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Checklists and illustrative financial statements for not-for-profit organizations : a financial accounting and reporting practice aid, June 2001 edition

American Institute of Certified Public Accountants. Accounting and Auditing Publications

Lori A. West

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June 2001 Edition

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

*A Financial Accounting and
Reporting Practice Aid*

Edited By
Lori A. West, CPA

Technical Manager,
Accounting and Auditing Publications

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AICPA

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*Checklists and Illustrative Financial Statements
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or the Financial Accounting Standards Board
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AICPA

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FSP Section 14,000

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

.01 These checklists and illustrative financial statements are designed to be applied to nongovernmental not-for-profit organizations except for providers of health care services that follow the AICPA Audit and Accounting Guide *Health Care Organizations*. The term *not-for-profit organization* is defined in Appendix D of SFAS 117, *Financial Statements for Not-for-Profit Organizations*, as:

An entity that possesses the following characteristics that distinguish it from a business enterprise: (a) contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return, (b) operating purposes other than to provide goods or services at a profit, and (c) absence of ownership interests like those of business enterprises. Not-for-profit organizations have those characteristics in varying degrees (Concepts Statement 4, paragraph 6). Organizations that clearly fall outside this definition include all investor-owned enterprises and entities that provide dividends, lower costs, or other economic benefits directly and proportionately to their owners, members, or participants, such as mutual insurance companies, credit unions, farm and rural cooperatives, and employee benefit plans (Concepts Statement 4, paragraph 7).

The term *nongovernmental* is explained in paragraph 1.03 of the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*. It says, "Nongovernmental organizations are all organizations other than governmental organizations." The description of a governmental organization is also found in paragraph 1.03 of the Guide. That description, which was agreed to in a joint meeting of the FASB and GASB Boards on March 13, 1996, states:

Public corporations and bodies corporate and politic are governmental organizations. Other organizations are governmental organizations if they have one or more of the following characteristics:

- a. Popular election of officers or appointment (or approval) of a controlling majority of the members of the organization's governing body by officials of one or more state or local governments;
- b. The potential for unilateral dissolution by a government with the net assets reverting to a government; or
- c. The power to enact and enforce a tax levy.

Furthermore, organizations are presumed to be governmental if they have the ability to issue directly (rather than through a state or municipal authority) debt that pays interest exempt from federal taxation. However, organizations possessing only that ability (to issue tax-exempt debt) and none of the other governmental characteristics may rebut the presumption that they are governmental if their determination is supported by compelling, relevant evidence.

Governmental not-for-profit organizations are under the jurisdiction of the GASB. GASB 15, *Governmental College and University Accounting and Financial Reporting Models*, and GASB 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*, are the two major statements that describe the accounting and financial reporting models for governmental not-for-profit organizations.¹

¹ When effective, GASB 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, will supersede GASB 15, and GASB 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, will supersede the majority of GASB 29. The effective dates of GASB 34 and 35 depend on the size of the not-for-profit organization and whether it is a component unit of another government. The earliest effective date (for component units of Phase I governments) is fiscal years beginning after June 15, 2001.

.02 In June 1993, the FASB issued SFAS 117 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.

.03 All not-for-profit organizations are required to report expenses on a functional basis, although that information need not appear on the face of the statement of activities. For example, organizations that receive little or no support from the general public, such as trade associations, may prefer to report expenses by natural classification (i.e., salaries, employee benefits, supplies, and utilities) on the face of the statement of activities and report expenses by functional classification in the notes to financial statements. 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.

.04 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.

.05 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. The financial statements of a not-for-profit organization should also help the user evaluate the organization's ability to continue to carry out its objectives in the future.

.06 Another important aspect of financial reporting for not-for-profit organizations is disclosure of the limitations placed by donors on use of resources. Many not-for-profit organizations receive resources restricted by the donor for particular purposes. The nature and extent of those restrictions determine the classification of resources as permanently restricted, temporarily restricted, or unrestricted. To facilitate observance of limitations, not-for-profit organizations often maintain their accounts 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.

.07 These checklists and illustrative financial statements are for financial statements prepared in accordance with generally accepted accounting principles (GAAP). If OCBOA financial statements are presented, the provisions of the auditing interpretation, *Evaluating the Adequacy of Disclosure in Financial Statements Prepared on the Cash, Modified Cash, or Income Tax Basis of Accounting*, of SAS 62, *Special Reports*, should be considered. The interpretation, issued in November 1997 by the Audit Issues Task Force of the Auditing Standards Board, applies to cash, modified cash and income tax basis presentations. It addresses the summary of significant accounting policies; disclosures for financial statement items that are the same as, or similar to, those in GAAP statements; issues relating to financial statement presentation; and disclosure of matters not specifically identified on the face of the statements. The interpretation contains examples of how OCBOA disclosures, including presentation, may differ from those in GAAP financial statements.

Note: This publication was extracted from sections 14,000 through 14,600 of the AICPA *Financial Statement Preparation Manual* (FSP).

FSP Section 14,100

Instructions

Purpose

.01 The checklists and illustrative financial statements included in this section have been developed by the AICPA Accounting and Auditing Publications Team as nonauthoritative technical practice aids to be used as a memory jogger. This section includes a financial statement and notes checklist, auditors' reports checklists, an accountants' reports checklist, and illustrative financial statements.

The checklists have been updated to include relevant accounting and auditing pronouncements through:

- FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*
- FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*
- FASB Technical Bulletin No. 97-1, *Accounting under Statement 123 for Certain Employee Stock Purchase Plans with a Look-Back Option*
- AICPA Statement of Position 01-2, *Accounting and Reporting by Health and Welfare Benefit Plans*
- AICPA Statement on Auditing Standards No. 94, *The Effect of Information Technology on the Auditor's Consideration of Internal Control in a Financial Statement Audit*
- AICPA Statement on Standards for Accounting and Review Services 8, *Amendment to Statement on Standards for Accounting and Review Services No. 1, Compilation and Review of Financial Statements*
- Consensus opinions of the FASB Emerging Issues Task Force reached through the January 2001 meeting

The checklists and illustrative financial statements should be modified, as appropriate, for pronouncements issued subsequent to the above. In determining the applicability of a pronouncement, its effective date should also be considered.

Instructions

.02 The checklists consist of a number of questions or statements that are accompanied by references to the applicable authoritative pronouncements. The checklists provide for checking off or initialing each question or point to show that it has been considered. Users should check: "yes" if the disclosure has been appropriately made, "no" if the disclosure has not been made, or "n/a" if the disclosure is not applicable to the organization. The auditor should consider the effect of a "no" answer on his/her report. A "no" answer that is material to the financial statements may warrant departures from an unqualified opinion. (See paragraphs 20–63 of SAS No. 58, *Reports on Audited Financial Statements*, as amended [AICPA, *Professional Standards*, vol. 1, AU sec. 508.20–.63].) If a "no" answer is checked, the authors recommend that a note be made in the right margin to explain why the disclosure was not made (for example, if the disclosure was not made because it was not material to the financial statements, write "not material" in the right margin). The right margin may be used for other remarks or comments as appropriate, including cross-referencing to applicable workpapers where the support to a disclosure may be found. Use of the checklists requires the exercise of individual professional judgment and may likely require some modification based on the circumstances of individual engagements.

.03 This checklist is not a substitute for the authoritative pronouncements. Users of the checklists and illustrative financial statements are urged to refer directly to applicable authoritative pronouncements when appropriate. The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated nor do they represent minimum requirements. Pronouncements deemed remote for not-for-profit organizations are not included in this practice aid. The checklists and illustrative financial statements are "tools" and in no way represent official positions or pronouncements of the AICPA.

.04 If you have further questions, call the AICPA Technical Hotline at 1-888-777-7077.

FSP Section 14,200

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> (with conforming changes as of May 1, 2001)
AC =	Reference to section number in <i>FASB Accounting Standards—Current Text</i>
ACC & AUD =	Reference to section number in <i>AICPA Technical Practice Aids</i> (vol. 2)
APB =	Accounting Principles Board Opinion
ARB =	Accounting Research Bulletin
AU =	Reference to section number in <i>AICPA Professional Standards</i> (vol. 1)
EITF =	Emerging Issues Task Force Abstracts
FASBI =	Financial Accounting Standards Board Interpretation
FTB =	Technical Bulletin issued by the staff of FASB ¹
PB =	AICPA Accounting Standards Division Practice Bulletin
SAS =	Statement on Auditing Standards
SFAS =	Statement of Financial Accounting Standards
SOP =	AICPA Statement of Position

.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 | _____ |
| C. Accounting Changes | _____ |

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*

- D. Comparative Financial Statements _____
- E. Related Entities _____
- F. Business Combinations _____
- G. Consolidated Financial Statements _____
- H. Nonmonetary Transactions Other Than Contributions _____
- I. Contingencies and Commitments _____
- J. Risks and Uncertainties _____
- K. Related Parties _____
- L. Subsequent Events _____
- M. Pension and Other Postretirement Benefit Plans _____
- N. Extraordinary Items _____
- O. Advertising Costs _____
- P. Web Site Development Costs _____
- Q. Costs to Exit an Activity _____

- Statement of Financial Position
 - A. General _____
 - B. Cash and Cash Equivalents _____
 - C. Investments Other Than Derivative Instruments _____
 - D. Derivative Instruments and Hedging Activities _____
 - E. Financial Instruments _____
 - F. Accounts, Notes, Contributions, and Loans Receivables _____
 - G. Beneficial Interests in Assets Held by Others _____
 - H. Inventories _____
 - I. Property and Equipment _____
 - J. Collections of Works of Art and Similar Items _____
 - K. Other Assets and Deferred Charges _____
 - L. Interfund Borrowings _____
 - M. Current Liabilities _____
 - N. Notes Payable and Other Debt _____
 - O. Leases as Lessee _____
 - P. Other Liabilities and Deferred Credits _____
 - Q. Agency Transactions _____
 - R. Restricted Resources _____

- Statement of Activities
 - A. General _____
 - B. Taxes _____
 - C. Refunds Due To and Advances From Third Parties _____
 - D. Donated or Contributed Services _____
 - E. Donated Materials and Facilities _____
 - F. Fund Raising _____
 - G. Contributions _____
 - H. Split-Interest Agreements _____
 - I. Expenses _____
 - J. Investments and Endowments _____

- Additional Financial Statements
 - A. Statement of Cash Flows _____
 - B. Statement of Functional Expenses _____

- Auditors' Reports _____

*Place ✓ by
Sections Not Applicable*

- 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? _____
 - d. Statement of functional expenses? (Only VHWOs are required to provide this statement. Other organizations are encouraged by the FASB to provide it.)
[SFAS 117, pars. 6 and 26 (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)] _____
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)] _____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 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. 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?
[Interpretation of SAS 1 (AU 9410.13–.18)] | _____ | _____ | _____ |
| 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] | _____ | _____ | _____ |

C. Accounting Changes

- | | | | |
|---|-------|-------|-------|
| 1. 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)] | _____ | _____ | _____ |
| 2. If a change does not have a material effect in the period of change but is expected to have a material effect in later periods, are disclosures of the change made?
[APB 20, par. 38 (AC A06.133)] | _____ | _____ | _____ |
| 3. For changes in accounting principles accounted for as a cumulative effect adjustment: | | | |
| a. Is the amount of the cumulative effect shown 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" as appropriate? | _____ | _____ | _____ |
| b. Are financial statements included for prior periods, for comparative purposes, as previously reported? | _____ | _____ | _____ |
| c. 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? | _____ | _____ | _____ |
| d. Is change in net assets before extraordinary items and statement of activities computed on a pro forma basis on the face of the statement 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)] | _____ | _____ | _____ |
| 4. For changes in accounting principles accounted for by applying the new method retroactively in restatements of prior periods, is the effect of the new accounting principle on change in net assets before extraordinary items and on change in net assets for all prior periods presented been disclosed?
[APB 20, par. 28 (AC A06.124)] | _____ | _____ | _____ |

