct costs in the amount of \$14,000	22,200
Donated goods and facilities	34,800
Donated services	4,500
Investment income	7,050
Total unrestricted revenue	<u>372,550</u>

Net assets released from restrictions

Expiration of time restrictions	<u>27,000</u>
---------------------------------	---------------

Total unrestricted revenues and other support	<u>399,550</u>
-----------------------------------------------	----------------

Expenses

Program expenses	335,300
Management and general	41,350
Fund-raising expenses	46,050
Total expenses	<u>422,700</u>

Write-down of facility equipment	45,000
----------------------------------	--------

Decrease in unrestricted net assets	<u>(68,150)</u>
-------------------------------------	-----------------

Changes in Temporarily Restricted Net Assets

Contributions	18,100
Donated facilities	248,450
Net assets released from restrictions	<u>(27,000)</u>
Increase in temporarily restricted net assets	<u>239,550</u>

Changes in Permanently Restricted Net Assets

Contributions to endowment fund	10,000
Investment income	500
Increase in permanently restricted net assets	<u>10,500</u>

Increase in Net Assets 181,900

Net Assets at Beginning of Year, Restated (Note 10) 219,600

Net Assets at End of Year \$401,500

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

BIG BROTHERS OF ANY COUNTY, INC.
Statement of Cash Flows
Year Ended December 31, 19X4

Cash Flows From Operating Activities	
Increase in net assets	\$181,900
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	8,500
Contributions restricted for long-term investment	(258,450)
Increase in contribution receivable	(3,100)
Increase in prepaid expenses	(2,000)
Increase in accounts payable and accrued expenses	8,300
Impairment loss on long-lived assets	45,000
Unrealized gain on investments	(4,000)
Interest and dividends restricted for reinvestment	(500)
Net cash used by operating activities	<u>(24,350)</u>
Cash Flows From Investing Activities	
Purchase of office equipment	<u>(6,500)</u>
Cash Flows From Financing Activities	
Proceeds from contributions restricted for building fund	10,000
Interest and dividends restricted for reinvestment	500
Net cash provided by financing activities	<u>10,500</u>
Net Decrease in Cash and Cash Equivalents	(20,350)
Cash and Cash Equivalents at Beginning of Year	<u>56,800</u>
Cash and Cash Equivalents at End of Year	<u>\$ 36,450</u>
Supplemental data:	
Noncash investing and financing activities:	
Gift of leasehold rights	\$248,450

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

BIG BROTHERS OF ANY COUNTY, INC.

Statement of Functional Expenses

Year Ended December 31, 19X4

	<i>Supporting Services</i>			<i>Total</i>
	<i>Program</i>	<i>Management and General</i>	<i>Fund- Raising</i>	
Salaries	\$197,000	\$22,000	\$22,000	\$241,000
Rent	36,500	3,000	3,000	42,500
Insurance	22,000	2,300	2,300	26,600
Payroll taxes	17,200	1,900	1,900	21,000
Outside services	8,000	—	9,000	17,000
Telephone	9,500	1,500	1,500	12,500
Office supplies	8,500	2,000	1,500	12,000
Depreciation	6,000	1,250	1,250	8,500
Lease and maintenance	5,600	900	900	7,400
Dues	7,000	—	—	7,000
Accounting and legal	—	4,500	—	4,500
Postage	6,200	1,100	1,800	9,100
Advertising and recruitment	3,600	—	—	3,600
Mileage	2,000	300	300	2,600
Newsletter	2,500	—	—	2,500
Awards and recognition	2,500	—	—	2,500
Miscellaneous	1,200	600	600	2,400
	<u>\$335,300</u>	<u>\$41,350</u>	<u>\$46,050</u>	<u>\$422,700</u>

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

BIG BROTHERS OF ANY COUNTY, INC.

Notes to Financial Statements

For the Year Ended December 31, 19X4

Note 1: Nature of Organization and Significant Accounting Policies

Big Brothers of Any County, Inc. (the Organization) is a nonprofit organization dedicated to helping single-parent children in southeastern AnyState by building friendships through a one-on-one matching program with screened adult volunteers. Revenues are derived principally from the Organization's programs and from contributions.

Support and Expenses. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated Services, Goods, and Facilities. A substantial number of volunteers have donated approximately 20,000 hours to the Organization's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services (which include accounting and legal services) are reflected in the statement of activities at their fair value.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Conditional Promises to Give. As of December 31, 19X4, the Organization had received conditional promises to give aggregating \$13,000 that are contingent upon the Organization's raising matching corporate gifts.

Use of Estimates. The preparation of financial statements in 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.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. At year-end and throughout the year, the organization's cash balances were deposited in several banks. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Investments. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Invest-

ment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Concentrations of Credit and Market Risk. Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Organization has not experienced any losses on its cash equivalents. The Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investment portfolio is adequately diversified among issuers.

