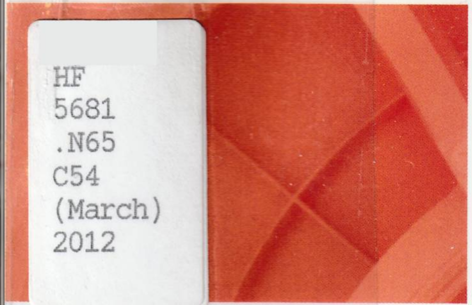
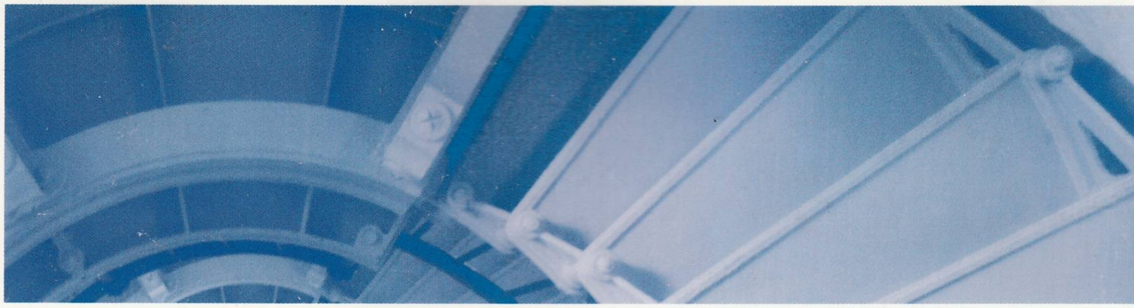
3-31-2012

Checklists and illustrative financial statements for employee health and welfare benefit plans, March 31, 2012

American Institute of Certified Public Accountants (AICPA)

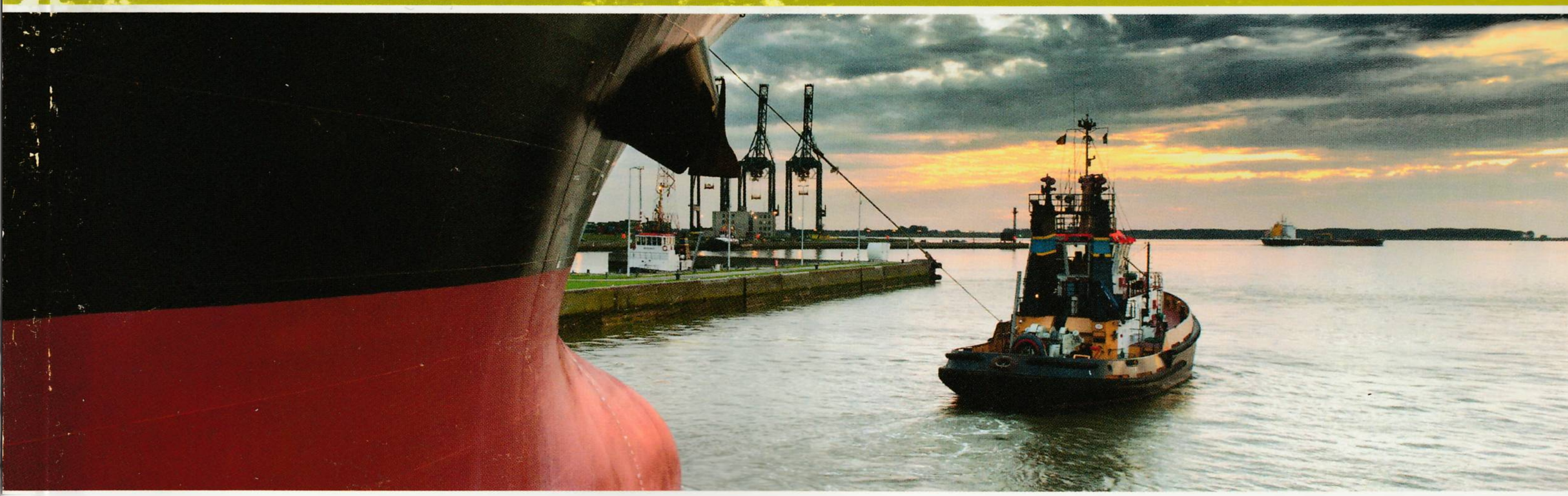




CHECKLISTS & ILLUSTRATIVE FINANCIAL STATEMENTS

Health and Welfare Benefit Plans

March 31, 2012



AICPA

CHECKLISTS & ILLUSTRATIVE FINANCIAL STATEMENTS

Health and Welfare Benefit Plans

March 31, 2012

Checklists and Illustrative Financial Statements for Health and Welfare Benefit Plans has not been approved, disapproved, or otherwise acted upon by any senior technical committees of the American Institute of Certified Public Accountants or the Financial Accounting Standards Board and has no official or authoritative status.