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 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. 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] | _____ | _____ | _____ |
| 7. 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 and on change in net assets of the preceding year?
[APB 9, par. 26 (AC A35.107)] | _____ | _____ | _____ |
| d. For each year when comparative statements are presented, adjusted amounts for net assets and change in net assets for all affected classes?
[APB 9, par. 18 (AC A35.106)] | _____ | _____ | _____ |
| 8. Are the effects of changes in accounting estimates disclosed if material or if the changes affect several future periods?
[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] | _____ | _____ | _____ |
| 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] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
E. Related Entities			
1. If organizations have a relationship characterized by either (a) ownership of a majority voting interest as discussed in SFAS 94, <i>Consolidation of All Majority-Owned Subsidiaries</i> , or (b) control via majority ownership or voting interest in the board of the other entity, are consolidated financial statements presented in accordance with SOP 94-3? (Refer to Step G, "Consolidated Financial Statements.") [SOP 94-3, pars. 9-11 (ACC 10,610.09-.11)]	_____	_____	_____
2. If organizations have a relationship that is characterized by ownership of an investment in voting stock that gives one significant influence over the operating and financial policies of the other (generally 20 percent or more of the voting stock), is the investment accounted for under the equity method? (Refer to Step II.C., "Investments Other Than Derivative Instruments.") [SOP 94-3, pars. 6-13 (ACC 10,610.06-.07)]	_____	_____	_____
3. 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)]	_____	_____	_____
4. 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 and in Step K, "Related Parties"? [SOP 94-3, par. 12 (ACC 10,610.12)]	_____	_____	_____
5. If either control or economic interest exists, but not both, are the disclosures required by SFAS 57 as described in Step 2 and in Step K, "Related Parties" made and are the entities consolidated only if they were consolidated prior to the issuance of SOP 94-3 in conformity with the guidance in SOP 78-10? [SOP 94-3, par. 13 (ACC 10,610.13)]	_____	_____	_____
6. Are the nature and extent of leasing transactions with related parties appropriately disclosed? [SFAS 13, par. 29 (AC L10.125)]	_____	_____	_____
7. If the organization has an investment in an unincorporated legal entity, such as a partnership or a joint venture, is that investment accounted for using either full consolidation, the equity method, or cost, as appropriate, but not the pro-rata method of consolidation? [EITF 00-1]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 8. If the organization transferred assets to a financially interrelated organization (as described in paragraph 13 of SFAS 136) and specified itself or its affiliate as the beneficiary, has it disclosed the following for each period in which a statement of financial position is presented: | | | |
| a. The identity of the financially interrelated organization to which the transfer was made? | _____ | _____ | _____ |
| b. Whether variance power was granted to the financially interrelated organization and, if so, a description of the terms of the variance power? | _____ | _____ | _____ |
| c. The terms under which amounts will be distributed to the organization or its affiliate? | _____ | _____ | _____ |
| d. The aggregate amount recognized in the statement of financial position for those transfers and whether that amount is recorded as an interest in the net assets of the financially interrelated organization or as another asset (such as a beneficial interest in assets held by others or as a refundable advance)?
[SFAS 136, par. 19 (AC No5.177)] | _____ | _____ | _____ |
| 9. If the transfer in Step 8 was made in a year under audit, is it reported on a separate line in the statement of activities if it is an equity transaction (i.e., it meets the three conditions in paragraph 18 of SFAS 136)?
[SFAS 136, par. 18 (AC C67.171)] | _____ | _____ | _____ |

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); 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. 78 and 95 (AC B50.402 and .164)] | _____ | _____ | _____ |

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)] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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. Nonmonetary Transactions Other Than Contributions			
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)]	_____	_____	_____
I. 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)]	_____	_____	_____
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, unused letters of credit, inventory purchase agreements, and employment contracts? [SFAS 5, pars. 18 and 19 (AC C59.120)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. Are environmental remediation obligations and related assets for third-party recoveries reported and disclosed in accordance with SOP 96-1? [SOP 96-1]	_____	_____	_____
8. 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 on the statement of financial position.) [SFAS 5, pars. 14 and 15 (AC C59.116 and .117); SFAS 117, par. 16 (AC No5.114); AAG-NPO, par. 11.03, fn. 2]	_____	_____	_____
9. If the organization has failed to maintain an appropriate composition of cash or other assets in amounts needed to comply with all donor restrictions, are the amounts and circumstances disclosed? [AAG-NPO, pars. 3.27 and 4.05]	_____	_____	_____
10. 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]	_____	_____	_____
11. 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)]	_____	_____	_____

J. Risks and Uncertainties

1. Is a description of the principal services/activities performed by the organization, including a description of each of its major classes of programs and the relative importance of each, and the revenue sources for the organization's services included in the financial statements? [SOP 94-6, par. 10; AAG-NPO, par. 13.32]	_____	_____	_____
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 it is at least reasonably possible that a change in the estimate will have a material effect on the financial statements within one year and 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. Has the optional disclosure been considered about the factors that cause the estimate in Step 3 above to be sensitive to change? [SOP 94-6, par. 14]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 6. If the organization decides that both criteria in SOP 94-3, paragraph 13 are not met because the organization uses risk-reduction techniques to mitigate losses or the uncertainty that may result from future events, have the optional disclosures in SOP 94-3, paragraph 15 been considered?
[SOP 94-6, par. 15] | _____ | _____ | _____ |
| 7. Is disclosure made of the concentrations described in paragraph 22 of SOP 94-6 (including concentrations of contributions from a particular donor or fund-raising event; concentrations of sources of labor, material, or services; or geographic concentrations), if, based on information known to management prior to issuance of the financial statements, the criteria in paragraph 21 are met? ²
[SOP 94-6, pars. 21, 22, and 24] | _____ | _____ | _____ |

K. 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)] | _____ | _____ | _____ |
| 2. If management represents that related-party transactions were consummated on terms equivalent to those in an arms-length transaction, can that representation be substantiated?
[SFAS 57, par. 3 (AC R36.103)] | _____ | _____ | _____ |

L. 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)] | _____ | _____ | _____ |
|---|-------|-------|-------|

² When considering whether the criteria in paragraph 21 of SOP 94-6 are met, the organization and auditor should consider the effects on concentrations in suppliers, customers, products, or systems of the Year 2000 issue. For example, a significant vendor may be unable to supply a product critical to the operations of the organization because of Year 2000 compliance problems. Additional examples of Year 2000 conditions and events and the effects of Year 2000 compliance concerns on the audit are described in auditing interpretation no. 2 of SAS 59 (AU 9341), "Effect of the Year 2000 Issue on the Auditor's Consideration of an Entity's Ability to Continue as a Going Concern."

- | | <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)]

M. Pension and Other Postretirement Benefit Plans

Note: The requirements below are for a nonpublic entity as defined in footnote 5 of SFAS 132, *Employers’ Disclosures about Pension and Other Postretirement Benefits*, as most not-for-profit organizations are expected to meet that definition. If the not-for-profit organization is a public entity—for example, because it makes a filing with a regulatory agency in preparation for the sale of debt securities in a public market—or if it prefers to make an expanded set of disclosures, see SFAS 132, pars. 5 and 6 (AC P16.150 and .153). [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. The benefit obligation, fair value of plan assets, and funded status of the plan?
[SFAS 132, par. 8a (AC P16.150Aa and P40.169Aa)] | _____ | _____ | _____ |
| b. Employer contributions, participant contributions and benefits paid?
[SFAS 132, par. 8b (AC P16.150Ab and P40.169Ab)] | _____ | _____ | _____ |
| c. The amounts recognized in the statement of financial position, including the net pension and other postretirement benefit prepaid assets or accrued liabilities and any intangible asset and the amount of net assets recognized pursuant to paragraph 37 of SFAS 87, as amended?
[SFAS 132, par. 8c (AC P16.150Ac and P40.169Ac)] | _____ | _____ | _____ |
| d. The amount of net periodic benefit cost recognized and the amount included within change in net assets arising from a change in the minimum pension liability recognized pursuant to paragraph 37 of SFAS 87, as amended?
[SFAS 132, par. 8d (AC P16.150Ad)] | _____ | _____ | _____ |
| e. On a weighted-average basis, the following assumptions used in the accounting for the plans: assumed discount rate, rate of compensation increase (for pay-related plans), and the expected long-term rate of return on plan assets?
[SFAS 132, par. 8e (AC P16.150Ae and P40.169Ad)] | _____ | _____ | _____ |
| f. The assumed health care cost trend rate(s) for the next year used to measure the expected costs of benefits covered by the plan (gross eligible charges) 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?
[SFAS 132, par. 8f (AC P40.169Ae)] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
g. If applicable, 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 or related parties, and any significant transactions between the employer or related parties and the plan during the period? [SFAS 132, par. 8g (AC P16.150Af and P40.169Af)]	_____	_____	_____
h. The nature and effect of significant nonroutine events, such as amendments, combinations, divestitures, curtailments, and settlements? [SFAS 132, par. 8h (AC P16.150Ag and P40.169Ag)]	_____	_____	_____
i. If more than one defined benefit plan exists:			
(1) Are the required disclosures above either (a) aggregated for all of the employer's single-employer defined benefit pension plans and all of the employer's defined benefit postretirement plans or (b) disaggregated in groups, so as to provide the most useful information? [SFAS 132, par. 6 (AC P16.153)]	_____	_____	_____
(2) If plans with assets in excess of accumulated benefit obligations are aggregated with plans that have accumulated benefit obligations that exceed plan assets and the required disclosures are combined, are the following amounts disclosed:			
(a) The aggregate benefit obligation and the aggregate fair value of plan assets disclosed for plans with benefit obligations in excess of plan assets? [SFAS 132, par. 6 (AC P16.153)]	_____	_____	_____
(b) The aggregate pension accumulated benefit obligation and the aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets? [SFAS 132, par. 6 (AC P16.153)]	_____	_____	_____
(3) Are prepaid benefit costs and accrued benefit liabilities reported separately in the statement of financial position? [SFAS 132, par. 6 (AC P16.153)]	_____	_____	_____
2. If there are defined contribution pension or other postretirement plans, do the disclosures include the following items:			
a. The amount of costs recognized for those plans during the period, disclosed separately from the amount of costs for defined benefit plans? [SFAS 132, par. 9 (AC P16.162)]	_____	_____	_____
b. A description of the nature and effect of any significant changes during the period affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [SFAS 132, par. 9 (AC P16.162)]	_____	_____	_____
3. 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.i. followed? [SFAS 87, par. 66, as amended (AC P16.163)]	_____	_____	_____
4. If there is a multiemployer pension or other postretirement plan, do disclosures include:			
a. The amount of contributions to multiemployer plans during the period? [SFAS 132, par. 10 (AC P16.166)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. A description of the nature and effect of any significant changes during the period affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [SFAS 132, par. 10 (AC P16.166)]	_____	_____	_____
c. If the situation arises where the withdrawal from a multiemployer pension 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 and SFAS 132, par. 11 (AC C59.122, fn. 7a)]	_____	_____	_____
d. Are the provisions of SFAS 5 (AC C59) applied if the situation arises where withdrawal from a multiemployer postretirement benefit 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 and SFAS 132, par. 11 (AC P40.179)]	_____	_____	_____
5. 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 the effect (gain or loss recognized)? [SFAS 132, par. 8 (AC P16.153A or P40.169A)]	_____	_____	_____
6. If the organization terminates a defined benefit plan and (a) contributes the assets withdrawn to a defined contribution plan, (b) the amount contributed is in excess of the employer's required (or maximum) annual contribution to the plan, and (c) the risk and rewards of the ownership of the assets in excess 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 investment portfolio and recorded as an asset?	_____	_____	_____
(1) Is the investment return attributed to such securities including dividends, interest, and gains and losses reported in a manner consistent with the employer's reporting of similar items? [EITF 86-27]	_____	_____	_____
N. Extraordinary Items			
1. Are extraordinary items segregated and shown on the face of the statement of activities using the caption "extraordinary items"?	_____	_____	_____

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

O. 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, 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)]	_____	_____	_____