Vehicles and Office Equipment. Vehicles and office equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets and computed on the straight-line method.

Advertising Costs. Advertising costs are expensed as incurred.

Income Taxes. The Organization is a nonprofit corporation whose revenue is derived from contributions and other fund-raising activities and is not subject to federal or state income taxes.

Note 2: Assets to Be Disposed Of

In January 19X4, management decided to dispose of the Organization's arcade-game equipment due to the age and poor condition of the equipment. In connection with that decision, the Organization incurred a \$45,000 charge to write down the arcade-game equipment to fair market value. The arcade-game equipment is expected to be disposed of by March 31, 19X5. After the write-down, the equipment is recorded in unrestricted net assets at \$5,000 and is no longer being depreciated.

Note 3: Contributions Receivable

Contributions receivable (in less than one year)	\$52,600
Less allowance for uncollectible contributions	<u>(10,500)</u>
	<u>\$42,100</u>

Note 4: Leasehold Interest

In December of 19X4, the Organization received a contribution of leasehold rights for 3,000 square feet of office space for a ten-year term. The Organization's monthly rent under a signed lease agreement is \$1 per month. The present value of the fair market rent of \$3,000 per month over the lease term, which was determined using an 8% discount rate, has been recognized as temporarily restricted support in the current year. The amounts are classified as follows:

Future leasehold rights	\$248,450
Less current portion—twelve months	<u>(34,500)</u>
Leasehold interest—noncurrent	<u>\$213,950</u>

The expected time expirations on restrictions of leasehold interests are:

<u>Year Ending December 31,</u>	<u>Amount</u>
19X5	\$ 34,500
19X6	31,900
19X7	29,500
19X8	27,200
19X9	25,100
Thereafter	<u>100,250</u>
	<u>\$248,450</u>

Note 5: Vehicles and Office Equipment

Office equipment	\$29,500
Leasehold improvements	12,400
Vehicles	<u>14,300</u>
	56,200
Less accumulated depreciation	<u>(29,800)</u>
	<u>\$26,400</u>

Note 6: Investments

Investments, stated at fair value, at December 31, 19X4 include:

Equity securities	\$61,800
State of Israel bonds	<u>10,000</u>
Long-term investments	<u>\$71,800</u>

Investment income from cash equivalents and investments is comprised of the following for the year ended December 31, 19X4:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$3,050	\$500	\$3,550
Net unrealized gains	<u>4,000</u>		<u>4,000</u>
Total	<u>\$7,050</u>	<u>\$500</u>	<u>\$7,550</u>

Note 7: Lease Commitments

The Organization leased its Any City office facilities under a noncancellable operating lease which expired December 31, 19X4. Rental expense for the year ended December 31, 19X4 including common area expenses was \$42,500.

In December 19X4, the Organization signed a lease agreement for new office facilities for a term of ten years. The Organization may cancel the lease at any time with a 30-day notice. See also note 3.

Note 8: Fair Value of Financial Instruments

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the statement of financial position for cash and cash equivalents approximates its fair value.

Investments: Fair values, which are the amounts reported in the statement of financial position, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

The carrying amounts and fair values of the Organization's financial instruments at December 31, 19X4 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$36,450	\$36,450
Noncurrent investments	71,800	71,800

Note 9: Functional Allocation of Expenses

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

Note 10: Change in Accounting Method

During 19X4, the Organization adopted the accounting treatment prescribed by Statement on Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, SFAS No. 117, *Financial Statements for Not-For-Profit Organizations*, and SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted support depending on the existence and/or nature of any donor restrictions. As permitted by SFAS No. 116, the Organization may retroactively apply the provisions of this new statement by restating the assets as of December 31, 19X3. The adjustment of \$27,000 made to net assets as of December 31, 19X3, represents contributions not previously reported.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning as previously stated	\$134,400	\$ —	\$58,200	\$192,600
Adoption of SFAS No. 116	<u>—</u>	<u>27,000</u>	<u>—</u>	<u>27,000</u>
Net assets, beginning restated	<u>\$134,400</u>	<u>\$27,000</u>	<u>\$58,200</u>	<u>\$219,600</u>

Note 11: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following specific program services:

Contributions receivable for the Combined Federal Campaign	\$ 18,100
Donated facilities available for future years	<u>248,450</u>
	<u>\$266,550</u>

Note 12: Permanently Restricted Assets

Permanently restricted assets of \$61,800 are restricted to investments in perpetuity, the income from which is expendable to support the Big Brother Outreach Campaign.

Note 13: Litigation

In November 19X4 a legal action was filed against the Organization by a former employee alleging wrongful termination and other charges. The plaintiff is seeking \$2,000,000 in damages. The School believes the claim is without merit and has not accrued any loss contingency. While the School believes it has excellent defenses against the suit, the ultimate resolution of the matter, which is expected to occur within one year, could result in a loss of up to \$300,000 after insurance coverage.

Comment Letter

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