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FSP Section 10,000

Checklists and Illustrative Financial Statements for Health and Welfare Benefit Plans

Description

.01 *Employee benefit plans* include defined benefit pension plans, defined contribution pension plans, and health and welfare benefit plans. Health and welfare benefit plans include plans that provide

- medical, dental, visual, psychiatric, or long term health care; life insurance (offered separately from a pension plan); certain severance benefits; or accidental death or dismemberment benefits.
- benefits for unemployment, disability, vacations, or holidays.
- other benefits such as apprenticeships, tuition assistance, day care, dependent care, housing subsidies, or legal services.
- postemployment benefits such as salary continuation, supplemental unemployment benefits, severance, disability-related job training, counseling, and continuation of health care and life insurance.

.02 Defined-benefit health and welfare plans specify a determinable benefit, which may be in the form of a reimbursement to the covered plan participant or a direct payment to providers or third-party insurers for the cost of specified services. Such plans may also include benefits that are payable in a lump sum, such as death benefits. The level of benefits may be defined or limited based on factors such as age, years of service, and salary. Contributions may be determined by the plan's actuary or be based on premiums, actual claims paid, hours worked, or other factors determined by the plan sponsor. Even when a plan is funded pursuant to agreements that specify a fixed rate of employer contributions (for example, a collectively bargained multiemployer plan), such a plan may nevertheless be a defined-benefit health and welfare plan if its substance is to provide a defined benefit.

.03 Defined-contribution health and welfare plans maintain an individual account for each plan participant. Such plans may include flexible spending arrangements, vacation plans, and health savings accounts. They have terms that specify the means of determining the contributions to participants' accounts, rather than the amount of benefits the participants are to receive. The benefits a plan participant will receive are limited to the amount contributed to the participant's account, investment experience, expenses, and any forfeitures allocated to the participant's account.

.04 Plan participants may be active or terminated employees (including retirees), as well as covered dependents and beneficiaries, of a single employer or group of employers. Employer contributions may be voluntary or required under the terms of a collective bargaining agreement negotiated with one or more labor organizations. Plans may require contributions from employers and participants (contributory plans) or from employers only (noncontributory plans). During periods of unemployment, a noncontributory plan may require contributions by participants to maintain their eligibility for benefits. Benefits may be provided through insurance contracts paid for by the plan (an insured plan), from net assets accumulated in a trust established by the plan (a self-funded plan), or both.

.05 A health and welfare plan may process benefit payments directly or it may retain a third-party administrator. In either case, a plan that is fully or partially self-funded is obligated for the related benefits. As stated in Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 965-10-05-5, a plan may establish a trust to hold assets to pay all or part of the covered benefits. The assets may be segregated and legally restricted under a trust arrangement (such as a voluntary employees' beneficiary association or a 501(c)(9) trust, a 401(h) account, or other funding vehicles). Generally, if a separate trust exists, financial statements are required under the Employee Retirement Income Security Act of 1974 (ERISA).

AICPA Employee Benefit Plan Audit Quality Center

.06 The AICPA Employee Benefit Plan Audit Quality Center (EBPAQC) is a firm-based, voluntary membership center of more than 2,200 firms with the goal of promoting quality employee benefit plan audits. EBPAQC member firms receive valuable ERISA audit and firm best practice tools and resources that are not available from any other source. Visit the EBPAQC website at www.aicpa.org/InterestAreas/EmployeeBenefitPlanAuditQuality to see a list of EBPAQC member firms and to preview EBPAQC benefits. For more information, contact the EBPAQC at ebpaqc@aicpa.org.

Regulatory Requirements

.07 ERISA provides for substantial federal government oversight of the operating and reporting practices of employee benefit plans. Under ERISA, the Department of Labor (DOL) and the IRS have the authority to issue regulations covering reporting and disclosure requirements and certain administrative responsibilities. Appendix A, "ERISA and Related Regulations," of the AICPA Audit and Accounting Guide *Employee Benefit Plans* (guide), dated January 1, 2012, describes which plans are covered by ERISA.

.08 ERISA generally requires that the administrator of an employee benefit plan prepare and file various documents with the DOL, the IRS, and the Pension Benefit Guaranty Corporation (PBGC). The annual report to be filed for employee benefit plans generally is the Form 5500. Form 5500, a joint-agency form developed by the IRS, the DOL, and the PBGC, may be used to satisfy the annual reporting requirements of the Internal Revenue Code (IRC) and Titles I and IV of ERISA. (See paragraphs .21–.25 of this section for a discussion of Form 5500.)

AICPA *Technical Practice Aids*

.09 Technical Questions and Answers (TIS) section 6930, *Employee Benefit Plans* (AICPA, *Technical Practice Aids*), contains helpful guidance in the form of questions and answers relating to employee benefit plan accounting, auditing, and regulatory matters. These nonauthoritative TIS sections are based on selected practice matters identified by AICPA staff and various other bodies within the AICPA, including the AICPA Employee Benefit Plans Expert Panel.