P. Web Site Development Costs

1. Are Web site development costs incurred in the planning stage expensed as incurred? [EITF 00-2]	_____	_____	_____
2. Are costs of software used to operate the Web site accounted for consistent with SOP 98-1, <i>Accounting for the Costs of Computer Software Developed or Obtained for Internal Use</i> , unless a plan exists to market the software externally? [EITF 00-2]	_____	_____	_____
3. Are costs incurred to develop graphics (broadly defined as the "look and feel" of the web page) accounted for consistent with SOP 98-1, unless a plan exists to market them externally? [EITF 00-2]	_____	_____	_____
4. Are costs of operating the Web site accounted for in the same manner as other operating costs? [EITF 00-2]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Q. 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 following disclosures?	_____	_____	_____
a. If employees will be involuntarily terminated:			
(1) The amount of the termination benefits accrued and charged to expense, and the classification of those costs in the statement of activities?	_____	_____	_____
(2) The number of employees to be terminated?	_____	_____	_____
(3) A description of the employee group(s) to be terminated?	_____	_____	_____
(4) The amount of actual termination benefits paid and charged against the liability?	_____	_____	_____
(5) The number of employees actually terminated as a result of the plan?	_____	_____	_____
(6) The amount on any adjustment(s) to the liability?	_____	_____	_____
b. If costs that qualify as exit costs under EITF 94-3 are recognized as liabilities:			
(1) A description of the major actions comprising the exit plan, the activities that will not be continued, including the method of disposition, and the anticipated date of completion?	_____	_____	_____
(2) A description of the type and amount of exit costs recognized as liabilities and the classification of these costs in the statement of activities?	_____	_____	_____
(3) A description of the type and amount of exit costs paid and charged against the liability?	_____	_____	_____
(4) The amount of any adjustment(s) to the liability?	_____	_____	_____
(5) For all periods presented, the revenue and net operating income or losses from activities that will not be continued if those activities have separately identifiable operations? [EITF 94-3]	_____	_____	_____
2. If a combined entity plans to incur costs from exiting an activity or terminating or relocating employees as described in EITF 95-3, <i>Recognition of Liabilities in Connection with a Purchase Business Combination</i> , and the activities of the acquired entity are significant to the combined entities revenues or change in net assets or the expenses of exiting as of the consummation date are material to the combined entity, have the following disclosures been made in the period in which the purchase occurs:			
a. If the acquiring entity has not finalized a plan to exit the activity or to terminate or relocate employees of the acquired entity as of the balance sheet date, a description of unresolved issues, the types of additional liabilities that may result in an adjustment to the allocation of the acquisition cost, and how adjustments will be reported?	_____	_____	_____
b. A description of the type and amount of liabilities assumed and included in the acquisition cost allocation for costs to exit an activity or terminate or relocate employees of the acquired entity?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. A description of the major actions that comprise the plan to exit the activity or terminate or relocate the employees of the acquired entity and the anticipated date of completion of the plan?	_____	_____	_____
d. A description of the activities of the acquired company that will not be continued and how those activities will be disposed of, and the employee group(s) to be terminated or relocated? [EITF 95-3]	_____	_____	_____
3. Subsequent to the period in which a purchase business combination occurs, through and including the period in which the plan to exit an activity or terminate or relocate employees of the acquired entity is completed, are the following disclosures made:			
a. A description of the type and amount of exit costs, involuntary employee termination costs, and relocation costs paid and charged against the liability?	_____	_____	_____
b. The amount of any adjustment(s) to the liability account and whether the corresponding entry was an adjustment of the cost of the acquired company or included in change in net assets for the period? [EITF 95-3]	_____	_____	_____

II. Statement of Financial Position

A. General

1. 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)]	_____	_____	_____
2. 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); AAG-NPO, par. 3.04]	_____	_____	_____
3. 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)]	_____	_____	_____
4. For classified statements of financial position, are assets that are 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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Are cash and other assets that are received with restrictions that limit their use to long-term purposes or that are designated by the governing board for long-term purposes (a) reported separately from similar assets that are available for current use and (b) described in the notes if the nature of the assets (for example, treasury bonds) is not apparent from the face of the statement of financial position? [SFAS 117, par 11 (AC No5.107); AAG-NPO 3.03]	_____	_____	_____
6. 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]	_____	_____	_____
7. Are valuation allowances for assets shown as deductions from their related assets with appropriate disclosure? [APB 12, par. 3 (AC V18.102)]	_____	_____	_____
B. Cash and Cash Equivalents			
1. Is “cash” or “cash and cash equivalents” included as a separate line item on the statement of financial position? [AAG-NPO par. 4.03]	_____	_____	_____
2. Are restricted amounts appropriately segregated from other cash balances? [ARB 43, Ch. 3A, par. 6 (AC B05.107); AAG-NPO, pars. 3.03 and 4.03]	_____	_____	_____
3. If a concentration of credit risk arises from deposits in excess of federally insured limits, is it disclosed? [SFAS 107, par. 15A, as amended by SFAS 133, par. 535]	_____	_____	_____
4. 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]	_____	_____	_____
5. Are short-term highly liquid investments excluded from cash equivalents if they are purchased with resources that have donor restrictions that limit their use to long-term investment—for example, as a permanent endowment fund? [AAG-NPO, par. 3.19]	_____	_____	_____
6. Are requirements to hold cash in separate accounts disclosed? [AAG-NPO, par. 4.05]	_____	_____	_____
C. Investments Other Than Derivative Instruments			
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 AAG-NPO, paragraph 8.33? [SFAS 124, par. 31 (AC No5.152, fn. 15); AAG-NPO, par. 8.33]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Are realized gains and losses, unrealized gains and losses, dividend, interest and other similar investment income, and other than temporary impairment losses (referred to in aggregate as "investment return") 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 recognized 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? (The components of that gain or loss may be reported as the realized amount and the change in the unrealized amount, which was recognized in prior reporting periods.) [AAG-NPO, par. 8.12]	_____	_____	_____
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.)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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); AAG-NPO, par. 8.25]	_____	_____	_____
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 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); AAG-NPO, par. 8.26]	_____	_____	_____
9. Are significant concentrations of credit risk, including those that arise from concentrations of investments in U.S. government securities, disclosed? [SFAS 107, par. 15A, as amended by SFAS 133, par. 531]	_____	_____	_____
10. 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)]	_____	_____	_____
11. 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 182.110)]	_____	_____	_____
12. For colleges and universities, is the amount of total investment income and realized and unrealized gains and losses of the other investment (investments not covered by SFAS 124) portfolio disclosed? [AAG-NPO, par. 8.33, item 1]	_____	_____	_____
13. If the organization enters into securities lending transactions or repurchase agreements, has it disclosed its policy for requiring collateral or other security? [SFAS 125, par. 17a (AC F38.109); SFAS 140, par. 17a1]	_____	_____	_____
14. Have the necessary disclosures about financial instruments been made? (Refer to Step II.E, "Financial Instruments.")	_____	_____	_____
D. Derivative Instruments and Hedging Activities			
1. Are derivative instruments that are within the scope of SFAS 133, including certain derivative instruments embedded in other contracts, accounted for as assets or liabilities in the statement of financial position and measured at their fair values? [SFAS 133, par. 17 (AC D50.114)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Are gains and losses included in the change in net assets for:			
a. Derivative instruments that are not designated as a hedging instrument and derivative instruments that are designated as cash flow hedges? [SFAS 133, par. 43 (AC D50.140)]	_____	_____	_____
b. Derivative instruments designated and qualifying as a fair value hedge, along with the offsetting loss or gain on the hedged item and the effects of hedge ineffectiveness? [SFAS 133, par. 43 (AC D50.140)]	_____	_____	_____
3. Are gains and losses on derivative instruments or nonderivative financial instruments that are designated and qualifying as hedges of a foreign currency exposure of a net investment in a foreign operation accounted for in the same manner as a translation adjustment, that is, are they reported separately in the statement of activities in accordance with paragraph 13 of SFAS 52, <i>Foreign Currency Translation</i> ? [SFAS 133, pars. 42 and 43 (AC D50.139–.140)]	_____	_____	_____
4. Does the organization disclose the following information about derivative instruments it holds or issues (or nonderivative instruments it holds or issues that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of SFAS 133):			
a. Its objectives for holding or issuing those instruments? [SFAS 133, par. 44 (AC D50.141)]	_____	_____	_____
b. The context necessary to understand those objectives? [SFAS 133, par. 44 (AC D50.141)]	_____	_____	_____
c. Its strategies for achieving those objectives? [SFAS 133, par. 44 (AC D50.141)]	_____	_____	_____
5. Do the disclosures described in Step 4 distinguish between instruments designated as (a) fair value hedging instruments, (b) cash flow hedging instruments, (c) hedges of foreign currency exposure of net investments in foreign operations, and (d) all other derivatives and describe:			
a. The organization's risk management policy for each of the types of hedges? [SFAS 133, par. 44 (AC D50.141)]	_____	_____	_____
b. A description of the items or transactions for which risks are hedged? [SFAS 133, par. 44 (AC D50.141)]	_____	_____	_____
6. For derivative instruments not designated as hedging instruments, does the organization describe the purpose of holding or issuing the derivatives? [SFAS 133, par. 44 (AC D50.141)]	_____	_____	_____
7. Did the organization consider providing additional qualitative disclosures about its overall risk management profile? [SFAS 133, par. 44 (AC D50.141)]	_____	_____	_____
8. Is the following information about fair value hedges disclosed:			
a. The net gain or loss recognized in the change in net assets for the sum of (1) the amount of the hedge's ineffectiveness and (2) the component of the derivative instrument's gain or loss, if any, excluded from the assessment of hedge effectiveness? [SFAS 133, par. 45a (AC D50.142)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. A description of where the net gain or loss is reported in the statement of activities? [SFAS 133, par. 45a (AC D50.142)]	_____	_____	_____
c. The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge? [SFAS 133, par. 45a (AC D50.142)]	_____	_____	_____
9. Is the following information about hedges of the net investment in a foreign operation disclosed:			
a. The net amount of gains or losses included in the cumulative translation adjustment during the reporting period? [SFAS 133, par. 45c (AC D50.142)]	_____	_____	_____
10. If the organization extinguished debt and a gain or loss resulted (in whole or in part) because the debt's carrying amount had been adjusted in prior years as required by the fair value hedge accounting requirements of SFAS 133, is the gain or loss, if material, classified as an extraordinary item in accordance with the requirements of SFAS 4? [EITF 00-9]	_____	_____	_____

E. Financial Instruments

1. 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 maximum amount of loss due to credit risk that, based on the gross fair value of the financial instrument, the entity would incur if parties 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?	_____	_____	_____
d. The organization's policy of entering into master netting arrangements to mitigate the credit risk of financial instruments, information about the arrangements for which the entity is a party, and a brief description of the terms of those arrangements, including the extent to which they would reduce the organization's maximum amount of loss due to credit risk? [SFAS 107, par. 15A, as amended by SFAS 133, par. 531 (AC F25.116A and .116B)]	_____	_____	_____
2. If the organization received an asset or liability in a transfer of financial instruments during the period for which it was unable to estimate the fair value, is a description of the asset or liability disclosed and the reasons why it was not practicable to estimate its fair value? [SFAS 125, par. 17d (AC F38.109); SFAS 140, par. 17d]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<hr/> <p>Note: SFAS 126, <i>Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities</i>, 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:</p> <p>a. The entity is a nonpublic company.</p> <p>b. The entity's total assets are less than \$100 million on the date of the financial statements.</p> <p>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. [For organizations that have adopted SFAS 133, criterion (c) is, "The organization has no instrument that, in whole or in part, is accounted for as a derivative instrument under SFAS 133 during the reporting period."]</p> <p>Consider this exemption when reviewing Steps 3–6 below.</p> <hr/>			
3. 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? ³ [SFAS 107, par. 10 (AC F25.115C)]	_____	_____	_____
4. Are the methods and significant assumptions used to estimate the fair value of financial instruments disclosed? [SFAS 107, par. 10 (AC F25.115C)]	_____	_____	_____
5. 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)]	_____	_____	_____
6. Unless the offsetting of financial instruments against other financial instruments is permitted under FASBI 39, <i>Offsetting of Amounts Related to Certain Contracts</i> or FASBI 41, <i>Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements</i> , does the organization, in disclosing the fair value of a financial instrument, show amounts gross, instead of netting the fair value of the instrument with the fair value of other financial instruments? [SFAS 133, par. 531c (AC F25.115I)]	_____	_____	_____
F. Accounts, Notes, Contributions, and Loans Receivables			
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)]	_____	_____	_____