.10 In December 2011, the AICPA issued a series of five TIS sections containing accounting and disclosure guidance relating to reimbursements received under the Patient Protection and Affordable Care Act's (PPACA) Early Retiree Reinsurance Program (ERRP):

- TIS section 6931.13, "Health and Welfare Plan Accounting for Reimbursements Received Under the Patient Protection and Affordable Care Act's Early Retiree Reinsurance Program When the Reimbursement Is Not Remitted to the Trust"
- TIS section 6931.14, "Health and Welfare Plan Accounting for Reimbursements Received Under the PPACA's ERRP Described in TIS Section 6931.13"
- TIS section 6931.15, "Health and Welfare Plan Accounting for Reimbursements Applied for Prior to Year-End but Not Approved Until After Year-End Under the PPACA's ERRP Described in TIS Section 6931.13"

- TIS section 6931.16, "Accounting for the Effects of the Reimbursement on the Health and Welfare Plan's Postretirement Benefit Obligations Under the PPACA's ERRP Described in TIS Section 6931.13"
- TIS section 6931.17, "Health and Welfare Plan Disclosures About the PPACA's ERRP Described in TIS Section 6931.13"

.11 The TIS section is available on the AICPA's website at www.aicpa.org/interestareas/frc/pages/recentlyissuedtechnicalquestionsandanswers.aspx.

Accounting and Reporting by Health and Welfare Benefit Plans

.12 In accordance with FASB ASC 965-205-45-1, the financial statements of a defined-benefit health and welfare plan prepared in accordance with U.S. generally accepted accounting principles (GAAP)[1] should be prepared on the accrual basis[2] of accounting and include all of the following:

- A statement of net assets available for benefits as of the end of the plan year
- A statement of changes in net assets available for benefits for the year then ended
- Information regarding the plan's benefit obligations as of the end of the plan year
- Information regarding the effects, if significant, of certain factors affecting the year-to-year change in the plan's benefit obligations

.13 FASB ASC 965-205-45-2 states that information about the benefit obligations should be presented in a separate statement, combined with other information on another financial statement, or presented in the notes to financial statements. Regardless of the format selected, the plan financial statements should present the benefit obligations information in its entirety in the same location. The information should be presented in such reasonable detail as is necessary to identify the nature and classification of the obligations.

.14 FASB ASC 965-205-45-3 states that the financial statements of a defined-contribution health and welfare plan prepared in accordance with GAAP[3] should be prepared on the accrual basis of accounting and include both of the following:

- A statement of net assets available for benefits of the plan as of the end of the plan year
- A statement of changes in net assets available for benefits of the plan for the year then ended

.15 FASB ASC 965-205-45-4 states that because a defined-contribution health and welfare plan's obligation to provide benefits is limited to the amounts accumulated in an individual's account, information regarding benefit obligations is not applicable.

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[1] Financial statements prepared on a comprehensive basis of accounting other than generally accepted accounting principles should disclose information regarding benefit obligations. (See paragraphs 13.31–.34 of the AICPA Audit and Accounting Guide *Employee Benefit Plans* (guide), which discuss auditor's report considerations.)

[2] As stated in FASB ASC 965-320-25-1, the accrual basis of accounting requires that purchases and sales of securities be recorded on a trade-date basis. If the settlement date is after the financial statement date, however, and (*a*) the fair value of the securities purchased immediately before the financial statement date does not change significantly from the trade date to the financial statement date and (*b*) the purchases do not significantly affect the composition of the plan's assets available for benefits.

[3] See footnote 2.

Fair Value Measurement

.16 FASB ASC 820, *Fair Value Measurement*, defines *fair value*, sets out a framework for measuring fair value, and requires certain disclosures about fair value measurements. See paragraphs 4.28–.41 of the guide, which summarize FASB ASC 820 but are not intended as a substitute for reviewing FASB ASC 820 in its entirety. See also the "Fair Value Measurements" section of section 10,200, "Financial Statements and Notes Checklist," for required disclosures.

Financial Statement Presentation and Disclosure Requirements for Investment Contracts

.17 FASB ASC 965-325-35-1 states that health and welfare benefit plans should report all investments, whether they are in the form of equity or debt securities, real estate, or other investments (excluding insurance contracts), at fair value at the financial statement date. Investment contracts held by defined-benefit health and welfare benefit plans should be reported at fair value in accordance with FASB ASC 965-325-35-2. Defined-contribution health and welfare benefit plans also should report all investments (including derivative contracts) at fair value. However, FASB ASC 965-325-35-8 states that contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution health and welfare benefit plan attributable to fully benefit-responsive investment contracts. An investment contract is considered fully benefit responsive for purposes of this checklist, if certain criteria are met for that contract, analyzed on an individual basis. See the FASB ASC glossary for such criteria.

.18 Paragraphs 1–2 of FASB ASC 965-20-45 state that the statement of net assets available for benefits of the plan should present amounts for the following: (*a*) total assets, (*b*) total liabilities, (*c*) net assets reflecting all investments at fair value, and (*d*) net assets available for benefits. The amount representing the difference between (*c*) and (*d*) should be presented on the face of the statement of net assets available for benefits as a single amount. This amount is calculated as the sum of the amounts necessary to adjust the portion of net assets attributable to each fully benefit-responsive investment contract from fair value to contract value. Per FASB ASC 965-20-45-5, the statement of changes in net assets available for benefits should be prepared on a basis that reflects income credited to participants in the plan and net appreciation or depreciation in the fair value of only those investment contracts that are not deemed to be fully benefit responsive.

.19 See the "Investment and Insurance Contracts" section of this checklist for required disclosures in connection with fully benefit-responsive investment contracts.

.20 FASB ASC 965-325-35-3 states that insurance contracts, as defined by the FASB ASC 944-20, should be presented in the same manner as specified in the annual report filed by the plan with certain governmental agencies pursuant to ERISA; that is, either at fair value or at amounts determined by the insurance enterprise (contract value). Plans not subject to ERISA should present insurance contracts as if the plans were subject to the reporting requirements of ERISA.

ERISA Reporting Requirements

.21 In addition to the reporting requirements of FASB ASC 965, health and welfare benefit plans may have reporting requirements under ERISA. The annual report to be filed for employee benefit plans generally is the Form 5500.

.22 In general, Form 5500 reporting requirements vary depending on whether the Form 5500 is being filed for a large plan, a small plan, or a direct filing entity (DFE), and on the particular type of plan or DFE involved. Plans with 100 or more participants as of the beginning of the plan year must complete the Form 5500 following the requirements for a large plan. Plans with fewer than 100 participants should follow the requirements for a small plan. (There are 3 approaches to small plan filings. The first is Form 5500 with all attachments but replacing Schedule H with Schedule I. The second is Form 5500-SF, which is limited to small plans whose investments are limited to those with a readily determinable market value and do not include any employer securities. The final choice is Form 5500-EZ, which is generally limited to plans covering owners only.) DOL regulations permit plans that have between 80 and 120 participants (inclusive) at the beginning of the plan year to complete the Form 5500 in the same category (large plan or small plan) as was filed for the previous year. This privilege is limited to small plans that filed Form 5500 with Schedule I and not filers of the other two forms. The Form 5500 and Form 5500-SF is filed with the Employee Benefits Security Administration (EBSA) in accordance with the instructions to the form. The agencies have released tips to avoid common filing errors and frequently asked questions (FAQs) for small pension plans that use the audit exception to assist filers in complying with their reporting obligations. The tips and FAQs will help plans avoid basic filing errors and explain the conditions that small pension plans must meet to be eligible for a waiver of the annual audit requirement. The FAQs also include model summary annual report language for the required participant notice under the small plan audit exception. This guidance may be found on the EBSA website at www.dol.gov/ebsa.

.23 The DOL, IRS, and PBGC released the 2011 Form 5500 return and reports, schedules, and instructions to be used by employee benefit plans for plan year 2011 filings. The modifications to the Form 5500 for plan year 2011 are described under "Changes to Note" in the 2011 instructions.

.24 Effective January 1, 2010, all Form 5500 Annual Returns/Reports of Employee Benefit Plan and all Form 5500-SF Short Form Annual Returns/Reports of Small Employee Benefit Plan for 2009 and 2010 plan years, and any required schedules and attachments, were required to be completed and filed electronically using ERISA Filing Acceptance System II (EFAST2)-approved third-party software or using iFile. Beginning January 1, 2010, delinquent and amended filings of Title I plans were required to be submitted electronically through EFAST2 and cannot be submitted on paper through the current EFAST system. For more information on completing and filing forms electronically through EFAST2, see the EFAST2 FAQs and publications. This guidance also may be found on the EBSA website at www.dol.gov/ebsa.

.25 Form 5500 continues to require that certain supplemental schedules, if applicable, be attached to the annual Form 5500 filing. Such schedules include the following:

- Schedule H, line 4a—Schedule of Delinquent Participant Contributions
- Schedule H, line 4i—Schedule of Assets (Held at End of Year)[4]
- Schedule H, line 4i—Schedule of Assets (Acquired and Disposed of Within the Plan Year)
- Schedule H, line 4j—Schedule of Reportable Transactions[5]

The following schedules are required to be reported on Schedule G:

- Schedule G, Part I—Schedule of Loans or Fixed Income Obligations in Default or Classified as Uncollectible
- Schedule G, Part II—Schedule of Leases in Default or Classified as Uncollectible
- Schedule G, Part III—Nonexempt Transactions

[4] **Practice Tip**. Any assets held for investment purposes in a 401(h) account should be shown on Schedule H, line 4i—Schedule of Assets (Held at End of Year) and Schedule H, line 4j—Schedule of Reportable Transactions for the pension plan. Historical cost information is not required on Schedule H, line 4i—Schedule of Assets (Held at End of Year) for participant-directed investments.