³ 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>
2. If a classified statement of financial position is presented, are amounts due from affiliated organizations and subsidiaries classified as current only if it is collectible within one year or if it is the organization's practice to liquidate the amounts periodically? [ARB 43, Ch. 3A, par. 4 (AC B05.401)]	_____	_____	_____
3. 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)]	_____	_____	_____
4. 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)]	_____	_____	_____
5. Are valuation allowances for receivables shown as a deduction from the related receivable? [APB 12, par. 3 (AC V18.102)]	_____	_____	_____
6. 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. Amounts pledged as collateral or otherwise limited as to use? [SFAS 116, par. 24 (AC C67.121); AAG-NPO, par. 5.78]	_____	_____	_____
7. 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)]	_____	_____	_____
8. If receivables are sold with recourse:			
a. Is the amount of the recourse obligation computed and reported as a liability? or	_____	_____	_____
b. If it is not practicable to estimate the fair value of the recourse obligation incurred, is a description of the recourse agreement and the reasons why it is not practicable to estimate the fair value of the obligation disclosed? [SFAS 125, pars. 11 and 17d (AC F38.104); SFAS 140, pars. 11 and 17d]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. If an impairment of a loan has been recognized, have the following disclosures been made: (<i>Note:</i> Large groups of smaller balance homogeneous loans that are collectively evaluated for impairment—for example, student loans of a college—are exempt from this requirement.)			
a. As of the date of each statement of financial position presented, the total recorded investment in the impaired loans, the amount of impaired loans for which there is a related allowance for credit losses and the amount of that allowance, and the amount of impaired loans for which there is no related allowance for credit losses?	_____	_____	_____
b. The policy for recognizing interest income on impaired loans, including how cash receipts are recorded?	_____	_____	_____
c. For each period for which a statement of activity is presented, the average recorded investment in impaired loans, the related amount of interest income recognized for the time that the loan was impaired within the period, and, unless not practicable, the amount of interest income recognized using a cash-basis method of accounting during the time that the loan was impaired within the period? [SFAS 114, par. 20, as amended by SFAS 118 (AC Io8); EITF 96-22, when two or more loans replace the impaired loan in a restructuring]	_____	_____	_____
10. If the organization has accepted collateral that it is permitted by contract or custom to sell or repledge, has it disclosed the following information about that collateral:			
a. The fair value of that collateral as of the date of each statement of financial position presented?	_____	_____	_____
b. The fair value of the portion of that collateral that it has sold or repledged?	_____	_____	_____
c. Information about the sources and uses of that collateral? [SFAS 140, par. 17a3]	_____	_____	_____
11. Have the necessary disclosures about financial instruments been made? (Refer to Step II.E, "Financial Instruments.")	_____	_____	_____
G. Beneficial Interests in Assets Held by Others			
1. If the organization is named by a donor as a beneficiary of a perpetual trust held by a third party:			
a. Is that beneficial interest measured at the present value of the estimated future cash receipts from the trust's assets?	_____	_____	_____
b. Is the contribution classified as permanently restricted support?	_____	_____	_____
c. Are the annual distributions from the trust reported as investment income?	_____	_____	_____
d. Is the amount of the beneficial interest remeasured annually and the adjustment reported as a permanently restricted gain or loss? [AAG-NPO, par. 6.24]	_____	_____	_____
2. If the organization transferred assets to another entity and specified itself or its affiliate as the beneficiary, has it:			
a. Reported the transfer as an equity transaction if the criteria in paragraph 18 of SFAS 136 are met?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>b.</i> Reported the transfer as an exchange of an asset for another asset if the criteria in Paragraph 18 of SFAS 136 are not met? [SFAS 136, pars. 17 and 18 (AC C67.170 and .171)]</p>	_____	_____	_____
<p>3. If the organization transferred assets to another entity and specified itself or its affiliate as the beneficiary, has it disclosed the following for each period in which a statement of financial position is presented:</p>			
<p><i>a.</i> The identity of the recipient organization to which the transfer was made?</p>	_____	_____	_____
<p><i>b.</i> Whether variance power was granted to the recipient organization and, if so, a description of the terms of the variance power?</p>	_____	_____	_____
<p><i>c.</i> The terms under which amounts will be distributed to the organization or its affiliate?</p>	_____	_____	_____
<p><i>d.</i> The aggregate amount recognized in the statement of financial position for those transfers and whether that amount is recorded as an interest in the net assets of the recipient organization or as another asset (such as a beneficial interest in assets held by others or as a refundable advance)? [SFAS 136, par. 19 (AC No5.177)]</p>	_____	_____	_____

H. Inventories

<p>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)]</p>	_____	_____	_____
<p>2. Is the method of determining inventory cost (e.g., LIFO, FIFO) disclosed? [ARB 43, Ch. 3A, par. 9 (AC I78.120)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p>4. Are valuation allowances for inventory losses shown as a deduction from the related inventory? [APB 12, par. 3 (AC V18.102)]</p>	_____	_____	_____
<p>5. Are contributions of inventory reported in the period received at fair value? [AAG-NPO, par. 7.03]</p>	_____	_____	_____

I. Property and Equipment

<p>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:</p>			
<p><i>a.</i> A description of the impaired assets and the facts and circumstances leading to the impairment?</p>	_____	_____	_____
<p><i>b.</i> The amount of the impairment loss and how fair value was determined?</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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. If an organization reports a measure of operations within its statement of activities, is the impairment loss referred to in Step 3 recognized within that measure of operations? [SFAS 121, pars. 13 and 18]	_____	_____	_____
5. Are the following disclosed:			
a. Capitalization Policy?	_____	_____	_____
b. Balances of major classes of depreciable assets by nature or function at the statement-of-financial-position date?	_____	_____	_____
c. Balances of leasehold improvements and amounts recorded under capital leases, if applicable, are separately disclosed?	_____	_____	_____
d. Depreciation expense for each period?	_____	_____	_____
e. Accumulated depreciation, either by major classes of assets or in total?	_____	_____	_____
f. The method(s) used in computing depreciation with respect to major classes of depreciable assets? [APB 12, par. 5 (AC D40.105); AAG-NPO, pars. 9.13 and 9.14]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. Is the amount of capitalized interest disclosed? [SFAS 34, par. 21 (AC I67.118); AAG-NPO, par. 9.13]	_____	_____	_____
7. Is donated property or equipment recognized when received at its fair value? [SFAS 116, pars. 5 and 8 (AC C67.104 and .108)]	_____	_____	_____
8. 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)]	_____	_____	_____
9. Are material commitments for property expenditures disclosed? [SFAS 5, pars. 18 and 19 (AC C59.1200)]	_____	_____	_____
10. 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]	_____	_____	_____
11. Is separate disclosure of nondepreciable assets made? [AAG-NPO, par. 9.13]	_____	_____	_____
12. 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]	_____	_____	_____
13. Is separate disclosure made of assets restricted by donors for investment in property and equipment? [AAG-NPO, par. 9.13]	_____	_____	_____
14. If the organization uses property and equipment to which another entity retains legal title during the term of the arrangement (other than a lease agreement), are (a) the terms of the arrangement and (b) the nature of the relationship between the organization and the owners of the property or equipment disclosed? [AAG-NPO, pars. 9.04 and 9.16]	_____	_____	_____
15. If the organization uses property and equipment to which another entity retains legal title during the term of the arrangement (other than a lease agreement), is the property or equipment 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]	_____	_____	_____
16. 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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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]	_____	_____	_____
J. Collections of Works of Art and Similar Items			
1. Does the organization disclose its policy for capitalization of works of art, historical treasures and similar items that meet the definition of collections in SFAS 116, par. 11? [AAG-NPO, par. 5.78]	_____	_____	_____
2. Does the organization recognize contributed collection items as revenues only if collections are capitalized (either retroactively or prospectively) and not recognize collection items if collections are not capitalized? [SFAS 116, par. 13 (AC C67.113)]	_____	_____	_____
3. Are works of art, historical treasures, and similar items capitalized if they are not added to a collection (either because the organization chooses not to add the item to the collection or because the organization does not maintain collections as defined by SFAS 116), and is the amount that is capitalized disclosed separately on the face of the statement of financial position or in the notes? [SFAS 116, par. 135 (AC C67.112); AAG-NPO, par. 7.11]	_____	_____	_____
4. If the organization adopts a policy of retroactively capitalizing collections that <i>meet</i> the definition in SFAS 116, does the statement of financial position include the total amount capitalized on a separate line item, entitled "Collections" or "Collection Items"? [SFAS 116, par. 27 (AC C67.124); AAG-NPO, par. 7.11]	_____	_____	_____
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. For organizations that do not capitalize collections or that capitalize collections prospectively, does a line item on the face of the statement of financial position—for example, "Collections (Note X)"—refer to the disclosures required in Step 6 and, if the organization's policy is to capitalize prospectively, is that line item dated—for example, "Collections acquired since January 1, 19X1 (Note X)"? [SFAS 116, par. 27 (AC C67.124); AAG-NPO, par. 7.13]	_____	_____	_____
8. For organizations that maintain collections 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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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]	_____	_____	_____
9. If collection items that are 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?	_____	_____	_____
c. Reference the disclosures in a. and b. above on the "Collections" line item on the face of the statement of financial position?	_____	_____	_____
d. No amounts are included on the face of the statement of activities as expenses or other decreases in net assets for the items given away or otherwise deaccessed? [SFAS 116, par. 27 (AC C67.124); AAG-NPO, pars. 7.09 and 7.13]	_____	_____	_____
10. 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]	_____	_____	_____