[5] **Practice Tip**. Plans filing their annual reports under the statutory method are required to report transactions that exceed three percent of the fair value of plan assets at the beginning of the year, whereas plans that file pursuant to the alternative method of compliance prescribed in Department of labor (DOL) regulations are required to report transactions that exceed five percent of the fair value of plan assets at the beginning of the year. Participant- or beneficiary-directed transactions are not required to be taken into account for purposes of preparing the schedule of reportable transactions. In a plan's initial year, the f percent threshold for the schedule of reportable transactions is based on the *end-of-year* balance of the plan's assets.

Practice Tip

Reporting of Delinquent Participant Contributions. Information on all delinquent participant contributions should be reported on line 4a of either Schedule H or Schedule I of Form 5500, and should not be reported on line 4d of Schedule H or I or on Schedule G. Beginning for 2009 plan years, large plans with delinquent participant contributions are required to attach a schedule clearly labeled, "Schedule H Line 4a—Schedule of Delinquent Participant Contributions" using the format provided in the instructions to Form 5500.

Participant loan repayments paid to or withheld by an employer for purposes of transmittal to the plan that were not transmitted to the plan in a timely fashion must be reported either on line 4a in accordance with the reporting requirements that apply to delinquent participant contributions or on line 4d. See DOL Advisory Opinion 2002-2A at www.dol.gov/ebsa. Delinquent forwarding of participant loan repayments is eligible for correction under the Voluntary Fiduciary Correction Program and Prohibited Transaction Exemption 2002-51 on terms similar to those that apply to delinquent participant contributions.

For further guidance, see the instructions to Form 5500 and the EBSA website FAQs at www.dol.gov/ebsa/faqs/faq_compliance_5500.html.

Information copies of the forms, schedules, and instructions are available on EBSA's website at www.efast.dol.gov. Filers may also order forms and IRS publications 24 hours a day, 7 days a week by calling 800.TAX.FORM (800.829.3676).

FSP Section 10,100
Instructions

General

.01 This publication includes the following sections:

- **Financial Statements and Notes Checklist (FSP section 10,200)**—For use by preparers of health and welfare benefit plan financial statements and by practitioners who audit them as they evaluate the adequacy of disclosures.
- **Auditor's Report Checklist (FSP section 10,300)**—For use by auditors in reporting on audited health and welfare benefit plan financial statements.
- **Illustrative Financial Statements and Auditor's Reports (FSP section 10,400)**—Illustrating full sets of health and welfare benefit plan financial statements, notes, and auditor's reports.

.02 The checklists and illustrative financial statements have been developed by the AICPA Accounting and Auditing Publications staff to serve as nonauthoritative practice aids for use by preparers of financial statements of health and welfare benefit plans and by practitioners who audit them. The auditor's report checklists address those requirements most likely to be encountered when reporting on financial statements of a health and welfare benefit plan prepared in conformity with U.S. generally accepted accounting principles (GAAP). They do not include reporting requirements relating to other matters such as internal control or agreed-upon procedures. The financial statement and notes checklist includes disclosure considerations applicable to health and welfare benefit plans in preparing financial statements in conformity with GAAP.

.03 Users of the financial statements and notes checklist should remember that it is a disclosure checklist only and not a comprehensive GAAP application or measurement checklist. Accordingly, application and measurement issues related to preparing financial statements in conformity with GAAP are not included in the checklist.

.04 The checklists and illustrative financial statements should be used by, or under the supervision of, persons having adequate technical training and proficiency in the application of GAAP, generally accepted auditing standards, and other relevant technical guidance.

.05 In some cases, this checklist uses the term *common practice* or provides additional practice tips to describe a disclosure item. In such cases, although no authoritative guidance supports such a disclosure for health and welfare benefit plans, it may have become a common practice that such disclosures are made. Entities should evaluate whether such items warrant disclosure in their financial statements.

.06 This edition of the financial statements and notes checklists and auditor's report checklist has been updated to include certain changes necessary due to the issuance of authoritative pronouncements. Relevant accounting and auditing guidance contained in official pronouncements issued through March 31, 2012, have been considered in the development of this publication. This includes relevant guidance issued up to and including the following:

- Financial Accounting Standards Board Accounting Standards Updates issued through March 31, 2012
- Statement on Auditing Standards No. 125, *Alert That Restricts the Use of the Auditor's Written Communication* (AICPA, *Professional Standards*, AU-C sec. 905)

- Interpretation No. 1, "Dating the Auditor's Report on Supplementary Information," of AU section 551, *Supplementary Information in Relation to the Financial Statements as a Whole* (AICPA, *Professional Standards*, AU sec. 9551 par. .01–.04)
- Revised interpretations issued through March 31, 2012
- AICPA Audit and Accounting Guide *Employee Benefit Plans* (as of January 1, 2012)

Any guidance issued subsequent to March 31, 2012, has not been included in this checklist; therefore, if your entity has a fiscal year-end after March 31, 2012, you need to consider the applicability of such guidance. In determining the applicability of newly issued guidance, its effective date should also be considered.