K. 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)]	_____	_____	_____

L. 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)]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
M. 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)]	_____	_____	_____
f. Long-term obligations that are or will be callable by the creditor because of the organization's default at the date of the statement of financial position?	_____	_____	_____
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)]	_____	_____	_____
N. Notes Payable and Other Debt			
1. Is there adequate disclosure of interest rates, maturities, and other terms and conditions, such as assets pledged as collateral, of loan agreements, bond indentures, and any special borrowing agreements? [SFAS 5, pars. 18 and 19 (AC C59.120); AAG-NPO, par. 4.05, 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. Is the following information about interest costs disclosed:			
a. For an accounting period in which no interest is capitalized, the amount of interest cost incurred and charged to expense for the period?	_____	_____	_____
b. For an accounting period in which interest is capitalized, the amount of interest cost incurred and the amount thereof that has been capitalized? [SFAS 34, par. 21 (AC I67.118)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. For unconditional purchase obligations that have been recorded in accordance with SFAS 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)]	_____	_____	_____
5. If a note is noninterest bearing or has an inappropriate stated interest rate:			
a. Is the discount or premium presented as a deduction from or addition to the face amount of the note?	_____	_____	_____
b. Does the disclosure include the effective interest rate and face amount of the note?	_____	_____	_____
c. Is amortization of the discount or premium reported as interest in the statement of activity?	_____	_____	_____
d. Are issue costs reported in the statement of financial position as deferred charges? [APB 21, par. 16 (AC I69.109)]	_____	_____	_____
6. If a short-term obligation (including a long-term obligation that is callable because of default) is to be classified as a long-term borrowing, do disclosures include:			
a. General description of the financing agreement?	_____	_____	_____
b. Terms of any new obligation incurred or expected to be incurred, as a result of the refinancing? [SFAS 6, par. 15 and SFAS 78, par. 5 (AC B05.118)]	_____	_____	_____
7. If the organization finances its activities from the proceeds of tax-exempt bonds and other obligations issued through state and local financing authorities, is such financing reported as liabilities in the statement of financial position? [AAG-NPO, par. 10.02]	_____	_____	_____
8. If the organization has pledged any of its assets as collateral, has it either:			
a. Reclassified and separately reported the assets? or	_____	_____	_____
b. Disclosed the carrying amount and classification of those assets as of the date of the latest statement of financial position presented? [SFAS 140, par. 17a2]	_____	_____	_____
9. If debt was considered to be extinguished by in-substance defeasance under the provisions of SFAS 76, <i>Extinguishment of Debt</i> , prior to December 31, 1996, is a general description of the transaction and the amount of debt that is considered extinguished at the end of the period disclosed so long if the debt remains outstanding? [SFAS 125, par. 17b (AC L35.109a); SFAS 140, par. 17b]	_____	_____	_____
10. If assets are set aside after December 31, 1996 solely for satisfying scheduled payments on a specific obligation, is a description of the nature of the contractual restrictions placed on those assets disclosed? [SFAS 125, par. 17c (AC L35.109b); SFAS 140, par. 17c]	_____	_____	_____
11. If a troubled debt restructuring occurred during the period, have the following disclosures been made:			
a. A description of the principal changes in terms, the major features of settlement, or both?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The aggregate gain on restructuring of payables and the tax effect, if any?	_____	_____	_____
c. The aggregate gain or loss on assets transferred to a creditor to settle a debt? [SFAS 15, par. 25 (AC D22.121)]	_____	_____	_____
12. For periods after a troubled debt restructuring, have the following disclosures been made:			
a. The extent to which amounts contingently payable are included in the liability for the restructured payables?	_____	_____	_____
b. Total amounts contingently payable and the conditions under which those amounts would become payable or be forgiven? (This disclosure is required if it is reasonably possible that a liability for contingent payments will be incurred.)	_____	_____	_____
13. Have the necessary disclosures about financial instruments been made. (Refer to Step II.E, "Financial Instruments.")	_____	_____	_____
O. Leases as Lessee			
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)); AAG-NPO, par. 9.13]	_____	_____	_____
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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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. For operating leases, are contingent rentals recognized prior to the achievement of the specified target that triggers the contingent rental expense if the achievement of that target is considered probable? [EITF 98-9]	_____	_____	_____
5. Do disclosures include a general description of the lessee's leasing arrangements, including but not limited to:			
a. Bases for determining contingent rentals?	_____	_____	_____
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)]	_____	_____	_____
6. Is the nature and extent of leasing transactions with related parties disclosed? [SFAS 13, par. 29 (AC L10.125)]	_____	_____	_____
7. 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]	_____	_____	_____
8. Is separate disclosure made of improvements to leased facilities and equipment? [AAG-NPO, par. 9.13]	_____	_____	_____
9. If the organization leases property or equipment under a sales-lease-back agreement, does the organization disclose the information required by SFAS 98, <i>Accounting for Leases</i> , pars. 17 and 18? [SFAS 98, pars. 17 and 18 (AC L10.130K and .130L)]	_____	_____	_____
10. If the organization indemnifies the lessor for preexisting environmental contamination and the likelihood of loss is reasonably possible, have the disclosures required by SFAS 98, <i>Accounting for Leases</i> , been made? [EITF 97-1]	_____	_____	_____
P. 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)]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 2. If an obligation for compensated absences or 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 43, par. 6 (AC C44.104); 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] | _____ | _____ | _____ |

Q. Agency Transactions

- | | | | |
|---|-------|-------|-------|
| 1. If the organization acts as an agent or intermediary, has it recorded a liability to the resource provider if the transfer is revocable or repayable?
[SFAS 136, par. 17 (AC C67.170)] | _____ | _____ | _____ |
| 2. If the organization acts as an agent or intermediary in a transfer in which the resource provider specified itself or its affiliate as beneficiary, has it reported the transfer as: | | | |
| a. An equity transaction if the criteria in paragraph 18 of SFAS 136 are met? | _____ | _____ | _____ |
| b. A liability if the criteria in paragraph 18 of SFAS 136 are not met?
[SFAS 136, pars. 17 and 18 (AC C67.170 and .171)] | _____ | _____ | _____ |
| 3. If the organization acts as an agent or intermediary in a transfer in which the donor granted variance power and named an <i>unaffiliated</i> entity as the beneficiary, has it reported the transfer as a contribution?
[SFAS 136, par. 12 (AC C67.412)] | _____ | _____ | _____ |
| 4. If the organization acts as an agent or intermediary in a transfer in which it is financially interrelated to the specified beneficiary (as defined in paragraph 13 of SFAS 136), has it reported the transfer as a contribution?
[SFAS 136, par. 14 (AC C67.167)] | _____ | _____ | _____ |
| 5. If the organization acts as an agent or intermediary in a transfer that is not revocable or repayable, does not involve financially interrelated parties, and in which the donor did not grant variance power, has it reported the resources received as increases in assets and liabilities and has it reported the distribution of those resources to the beneficiaries as decreases in those accounts, except as noted in Step 6 below?
[SFAS 136, pars. 8 and 11 (AC C67.161 and .164)] | _____ | _____ | _____ |
| 6. If the organization received nonfinancial assets in a transfer of the type described in Step 5, did it report the receipt of those nonfinancial assets as assets and liabilities <i>only</i> if that is its accounting policy, it reports consistently from period to period, and it discloses that policy in the financial statements?
[SFAS 136, pars. 8 and 11 (AC C67.161 and .164)] | _____ | _____ | _____ |
| 7. In transactions in which the organization is acting as a trustee, 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. 5.11] | _____ | _____ | _____ |

Yes No N/A

R. 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)] _____

- 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

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? _____
 - d. Gains and losses as increases and decreases in unrestricted net assets unless a donor or law temporarily or permanently restrict their use?
[SFAS 117, pars. 19, 20 and 22 (AC No5.117, 118, and .120); 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)] _____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. Does the statement of activities report gross amounts of revenues and expenses? ⁴ [SFAS 117, par. 24 (AC No5.121)]	_____	_____	_____
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. 13.22]	_____	_____	_____
10. Are costs which are netted against receipts from peripheral or incidental special events limited to direct costs? [AAG-NPO, par. 13.26]	_____	_____	_____
11. Are sales revenues and cost of goods sold reported net of estimated returns? [SFAS 48, par. 7 (AC R75.108)]	_____	_____	_____
12. Are all amounts related to shipping and handling fees and costs billed to a customer in a sale transaction classified as revenue, rather than a reduction of expense? [EITF 00-10]	_____	_____	_____
13. 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)]	_____	_____	_____
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? [AAG-NPO, par. 15.21]	_____	_____	_____
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); AAG-NPO, par. 10.11]	_____	_____	_____

⁴ Investment revenues may be reported net of related expenses.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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]	_____	_____	_____
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?	_____	_____	_____
b. The nature and extent of contributed services received for the period?	_____	_____	_____
c. The amount recognized as revenues for the period?	_____	_____	_____
d. The fair value of contributed services received but not recognized, if practicable (optional)?	_____	_____	_____
e. Nonmonetary information such as the number and trends of donated hours received or service outputs provided by volunteer efforts (optional)?	_____	_____	_____
f. 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 or intermediary for the donors, has that donation been excluded from contribution revenues? (Refer to the Agency Transactions section) [SFAS 116, pars. 52 and 53; SFAS 136, pars. 8 and 11 (AC C67.161 and .164)]	_____	_____	_____
2. If the organization receives materials, supplies, utilities, or use of facilities without charge or at a price below fair value, is the contribution reported at the fair value in which it is received and an expense reported in the period in which it is used? [AAG-NPO, par. 5.57]	_____	_____	_____
3. If the organization receives the unconditional use of facilities for a specified period of time at a price below fair value, is the fair value of that future use included in contributions in the period in which the donor promises the use, and is the amount recognized less than or equal to the fair value of the property at the time of the promise? [AAG-NPO, par. 5.58]	_____	_____	_____
F. Fund Raising			
1. Do the financial statements disclose total fund-raising expenses? [AAG-NPO, par. 13.35]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. If the organization includes within its financial statements a ratio of fundraising expenses to amounts raised, has it disclosed how that ratio was computed? [SFAS 136, par. 20 (AC No5.125A)]	_____	_____	_____
3. If the organization performs a fund-raising in conjunction with an activity that has program, management and general, membership development or other functional elements (joint activity), does the organization:			
a. Report all costs of the activity as fund-raising expenses if any of the criteria of purpose, audience, and content are not met?	_____	_____	_____
b. Charge the costs of the activity that are identifiable with a particular function to that function and allocate the joint costs between fund-raising and that other function if all three criteria of purpose, audience, and content are met?	_____	_____	_____
c. Exclude costs of goods and services that are provided in exchange transactions that are part of the joint activity (for example, direct donor benefits of a special event) from fund-raising expenses? [SOP 98-2, par. 7]	_____	_____	_____
4. If the organization allocates joint costs of joint activities, are the following disclosures made:			
a. The types of activities for which joint costs have been incurred?	_____	_____	_____
b. A statement that joint costs have been allocated?	_____	_____	_____
c. The total amount allocated during the period and the portion allocated to each functional expense category? [SOP 98-2, par. 18]	_____	_____	_____
5. If the organization allocates joint costs of joint activities, has it considered the optional disclosure of the amount of joint costs for each kind of joint activity? [SOP 98-2, par. 18]	_____	_____	_____
6. If there are no significant benefits or duties connected with an organization's membership, are the costs associated with membership-development activities reported as fundraising expense? [AAG-NPO, par. 13.46]	_____	_____	_____

G. Contributions

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)]	_____	_____	_____
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, is the policy disclosed and does the organization have a similar policy for the reporting of gains and investment income? [SFAS 117, par. 21; SFAS 116, par. 14 (AC No5.143); AAG-NPO, par. 5.42]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
4. Does an organization that receives gifts of long-lived assets without donor stipulation about how long the donated asset must be used:			
a. Disclose its accounting policy of implying or not implying a time restriction that expires over the useful life of the asset?	_____	_____	_____
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)]	_____	_____	_____

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?	_____	_____	_____
d. The existence of any legally mandated reserves?	_____	_____	_____
e. The existence of any limitations placed by state law, such as limitations on the instruments in which resources are invested? [AAG-NPO, pars. 6.09, fn. 8, 6.15, and 6.32, fn. 11]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 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

- | | | | |
|---|-------|-------|-------|
| 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? (VHWOs omit this step.)
(Note that "losses" need not be reported by their functional classification.)
[SFAS 117, par. 26 (AC No5.123)] | _____ | _____ | _____ |
| 2. Are expenses which relate to more than one program or supporting activity allocated among the appropriate functions?
[AAG-NPO, par. 13.47] | _____ | _____ | _____ |
| 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. 13.53] | _____ | _____ | _____ |
| 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. 13.53] | _____ | _____ | _____ |
| 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. 13.32] | _____ | _____ | _____ |
| 6. If in exchange for goods or services provided to the organization, the organization provides discounts or other reductions in amounts it charges for goods and services, 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? [For example, if a college provided tuition remission to its employees as an employee benefit, it would report those reductions in the same functional class as the employees' salaries.]
[AAG-NPO, par. 13.07] | _____ | _____ | _____ |
| 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: | | | |
| a. As expenses to the extent that the organization incurs incremental expense in providing such goods or services? | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>b.</i> As discounts if the organization incurs no incremental expense in providing such goods or services (discounts may be netted with related revenue or displayed immediately beneath the revenue amount)? [AAG-NPO, pars. 12.05 and 13.07]</p>	_____	_____	_____
<p>8. Are accrued net losses on purchase commitments either (a) disclosed in the notes to the financial statements because expenses are reported by functional classification on the face of the statement of activities or (b) reported as a separate line item in a statement of activities that reports expenses by natural classification? [ARB 43, Ch. 4, par. 17 (AC I78.121 and 122)]</p>	_____	_____	_____
<p>9. For deferred compensation agreements, are estimated amounts to be paid properly accrued? [APB 12, pars. 6 and 7 (AC C38.101 and .102)]</p>	_____	_____	_____
<p>10. If the organization is a voluntary health and welfare organization, has it provided information about the functional and natural classifications of expenses in the statement of functional expenses and met the requirements of Step IV(A)? [SFAS 117, par. 26 (AC No5.123)]</p>	_____	_____	_____

J. Investments and Endowments

<p>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)]</p>	_____	_____	_____
<p>2. Does the organization report gains and losses on endowments in the following manner:</p> <p><i>a.</i> 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)]</p>	_____	_____	_____
<p><i>b.</i> 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 2<i>a.</i>? [SFAS 117, par. 129 (AC No5.119, fn. 8); SFAS 124, par. 11 (AC No5.157)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____