Instructions

.07 The checklists consist of a number of questions or statements that are accompanied by references to the applicable authoritative guidance. The checklists provide spaces for checking off or initialing each question or point to show that it has been addressed. Carefully review the topics listed and consider whether they represent potential disclosure items for the health and welfare benefit plan for which you are preparing or auditing. Users should check or initial "Yes" if the disclosure is required and has been appropriately made, "No" if the disclosure is required but has not been made, or "N/A" (not applicable) if the disclosure is not applicable to the plan. It is important that the effect of a "No" response be considered in the auditor's or accountant's report. For audited financial statements, a "No" response that is material to the financial statements may warrant a departure from an unqualified opinion as discussed in paragraphs .20–.64 of AU section 508, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*). If a "No" response is indicated, the authors recommend that a notation be made to explain why the disclosure was not made. The right margin may be used for other remarks or comments as appropriate, including

a. for each disclosure for which a "Yes" is indicated, a notation concerning where the disclosure is located in the financial statements and a cross-reference to applicable working papers where the support to a disclosure may be found;

b. for items marked as "N/A," the reasons for which they do not apply in the circumstances of the particular report; and

c. for each disclosure for which a "No" response is indicated, a notation concerning why the disclosure was not made (for example, because the item was not considered to be material to the financial statements).

Use of the checklists requires the exercise of individual professional judgment and may likely require some modification based on the circumstances of individual engagements.

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

.09 The use of this or any other checklists requires the exercise of individual professional judgment. The checklist is not a substitute for the authoritative guidance. Users of the checklists and illustrative financial statements are urged to refer directly to applicable authoritative guidance when appropriate. The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated nor do they represent minimum requirements. Guidance deemed remote for health and welfare benefit plans is not included in this document. The checklists and illustrative financial statements are tools and in no way represent official positions or guidance of the AICPA. Additionally, users of the checklists and illustrative materials should tailor them as required to meet specific circumstances. As an additional resource, members may call the AICPA Technical Hotline at 877.242.7212.

Recognition

.10 The AICPA gratefully appreciates the invaluable assistance JulieAnn Verrekia, CPA, provided in updating and maintaining the guidance in this checklist.

.11 We hope you find this checklist helpful as you perform your audit engagements. We would greatly appreciate your feedback on this checklist. You may e-mail these comments to dkrupica@aicpa.org or write to

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FSP Section 10,200
Financial Statements and Notes Checklist

.01 This checklist contains numerous references to authoritative accounting and auditing guidance. Abbreviations and acronyms used in such references include the following:

AAG = AICPA Audit and Accounting Guide *Employee Benefit Plans* (as of January 1, 2012)

AU = Reference to section number in AICPA *Professional Standards*

CFR = U.S. *Code of Federal Regulations*

DOL = Department of Labor

EBSA = Employee Benefits Security Administration

ERISA = Employee Retirement Income Security Act of 1974

FASB ASC = Reference to a topic, subtopic, section, or paragraph in Financial Accounting Standards Board *Accounting Standards Codification*™

FSP = FASB Staff Position

TIS = Technical Questions and Answers in AICPA *Technical Practice Aids*

.02 Checklist Questionnaire:

This financial statement disclosure checklist is organized into the sections listed in the following table. Carefully review the topics listed and consider whether they represent potential disclosure items for the health and welfare benefit plan. Place a check mark by the topics or sections that are applicable and complete those sections of the checklist. Other sections may be marked "N/A" or left blank. For example, if the plan had a change in accounting principle, place a check mark by the section "Changes in Accounting" and complete that section of the checklist. On the other hand, if the plan did not have a change in accounting principle, do not place a check mark by "Changes in Accounting" and skip that section when completing the checklist.

			Place ✓ by Applicable Sections
I.	General		
	A.	Titles and References	________
	B.	Comparative Financial Statements	________
	C.	Consolidated Financial Statements	________
II.	Statement of Net Assets Available for Benefits		
	A.	General	________
	B.	Investments	________
	C.	Investment and Insurance Contracts	________
	D.	Assets Held in 401(h) Account	________
	E.	Contributions Receivable	________
	F.	Deposits With and Receivables From Insurance Companies and Other Service Providers	________
	G.	Property, Plant, and Equipment	________
	H.	Cash	________
	I.	Liabilities	________

		Place ✓ by Applicable Sections
III.	Statement of Changes in Net Assets Available for Benefits	________
IV.	Statement of Plan's Benefit Obligations	
	A. Medicare Prescription Drug, Improvement and Modernization Act of 2003	________
V.	Postemployment Benefits	
	A. American Recovery and Reinvestment Act of 2009	________
VI.	Statement of Changes in Plan's Benefit Obligations	
	A. General	________
	B. Claims Paid Through 401(h) Account	________
	C. Minimum Disclosure Requirements Regarding Changes in Benefit Obligations	________
VII.	Summary of Significant Accounting Policies	
	A. Accounting Policies	________
	B. Risks and Uncertainties	________
VIII.	Other Financial Statement Disclosures	
	A. Description of Health and Welfare Benefit Plans	________
	B. Description of Plan Amendments	________
	C. Accounting Changes and Error Corrections	________
	D. Commitments and Contingencies	________
	E. Derivatives and Hedging	________
	F. Fair Value Measurement	________
	G. Financial Instruments	________
	H. Income Tax Status	________
	I. Uncertainty in Income Tax	________
	J. Plan Terminations	________
	K. Related-Party Transactions	________
	L. Leases	________
	M. Subsequent Events	________
	N. Transfers and Servicing of Financial Assets and Securitizations	________
	O. Other Matters	________
IX.	ERISA Reporting Requirements	
	A. Form 5500 Report	________
	B. Financial Statement Disclosures Required Under the Alternative Method of Compliance for Health and Welfare Benefit Plans Pursuant to DOL Regulations Section CFR 2520.103 and Section 103 of ERISA	________
	C. Required Financial Statements and Supporting Schedules	________

I. General

	Yes	No	N/A
A. Titles and References			
1. To be prepared in accordance with U.S. generally accepted accounting principles (GAAP), are the financial statements prepared on the accrual basis of accounting and include all of the following:			
a. For defined benefit health and welfare benefit plans			
i. a "Statement of Net Assets Available for Benefits" as of the end of the plan year? [FASB ASC 965-205-45-1*a*]	____	____	____
ii. a "Statement of Changes in Net Assets Available for Benefits" for the year then ended? [FASB ASC 965-205-45-1*b*]	____	____	____
iii. information regarding the plan's benefit obligations as of the end of the plan year? [FASB ASC 965-205-45-1*c*]	____	____	____
iv. information regarding the effects, if significant, of certain factors affecting the year-to-year change in the plan's benefit obligations? [FASB ASC 965-205-45-1*d*]	____	____	____
b. For defined contribution health and welfare benefit plans			
i. a "Statement of Net Assets Available for Benefits" as of the end of the plan year?	____	____	____
ii. a "Statement of Changes in Net Assets Available for Benefits" for the year then ended? [FASB ASC 965-205-45-3]	____	____	____
2. For defined-benefit health and welfare plans, is information regarding benefit obligations presented in a separate statement, combined with other information on another financial statement, or presented in the notes to financial statements? Regardless of the format selected, do the plan financial statements present the benefit obligations information in its entirety in the same location? [FASB ASC 965-205-45-2]	____	____	____
3. For defined-benefit health and welfare plans, is information regarding benefit obligations presented in such reasonable detail as is necessary to identify the nature and classification of the obligations? [FASB ASC 965-205-45-2]	____	____	____
4. Are separate reports prepared for each plan where assets of more than one plan are held in a 501(c)(9) Voluntary Employees' Beneficiary Association (VEBA) trust? [FASB ASC 965-205-45-10]	____	____	____
5. Is each financial statement suitably titled? [Common Practice]	____	____	____

	Yes	No	N/A
6. Does each statement include a reference to the notes, which are an integral part of the financial statements? [Common Practice]	_____	_____	_____
7. Do the financial statements include a statement of cash flows if that statement would provide relevant information about the ability of the plan to meet future obligations (for example, if the plan invests in assets that are not highly liquid or obtains financing for investments) (*encouraged but not required*)? [FASB ASC 965-205-45-5]	_____	_____	_____
B. Comparative Financial Statements			
1. Are comparative statements presented, if appropriate?[1] [FASB ASC 205-10-45 par. 1–2]	_____	_____	_____
2. Are prior year figures shown for comparative purposes in fact comparable with those shown for the most recent period? If changes occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed? [FASB ASC 205-10-45-3]	_____	_____	_____
3. If issuing comparative statements notes and other disclosures in the financial statements of the preceding year(s) in the current year, have they been presented to the extent that they continue to be of significance? [FASB ASC 205-10-45-4]	_____	_____	_____
4. Has the entity properly disclosed information (for example, about reclassifications or other reasons) that will explain a change in the manner of or basis for presenting corresponding items for two or more periods (for example, any change in practice that affects comparability of financial statements must be disclosed), if changes have occurred? [FASB ASC 205-10-50-1]	_____	_____	_____
C. Consolidated Financial Statements			

Practice Tip

The purpose of consolidated financial statements is to present, primarily for the benefit of the owners and creditors of the parent, the results of operations and the financial position of a parent and all its subsidiaries as if the consolidated group were a single economic entity. There is a presumption that consolidated statements are more meaningful than separate statements and that they are usually necessary for a fair presentation when one of the entities in the group directly or indirectly has a controlling financial interest in the other entities.