IV. Additional Financial Statements

A. Statement of Cash Flows

<p>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)]</p>	_____	_____	_____
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	<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 amounts of cash receipts and cash disbursements reported gross unless the receipts and disbursements relate to (1) cash equivalents, (2) investments with an original maturity of three months or less, (3) loans receivable with an original maturity of three months or less, or (4) debt with an original maturity of three months or less? [SFAS 95, par. 11 (AC C25.109)]	_____	_____	_____
5. Are cash payments for debt issue costs classified as a financing activity? [EITF 95-13]	_____	_____	_____
6. Are cash flows from purchases, sales, and insurance recoveries of unrecognized, noncapitalized collection items reported as investing activities? [AAG-NPO, par. 7.08]	_____	_____	_____
7. 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)]	_____	_____	_____
8. If the direct method is used, 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)]	_____	_____	_____
9. If the direct method is used, is a separate reconciling schedule provided to reconcile the change in net assets to net cash used (provided) by operating activities? [SFAS 95, par. 29 (AC C25.127)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
10. If the indirect method is used, is the change in net assets 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)]	_____	_____	_____
11. If the indirect method is used, are amounts of interest paid (net of amounts capitalized) and income taxes paid, if any, disclosed? [SFAS 95, par. 29, as amended by SFAS 117, par. 30 (AC C25.127)]	_____	_____	_____
12. Are investing and financing activities that affect recognized assets or liabilities but that do not result in cash receipts or cash payments, including gifts of property or investments, disclosed? [SFAS 95, par. 32, as amended by SFAS 117, par. 30g (AC C25.134)]	_____	_____	_____
13. 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]	_____	_____	_____
14. Is the reconciliation of the change in net assets to net cash used/ provided by operating activities adjusted if noncash assets are contributed or if cash is received with donor imposed stipulations that require it to be used for long-term purposes (and thus is not included in "cash or cash equivalents" on the statement of financial position)? [AAG-NPO, par. 3.18]	_____	_____	_____
15. 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]	_____	_____	_____
16. Are cash flows from agency transactions included in cash flows from operating activities? [AAG-NPO, par. 3.16]	_____	_____	_____
17. If cash flows from derivative instruments that are accounted for as fair value hedges or cash flow hedges are classified in the same category as the cash flows of the item being hedged, is that accounting policy disclosed? [SFAS 95, fn. 4, as amended by SFAS 104, par. 4, and SFAS 133, par. 530 (AC C25 Introduction)]	_____	_____	_____

B. Statement of Functional Expenses

Note: Voluntary health and welfare organizations are required to present a statement of functional expenses. Other organizations are encouraged by the FASB to present that statement.

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)]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. If investment revenues are reported net of related expenses, are those expenses reported by their functional and natural classifications in the statement of functional expenses? [AAG-NPO, par. 13.28]	_____	_____	_____
3. If certain expenses are reported by other than their natural classification on the statement of activities, are those expenses included with other expenses of the same natural classification on the statement of functional expenses? [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 statement of functional expenses.] [AAG-NPO, par. 3.14]	_____	_____	_____

FSP Section 14,300

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. This checklist contains the basic requirements for reporting on an audit of the financial statements in accordance with GAAS. It does not contain all requirements for reports required to be issued in audits in accordance with government auditing standards ("Yellow Book") or with the audit requirements of OMB Circular A-133 ("Single Audits"). Illustrative auditor's reports are found in chapter 14 of the AICPA Audit and Accounting Guide *Not-for-Profit Organizations*.

.02 Explanation of References:

SAS =	Statement on Auditing Standards
AU =	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
SSARS =	Statement on Standards for Accounting and Review Services
AR =	Reference to section number in AICPA <i>Professional Standards</i> (vol. 2)
AAG-NPO =	AICPA Audit and Accounting Guide <i>Not-for-Profit Organizations</i> (with conforming changes as of May 1, 2001)

.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. 8a, as amended by SAS 79 (AU 508.08)]	_____	_____	_____
d. The titles of each financial statement in the introductory paragraph of the report? [SAS 58, par. 6, as amended by SAS 79 (AU 508.06)]	_____	_____	_____
e. Identification of the country of origin of the auditing standards followed in the audit engagement? [SAS 58, par. 8, as amended by SAS 93 (AU 508.08)]	_____	_____	_____
f. Identification of the country of origin of the accounting principles with which the financial statements purport to conform? [SAS 58, par. 8, as amended by SAS 93 (AU 508.08)]	_____	_____	_____
2. If the auditor is not independent, is a disclaimer expressed and is a compilation report the highest level of service performed? [SAS 26, pars. 5, 9, and 10 (AU 504.05, .06, and .10); SSARS 1, pars. 22 and 38 (AR 100.22 and .38)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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. 15–17 (AU 504.15–.17)]	_____	_____	_____
c. Different opinions are expressed on comparative financial statements?	_____	_____	_____
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. There is a change in the reporting entity that does not result from a transaction or event? [SAS 88, par. 4 (AU 420.08)]	_____	_____	_____
d. 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)]	_____	_____	_____
e. 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)]	_____	_____	_____
f. 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)]	_____	_____	_____

* 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>
g. The financial statements contain a departure from an accounting principle promulgated by bodies designated by Council in Rule 203, but conformity with that principle would result in a misleading statement? [SAS 58, pars. 14 and 15, as amended by SAS 79 (AU 508.14 and .15)]	_____	_____	_____
h. 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)]	_____	_____	_____
i. 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 and .18); Interpretation 1 of SAS 57 (AU 9342.03)]	_____	_____	_____
j. 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)]

j. The disclosures required by paragraph 3.20 of the 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]	_____	_____	_____
6. Is a qualified opinion or disclaimer of opinion expressed if 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 326.25)]	_____	_____	_____

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

7. Is a qualified opinion or adverse opinion expressed if:			
a. A lack of conformity with GAAP (including inadequate disclosure) is present? ² [SAS 32, par. 3 (AU 431.03); SAS 58, pars. 35–57, as amended by SAS 79 (AU 508.35–.57)]	_____	_____	_____
b. Essential data concerning an impending change in GAAP and the future resulting restatement are not disclosed? [Interpretation 38 of SAS 1, sec. 410 (AU 9410.15)]	_____	_____	_____

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 (AU 508.46–.49)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>c. The auditor concludes that an illegal act has a material effect on the financial statements and the act has not been properly accounted for or disclosed? [SAS 54, par. 18 (AU 317.18)]</p>	_____	_____	_____
<hr/> <p><i>Note:</i> 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>	_____	_____	_____
<hr/> <p><i>Note:</i> Consult the Topical Index to the AICPA <i>Professional Standards</i> under “Departures from Standard Report” for additional references to specific auditor’s report modifications.</p> <hr/>			
<p>9. If information accompanies the basic financial statements in an auditor-submitted document, does the report on the accompanying information:</p> <p>a. State that the audit is performed for the purpose of forming an opinion on the basic financial statements taken as a whole?</p> <p>b. Specifically identify the accompanying information?</p> <p>c. State that the accompanying information is presented for purposes of additional analysis and is not part of the basic financial statements?</p> <p>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)]</p>	_____	_____	_____
<p>10. If supplementary information is included in a client-prepared document and the auditor has not subjected to the procedures described in SAS 52, is the information either marked “unaudited” or has the auditor included an explanatory paragraph in the report disclaiming an opinion on the information? [SAS 52, par. 3 (AU 558.03); AAG-NPO 14.11]</p>	_____	_____	_____
<p>11. 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)]</p>	_____	_____	_____
<p>12. 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)]</p>	_____	_____	_____

³ Reportable conditions in internal control must be communicated, preferably in writing, to the audit committee. [SAS 60, par. 1 (AU 325.01)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>13. 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)]</p>	_____	_____	_____

FSP Section 14,400

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

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

.02 This checklist has two parts: Part I is for auditors' reports on financial audits performed under *Government Auditing Standards* (GAS, which is also known as the *Yellow Book*). (This checklist does not address the performance auditing standards of GAS.) Part II contains the additional requirements for auditors' reports on audits performed under the Single Audit Act Amendments of 1996 in accordance with OMB Circular A-133. For audits performed under Circular A-133, both Parts I and II of this checklist must be completed.

.03 Explanation of References:

A-133 =	Office of Management and Budget (OMB) Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> (June 1997 Revision)
GAS =	General Accounting Office 1994 revision to <i>Government Auditing Standards</i> , as amended
SAS =	AICPA Statement on Auditing Standards
AU =	Reference to section number in <i>AICPA Professional Standards</i> (vol. 1)
SOP =	AICPA Statement of Position

.04 Checklist Questionnaire:

Yes No N/A

Part I—Reports on Audits Performed in Accordance with *Government Auditing Standards*

1. In a financial audit performed in accordance with GAS, are the following reports issued:
 - a. A report on the entity's financial statements?¹ _____
 - b. A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with GAS?
[GAS, Ch. 5, pars. 2 and 15; SOP 98-3, par. 10.15] _____

Report on the Financial Statements

2. Does the auditor's report on the financial statements:

¹ See the checklist for auditor's reports on the financial statements at section 14,300.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>a. Contain a statement that the audit was conducted in accordance with GAAS (with an identification of the United States of America as the country of origin of those standards) and with the standards applicable to financial audits contained in <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States?² [GAS, Ch. 5, par. 11; SOP 98-3, pars. 10.16a and 10.35d]</p>	_____	_____	_____
<p>b. Either describe the scope of the auditors' testing of compliance with laws and regulations and internal controls over financial reporting and present the results of these tests or refer to separate reports containing that information? [GAS, Ch. 5, par. 15; SOP 98-3, pars. 10.16b and 10.35]</p>	_____	_____	_____
<p>3. If parent-only financial statements are presented because of federal regulations and if consolidated financial statements are not also prepared as required by generally accepted accounting principles, has the auditor considered whether to express other than an unqualified opinion due to departure from GAAP on the parent-only financial statements? [SOP 98-3, par. 10.34]</p>	_____	_____	_____
<p>Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With GAS</p>			
<p>4. Does the report on compliance and on internal control conform to the standard reports illustrated in examples 2 and 2a in SOP 98-3? [SOP 98-3, App. D]</p>	_____	_____	_____
<p>5. Does the report contain the following elements:</p>			
<p>a. A statement that the auditor has audited the financial statements of the auditee and a reference to the auditor's report on the financial statements, including a description of any departure from the standard report (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors)? [SOP 98-3, par. 10.39 and App. D, Ex. 2, fn. 14]</p>	_____	_____	_____
<p>b. A statement that the audit was conducted in accordance with GAAS (with an identification of the United States of America as the country of origin of those standards) and with the standards applicable to financial audits contained in <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States?</p>	_____	_____	_____
<p>c. A statement that as part of obtaining reasonable assurance about whether the auditee's financial statements are free of material misstatement, the auditor performed tests of the auditee's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts?</p>	_____	_____	_____
<p>d. A statement that providing an opinion on compliance with those provisions was not an objective of the audit and that, accordingly, the auditor does not express such an opinion?</p>	_____	_____	_____
<p>e. A statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under</p>	_____	_____	_____

² GAS must be referenced when the report on the financial statements is submitted to comply with a legal, regulatory, or contractual requirement for an audit in accordance with GAS.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
GAS and, if they are, describes the instances of noncompliance or refers to the schedule of findings and questioned costs in which they are described? ³	_____	_____	_____
f. If applicable, a statement that certain immaterial instances of noncompliance were communicated to management in a separate letter?	_____	_____	_____
g. A statement that in planning and performing the audit, the auditor considered the auditee's internal control over financial reporting in order to determine the auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting?	_____	_____	_____
h. If applicable, a statement that reportable conditions were noted and the definition of a reportable condition?	_____	_____	_____
i. If no reportable conditions are noted, a statement that the auditor's consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses; if reportable conditions are noted, a statement that the auditor's consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses?	_____	_____	_____
j. If applicable, a description of reportable conditions noted or a reference to the schedule of findings and questioned costs in which the reportable conditions are described? ⁴	_____	_____	_____
k. The definition of a material weakness?	_____	_____	_____
l. If applicable, a statement about whether the auditor believes any of the reportable conditions noted are material weaknesses, and, if they are, describes the material weaknesses noted or refers to the schedule of findings and questioned costs in which they are described? ⁵ (If there are no reportable conditions, a statement should be made that no material weaknesses were noted.)	_____	_____	_____
m. If applicable, a statement that other matters involving the internal control over financial reporting were communicated to management in a separate letter?	_____	_____	_____
n. A separate paragraph at the end of the report stating that the report is intended solely for the information and use of the audit committee, management, specified legislative or regulatory bodies, federal awarding agencies, and (if applicable) pass-through entities and is not intended to be and should not be used by anyone other than these specified parties? ^{6,7}	_____	_____	_____
o. The manual or printed signature of the auditor's firm?	_____	_____	_____

³ For an audit that is not subject to Circular A-133 (that is, in accordance with GAS only), any reportable instances of noncompliance, reportable conditions, and material weaknesses can either be described in the body of the report or the report can refer to a separate schedule that summarizes the findings noted. For an audit in accordance with Circular A-133, all findings, including those required to be reported under GAS, must be included in the schedule of findings and questioned costs. [SOP 98-3, Ch. 10, fn. 14]

⁴ See footnote 3.

⁵ See footnote 3.

⁶ This paragraph conforms to SAS 87, *Restricting the Use of an Auditor's Report* (AU 532). See SAS 87 for additional guidance on restricted use reports.

⁷ For an audit that is not subject to Circular A-133 (that is, in accordance with GAS only), the reference to federal awarding agencies and pass-through entities should be deleted. [SOP 98-3, Ch. 10, fn. 19]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
p. The date of the auditor's report? [SOP 98-3, par. 10.39]	_____	_____	_____
6. If parent-only financial statements are presented because of federal regulations and if consolidated financial statements are not also prepared as required by generally accepted accounting principles, has the auditor considered whether to express other than an unqualified opinion due to the departure from GAAP on the parent-only financial statements? [SOP 98-3, par. 10.34]	_____	_____	_____
7. Do the reported instances of noncompliance include all instances of fraud and illegal acts (unless clearly inconsequential) and other non-compliance that is material to the financial statements? [GAS, Ch. 5, par. 18; SOP 98-3, par. 10.21]	_____	_____	_____
8. If the report contains material instances of noncompliance or fraud and illegal acts that are not clearly inconsequential, is the effect of such instances on the auditor's report on the financial statements considered? [SAS 74, par. 20 (AU 801.20)]	_____	_____	_____
9. Do the findings presented in or referred to from the report include all essential elements, including information to place the finding in proper perspective, condition, cause, criteria, effect, and the views of responsible officials? [GAS, Ch. 5, par. 19 and fn. 5; SOP 98-3, pars. 10.58–10.61]	_____	_____	_____
10. Does the report disclose the status of uncorrected material findings and recommendations from prior audits that affect the current financial statement audit? [GAS, Ch. 4, par. 10; SOP 98-3, par. 10.62]	_____	_____	_____
11. Does the report carry the same date as the report on the financial statements? [SOP 98-3, par. 10.50]	_____	_____	_____
Other Matters			
12. Are instances of fraud and illegal acts communicated directly to outside parties if such reporting is required by law or regulation or involves financial assistance received directly or indirectly from a government agency? [GAS, Ch. 5, pars. 21–25; SOP 98-3, pars. 10.23–10.25]	_____	_____	_____
13. If the audit disclosed immaterial instances of noncompliance or deficiencies in internal control were not considered reportable conditions (referred to as "nonreportable conditions"), are those matters communicated to the entity in writing (or orally, with working paper documentation)? [GAS, Ch. 5, pars. 20 and 28; SOP 98-3, pars. 10.22 and 10.29]	_____	_____	_____
14. Has the auditor communicated the following information—in writing (orally with work paper documentation)—to the organization or entity being audited, the individuals contracting for or requesting audit services, and the audit committee during the planning stages of the audit:			
a. The auditor's responsibilities in a financial statement audit, including his or her responsibilities for testing and reporting on compliance with laws and regulations and internal control over financial reporting?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The nature of any additional testing of compliance and internal control required by laws and regulations or otherwise requested, and whether the auditor is planning or providing an opinion with laws and regulations and internal control over financial reporting?	_____	_____	_____
c. A contrasting of the information in Steps a. and b. above with other financial related audits of compliance and controls? [GAS, Ch. 4, pars. 4.6.3–4.6.7; SOP 98-3, pars. 3.14 and 3.15]	_____	_____	_____

Part II—Reports on Audits Performed Under OMB Circular A-133

1. If the entity is subject to the requirements of Circular A-133, are the following reports (in addition to those in Part I of this checklist) issued:			
a. A report on the supplementary schedule of expenditures of federal awards?	_____	_____	_____
b. A report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133?	_____	_____	_____
c. A schedule of findings and questioned costs? [SOP 98-3, par. 10.8]	_____	_____	_____

Report on the Supplementary Schedule of Expenditures of Federal Awards

2. Is the report on the supplementary schedule of expenditures of federal awards (a) included in the auditors' report on the financial statements, (b) included in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133, or (c) issued as a stand-alone report? [SOP 98-3, pars. 10.36, 10.47, and 10.52]	_____	_____	_____
3. Does the report conform to the standard reports illustrated in Example 1a, Example 3 (footnote 34), or Example 3a (footnote 40) of SOP 98-3? [SOP 98-3, pars. 10.36 and 10.37 and App. D]	_____	_____	_____
4. Does the report contain the following elements:			
a. A statement that the supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the financial statements?	_____	_____	_____
b. An opinion on whether the schedule is fairly stated in all material respects in relation to the financial statements taken as a whole? [SOP 98-3, par. 10.31]	_____	_____	_____
5. If the report on the financial statements refers to the work of other auditors, has the auditor considered the need to refer to the programs audited by other auditors in the report on the supplementary schedule of expenditures of federal awards? [SOP 98-3, par. 3.46]	_____	_____	_____
6. Does the report carry the same date as the report on the financial statements, even if that requires a dual date on the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133? [SOP 98-3, pars. 10.50 and 10.52]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. If the report on the schedule of expenditures of federal awards is issued as a stand-alone report (instead of being included in the report on the financial statements), has the guidance in SAS No. 58 been followed in issuing that report? [SOP 98-3, par. 10.52]	_____	_____	_____
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With Circular A-133			
8. Does the report conform to the standard reports illustrated in Examples 3–5 of SOP 98-3? [SOP 98-3, App. D]	_____	_____	_____
9. Does the report contain the following elements:			
a. A statement that the auditor has audited the compliance of the auditee with the types of compliance requirements described in the <i>OMB Circular A-133 Compliance Supplement</i> that are applicable to each of its major programs?	_____	_____	_____
b. A statement that the auditee’s major programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs?	_____	_____	_____
c. A statement that compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the auditee’s major federal programs is the responsibility of the auditee’s management, and that the auditor’s responsibility is to express an opinion on the auditee’s compliance based on the audit?	_____	_____	_____
d. A statement that the audit of compliance was conducted in accordance with GAAS (with an identification of the United States of America as the country of origin of those standards), the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, and A-133?	_____	_____	_____
e. A statement that those standards and A-133 require that the auditor plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that could have a direct and material effect on a major federal program occurred?	_____	_____	_____
f. A statement that an audit includes the examining, on a test basis, evidence about the auditee’s compliance with those requirements and performing such other procedures as the auditor considered necessary in the circumstances?	_____	_____	_____
g. A statement that the auditor believes that the audit provides a reasonable basis for the auditor’s opinion?	_____	_____	_____
h. A statement that the audit does not provide a legal determination on the auditee’s compliance with those requirements?	_____	_____	_____
i. If instances of noncompliance are noted that result in an opinion modification, a reference to a description in the accompanying schedule of findings and questioned costs, including:			
(1) The reference number(s) of the finding(s)?	_____	_____	_____
(2) An identification of the type(s) of compliance requirements and related major program(s)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(3) A statement that compliance with such requirements is necessary, in the auditor's opinion, for the auditee to comply with requirements applicable to the program(s)?	_____	_____	_____
j. An opinion on whether the auditee complied, in all material respects, with the types of compliance requirements that are applicable to each of its major federal programs?	_____	_____	_____
k. If applicable, a statement that the results of the auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with A-133 and a reference to the schedule of findings and questioned costs in which they are described?	_____	_____	_____
l. A statement that the auditee's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs?	_____	_____	_____
m. A statement that in planning and performing the audit, the auditor considered the auditee's internal control over compliance with requirements that could have a direct and material effect on a major federal program, to determine the auditing procedures for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with A-133?	_____	_____	_____
n. If applicable, a statement that reportable conditions were noted and the definition of a reportable condition?	_____	_____	_____
o. If applicable, a reference to a description of reportable conditions noted in the accompanying schedule of findings and questioned costs, including the reference number of the finding(s)?	_____	_____	_____
p. If no reportable conditions are noted, a statement that the auditor's consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses; if reportable conditions are noted, a statement that the auditor's consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses?	_____	_____	_____
q. The definition of a material weakness?	_____	_____	_____
r. If applicable, a statement about whether the auditor believes any of the reportable conditions noted are material weaknesses and, if they are, a reference to a description of the material weaknesses in the schedule of findings and questioned costs, including the reference number of the finding(s). If there are no reportable conditions, a statement is made that no material weaknesses were noted?	_____	_____	_____
s. A separate paragraph at the end of the report stating that the report is intended solely for the information and use of the audit committee, management, specified legislative or regulatory bodies, federal awarding agencies, and (if applicable) pass-through entities and is not intended to be and should not be used by anyone other than these specified parties? ⁸	_____	_____	_____

⁸ This paragraph conforms to SAS 87, *Restricting the Use of an Auditor's Report* (AU 532). See SAS 87 for additional guidance on restricted use reports.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
t. The manual or printed signature of the auditor's firm?	_____	_____	_____
u. The date of the auditor's report? [SOP 98-3, par. 10.46]	_____	_____	_____
10. If the audit of the entity's compliance with requirements applicable to major programs detects material instances of noncompliance with those requirements, does the auditors' report express a qualified or adverse opinion? [SOP 98-3, par. 10.42]	_____	_____	_____
11. Have scope limitations on the auditor's testing of an auditee's compliance with laws, regulations, and the provisions of contracts or grant agreements been considered in the opinion on compliance with requirements applicable to each major programs? [SOP 98-3, pars. 10.43–10.45]	_____	_____	_____
12. Have the cumulative effects of all instances of noncompliance with federal programs and scope limitations been considered in the opinion on the financial statements? [SOP 98-3, pars. 10.42 and 10.43]	_____	_____	_____
13. Does the report <i>not</i> refer to a management letter with findings that are not required to be reported in the schedule of findings and questioned costs? [SOP 98-3, par. 10.48]	_____	_____	_____
14. Is the report dated the same as or later than the date of the auditors' report on the financial statements? [SOP 98-3, par. 10.51]	_____	_____	_____
15. If the report is dated later than the date of the auditors' reports on the financial statements, have appropriate subsequent events procedures been performed? [SOP 98-3, par. 10.51]	_____	_____	_____
16. If the audit of federal awards did not encompass the entirety of the auditee's operations expending federal awards, are the operations that are not included identified in a separate paragraph following the first paragraph of the report? [SOP 98-3, par. 10.54]	_____	_____	_____
17. If the report on the financial statements refers to the work of other auditors, has the auditor considered the need to refer to the programs audited by other auditors in this report on compliance and on internal control? [SOP 98-3, par. 3.46]	_____	_____	_____
Schedule of Findings and Questioned Costs			
18. Does the report conform to the standard report illustrated in Appendix E of SOP 98-3? [SOP 98-3, App. E]	_____	_____	_____
19. Is the report presented even if there are no findings to report? [SOP 98-3, par. 10.66]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
20. Does the report contain the following three sections:			
<i>a.</i> A summary of the auditor's results?	_____	_____	_____
<i>b.</i> Findings related to the financial statements that are required to be reported in accordance with GAS?	_____	_____	_____
<i>c.</i> Findings and questioned costs for federal awards? [SOP 98-3, par. 10.55]	_____	_____	_____
21. Does the summary of auditor's result include:			
<i>a.</i> The type of report the auditor issued on the financial statements (that is, unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)?	_____	_____	_____
<i>b.</i> Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses?	_____	_____	_____
<i>c.</i> A statement on whether the audit disclosed any noncompliance that is material to the financial statements?	_____	_____	_____
<i>d.</i> Where applicable, a statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses relative to internal control over major programs?	_____	_____	_____
<i>e.</i> The type of report the auditor issued on compliance for major programs (that is, unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)?	_____	_____	_____
<i>f.</i> A statement as to whether the audit disclosed any audit findings that the auditor is required to report under A-133? (See Step 23 below.)	_____	_____	_____
<i>g.</i> An identification of major programs?	_____	_____	_____
<i>h.</i> The dollar threshold used to distinguish between Type A and Type B programs?	_____	_____	_____
<i>i.</i> A statement as to whether the auditee qualified as a low-risk auditee? [SOP 98-3, par. 10.56a]	_____	_____	_____
22. Are audit findings that relate to the same issue presented as a single audit finding? [SOP 98-3, par. 10.56c]	_____	_____	_____
23. If audit findings relate to both the financial statements and the federal awards, are they reported in both sections of the schedule (one in summary form with a reference to the detailed finding in the other section)? [SOP 98-3, par. 10.56c]	_____	_____	_____
24. Are the following reported as audit findings related to federal awards: including:			
<i>a.</i> Reportable conditions and material weaknesses in internal control over major programs?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Material noncompliance relating to a major program?	_____	_____	_____
c. Known and likely questioned costs that are greater than \$10,000 for a major program?	_____	_____	_____
d. Known questioned costs that are greater than \$10,000 for a federal program that is not audited as a major program?	_____	_____	_____
e. The circumstances concerning why the report on compliance for major programs is other than an unqualified opinion?	_____	_____	_____
f. Known fraud affecting a federal award? (An audit finding is not required if the fraud was reported outside the entity as required by GAS.)	_____	_____	_____
g. Instances of material misrepresentation by the auditee of the status of any prior audit findings? [SOP 98-3, par. 10.63]	_____	_____	_____
25. Does the audit finding detail include, as applicable:			
a. A reference number?	_____	_____	_____
b. Identification of the federal program and award, including CFDA title and number, federal award number and year, name of federal agency, and name of pass-through entity? ⁹	_____	_____	_____
c. The criteria or specific requirement upon which the audit finding is based, including the statutory, regulatory, or other citation?	_____	_____	_____
d. The condition found, including facts that support the deficiency identified?	_____	_____	_____
e. Identification of questioned costs and how they were computed?	_____	_____	_____
f. Information to put the finding in proper perspective for judging the prevalence and consequences of audit findings? ¹⁰	_____	_____	_____
g. The possible asserted effect of the condition?	_____	_____	_____
h. Recommendations to prevent future occurrence of the deficiency?	_____	_____	_____
i. Views of responsible officials of the auditee when there is disagreement with the audit finding, to the extent practical? ¹¹	_____	_____	_____
j. If the auditor disagrees with the auditees position concerning a finding, a statement of his or her reasons for rejecting it? [SOP 98-3, pars. 10.64 and 10.65]	_____	_____	_____
Data Collection Form¹²			
26. Has the auditor completed the appropriate parts of the data collection form? [SOP 98-3, par. 10.72]	_____	_____	_____

⁹ When information such as the CFDA title and number or federal award number is not available, the auditor should provide the best information available to describe the federal award.

¹⁰ Where appropriate the instances identified should be related to the universe and the number of cases examined and be quantified in terms of the dollar value.

¹¹ If the auditee's corrective action plan is available and contains the views of the responsible officials, the auditor can indicate in the finding that the auditee disagreed with the finding and refer to the details of the auditee's position in the plan.

¹² The Federal Audit Clearinghouse accepts on-line submission of all data collection forms at <http://harvester.census.gov/sac>. Further, there is a revised data collection form to report the results of Circular A-133 audits for audit periods ending on or after January 1, 2001. Audits covering fiscal period end dates before January 1, 2001, should continue to use the previous version of the data collection form dated August 1997. The data collection forms and related instructions can be obtained from the Clearinghouse's Web site or by calling (888) 222-9907.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
27. Has the auditor signed the form and dated it as of the date on which he or she completes and signs the form? [SOP 98-3, par. 10.72]	_____	_____	_____
28. Does the information on the data collection form agree to the information in the auditor's reports and the summary of auditor's results in the schedule of findings and questioned costs? [Federal Audit Clearinghouse, Data Collection Form, No. SF-SAC]	_____	_____	_____
Program-Specific Audits			
29. In a program-specific audit performed in accordance with A-133, are the following reports issued: ¹³			
a. A report on the financial statement(s) of the federal program?	_____	_____	_____
b. A report on compliance with requirements applicable to the federal program and on the internal control over compliance in accordance with the program-specific audit option under Circular A-133?	_____	_____	_____
c. A schedule of findings and questions costs for the federal program? [SOP 98-3, pars. 11.8 and 11.9]	_____	_____	_____
30. Does the report on compliance and on internal control for a program-specific audit conform to the standard reports illustrated in Examples 6 and 6a in SOP 98-3? [SOP 98-3, par. 11.10 and App. D]	_____	_____	_____

¹³ If the financial statement(s) of the program only present the activity of the federal program, the auditor is not required to issue a separate report to meet the financial reporting requirements of GAS. This is because, in many cases, by definition the financial statements of the program consist only of the schedule of expenditures of federal awards. See the further discussion in paragraph 11.10 of SOP 98-3.

FSP Section 14,500

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 report on compiled financial statements or accountants that present to a client or third parties financial statements that the accountant has prepared either manually or through the use of computer software. Part II should be used if the accountant performs a review of financial statements. SSARS 1, *Compilation and Review of Financial Statements*, as amended by SSARS 8 (AR 100.04) defines the terms "compilation of financial statements" and "review of 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 100.11)]	_____	_____	_____
2. Does the report exclude a description of any other procedures that the accountant might have performed before or during the engagement? [SSARS 1, par. 14 (AR 100.11)]	_____	_____	_____
3. For compiled financial statements that contain departures ¹ from GAAP or, where applicable, an other comprehensive basis of accounting (OCBOA):			

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>
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 100.16 and .18)]	_____	_____	_____
b. If compiled financial statements that omit substantially all of the disclosures required by GAAP include disclosures about only a few matters, are such disclosures labeled "Selected Information—Substantially All Disclosures Required by GAAP (or, where applicable, OCBOA) Are Not Included"? [SSARS 1, par. 19 (AR 100.16)]	_____	_____	_____
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 100.17)]	_____	_____	_____
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," and does the report exclude the reason for the lack of independence? [SSARS 1, par. 22 (AR 100.19)]	_____	_____	_____
5. Is the report dated as of the date that substantially all compilation procedures have been completed? [SSARS 1, par. 15 (AR 100.12)]	_____	_____	_____
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 100.13)]	_____	_____	_____
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)]	_____	_____	_____

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>
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)]	_____	_____	_____
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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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:			
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)]	_____	_____	_____

Compiled Financial Statements That Will Not Be Used by a Third Party

18. If the accountant submits unaudited financial statements to the client and those financial statements are not reasonably expected to be used by a third party, does each page of the financial statements restrict their use by a reference such as, "Restricted for Management's Use Only" or "Solely for the information and use by the management of [name of entity] and not intended to be and should not be used by any other party"? [SSARS 1, par. 22, as amended by SSARS 8 (AR 100.22)]	_____	_____	_____
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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)]

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

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

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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?	_____	_____	_____
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 14,600

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.

.02 Additional examples of financial statements and disclosures are found in the AICPA Practice Aid Series publication, *Financial Statement Presentation and Disclosure Practices of Not-for-Profit Organizations* (006605).

.03

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, 20X4 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 auditing standards generally accepted in the United States of America. 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, 20X4, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

[Signature]

[Date]

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

.04

BIG BROTHERS OF ANY COUNTY, INC.
Statement of Financial Position
December 31, 20X4

Assets	
Current assets	
Cash and cash equivalents	\$ 36,450
Contributions receivable (Note 3)	42,100
Leasehold interest, current (Note 4)	35,940
Prepaid expenses	3,800
Deposit	2,000
Assets to be disposed of (Note 2)	<u>5,000</u>
Total current assets	125,290
Noncurrent assets	
Vehicles and office equipment (Note 5)	26,400
Leasehold interest, noncurrent (Note 4)	212,510
Investments (Note 6)	<u>71,800</u>
Total noncurrent assets	<u>310,710</u>
Total assets	<u><u>\$436,000</u></u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 34,500
Net assets	
Unrestricted	66,250
Temporarily restricted (Note 9)	266,550
Permanently restricted (Note 10)	<u>68,700</u>
Total net assets	<u>401,500</u>
Total liabilities and net assets	<u><u>\$436,000</u></u>

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

.05

BIG BROTHERS OF ANY COUNTY, INC.**Statement of Activities****Year Ended December 31, 20X4****Changes in Unrestricted Net Assets**

Unrestricted support

Contributions	\$ 91,400
Donated goods and facilities	34,800
Donated services	4,500
Annual Gala revenues	36,200
Direct benefits to Gala attendees	<u>(14,000)</u>
Total unrestricted support, net	152,900

Other unrestricted revenues

Program revenue	212,600
Investment income	<u>7,050</u>
Total unrestricted revenues, net of direct benefits	372,550

Net assets released from restrictions

Expiration of time restrictions	<u>27,000</u>
Total unrestricted revenues and support, net of direct benefits	<u>399,550</u>

Expenses

Program expenses	335,300
Management and general	41,350
Fund-raising expenses	<u>46,050</u>
Total expenses	<u>422,700</u>
Write-down of facility equipment	<u>45,000</u>
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	<u>500</u>
Increase in permanently restricted net assets	<u>10,500</u>

Increase in Net Assets

181,900

Net Assets at Beginning of Year219,600**Net Assets at End of Year**\$401,500

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

.06

BIG BROTHERS OF ANY COUNTY, INC.
Statement of Cash Flows
Year Ended December 31, 20X4

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	(10,000)
Contribution of leasehold rights	(248,450)
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 endowment 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 56,800

Cash and Cash Equivalents at End of Year \$ 36,450

Supplemental data:

 Noncash investing and financing activities:

 Gift of leasehold rights \$ 248,450

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

.07

BIG BROTHERS OF ANY COUNTY, INC.
Statement of Functional Expenses
Year Ended December 31, 20X4

	<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>
Meals and entertainment at Gala				<u>14,000</u>
Total				<u>\$436,700</u>

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

.08

BIG BROTHERS OF ANY COUNTY, INC.**Notes to Financial Statements****For the Year Ended December 31, 20X4****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, 20X4, 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 except if those instruments are used to temporarily invest endowment funds until appropriate investments are identified. 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. Investment

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 20X4, 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, 20X5. 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 20X4, 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 \$5 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>(34,940)</u>
Leasehold interest—noncurrent	<u>\$212,510</u>

The expected time expirations on restrictions of leasehold interests are:

<u>Year Ending December 31,</u>	<u>Amount</u>
20X5	\$ 35,940
20X6	35,940
20X7	35,940
20X8	35,940
20X9	35,940
Thereafter	179,710
Discount to be recognized as additional contributions	<u>(110,950)</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, 20X4 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, 20X4:

	<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> </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, 20X4. Rental expense for the year ended December 31, 20X4 including common area expenses was \$42,500.

In December 20X4, the Organization signed a lease agreement for contributed 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 4.

Note 8: 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.

During 20X4, the Organization conducted program activities that also included requests for contributions. Those activities included requesting contributions at the Outreach Sports Tournaments and through direct mail campaigns. The costs of those activities included a total of \$27,000 of joint costs which were not specifically identifiable to either the program component or the fund-raising component of the activities. These joint costs were allocated \$15,000 to program activities and \$12,000 to fund raising.

Note 9: Temporarily Restricted Net Assets

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

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

Note 10: Permanently Restricted Assets

Permanently restricted assets of \$68,700 are restricted to investments in perpetuity, the income from which is expendable to support the Big Brother Outreach Campaign.

Note 11: Litigation

In November 20X4 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 Organization believes the claim is without merit and has not accrued any loss contingency. While the Organization 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.

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