In some cases parent-entity financial statements may be needed, in addition to consolidated financial statements, to indicate adequately the position of bondholders and other creditors or preferred shareholders of the parent. Consolidating financial statements, in which one column is used for the parent and other columns for particular subsidiaries or groups of subsidiaries, often are an effective means of presenting the pertinent information. However, consolidated financial statements are the general purpose financial statements of a parent having one or more subsidiaries; thus, parent-entity financial statements are not a valid substitute for consolidated financial statements.
[FASB ASC 810-10-10-1; FASB ASC 810-10-45-11]

[1] ERISA requires that the "Statement of Net Assets Available for Benefits" be presented in comparative form.

	Yes	No	N/A

Consolidation Policy

1. If consolidated statements are presented, is the consolidation policy disclosed? (***Note:*** In most cases, this can be made apparent by the headings or other information in the financial statements.) [FASB ASC 810-10-50-1] ____ ____ ____

Practice Tip

With regard to question 2, if a parent deconsolidates a subsidiary or derecognizes a group of assets through a nonreciprocal transfer to owners, such as a spinoff, the accounting guidance in FASB ASC 845-10 applies. [FASB ASC 810-10-40-5]

Parent With a Less-Than-Wholly-Owned Subsidiary

2. Has the parent properly disclosed all the following regarding one or more less-than-wholly-owned subsidiaries for each reporting period:
   - *a.* Separately, on the face of the consolidated financial statements, both of the following:
     - i. The amounts of consolidated net income and consolidated comprehensive income? ____ ____ ____
     - ii. The related amounts on each attributable to the parent and the noncontrolling interest? ____ ____ ____
   - *b.* Either in the notes or on the face of the consolidated income statement, amounts attributable to the parent for any of the following, if reported in the consolidated financial statements:
     - i. Income from continuing operations? ____ ____ ____
     - ii. Discontinued operations? ____ ____ ____
     - iii. Extraordinary items? ____ ____ ____
   - *c.* Either in the consolidated statement of changes in equity, if presented, or in the notes to consolidated financial statements, a reconciliation at the beginning and the end of the period of the carrying amount of total equity (net assets), equity (net assets) attributable to the parent, and equity (net assets) attributable to the noncontrolling interest? (***Note:*** This reconciliation should separately disclose [i] net income, [ii] transactions with owners acting in their capacity as owners, showing separately contributions from and distributions to owners, and [iii] each component of other comprehensive income.) ____ ____ ____
   - *d.* In notes to the consolidated financial statements, a separate schedule that shows the effects of any changes in a parent's ownership interest in a subsidiary on the equity attributable to the parent? ____ ____ ____
     [FASB ASC 810-10-50-1A]

	Yes	No	N/A

Deconsolidation of a Subsidiary

3. Has the entity properly disclosed the following, as a parent entity, if in the period either a subsidiary has been deconsolidated or a group of assets has been derecognized in accordance with FASB ASC 810-10-40-3A:

   a. The amount of any gain or loss recognized in accordance with FASB ASC 810-10-40-5? _____ _____ _____

   b. The portion of any gain or loss related to the remeasurement of any retained investment in the former subsidiary or group of assets to its fair value? _____ _____ _____

   c. The caption in the income statement in which the gain or loss is recognized unless separately presented on the face of the income statement? _____ _____ _____

   d. A description of the valuation technique(s) used to measure the fair value of any direct or indirect retained investment in the former subsidiary or group of assets? _____ _____ _____

   e. Information that enables users of the parent's financial statements to assess the inputs used to develop the fair value in item (*d*)? _____ _____ _____

   f. The nature of continuing involvement with the subsidiary or entity acquiring the group of assets after it has been deconsolidated or derecognized? _____ _____ _____

   g. Whether the transaction that resulted in the deconsolidation or derecognition was with a related party? _____ _____ _____

   h. Whether the former subsidiary or entity acquiring a group of assets will be a related party after deconsolidation? _____ _____ _____
   [FASB ASC 810-10-50-1B]

A Change in the Difference Between Parent and Subsidiary Fiscal Year-Ends

4. Has the entity properly disclosed, pursuant to FASB ASC 250, *Accounting Changes and Error Corrections*, regarding a change in (or elimination of) a previously existing difference between the fiscal year-ends of a parent entity and subsidiary or an investor and an equity method investee? _____ _____ _____
   [FASB ASC 810-10-50-2]

5. Has the entity properly presented its consolidated financial statements with intra-entity balances and transactions eliminated, including any intra-entity profit or loss on assets that remain within the consolidated group? _____ _____ _____
   [FASB ASC 810-10-45-1]

	Yes	No	N/A
Differing Fiscal Year-Ends Between Parent and Subsidiary			
6. If the financial reporting periods of any subsidiaries are different from that of the parent, has the entity properly presented information regarding intervening events that materially affect financial position or results of operations disclosed? [FASB ASC 810-10-45-12]	_____	_____	_____
A Change in Fiscal Year-End Lag Between Subsidiary and Parent			
7. If a parent company reports a change to (or the elimination of) a previously existing difference between the parent's reporting period and the reporting period of a consolidated entity in the parent's consolidated financial statements as described in FASB ASC 810-10-45-13, has the change been reported as a change in accounting principle in accordance with the provisions of FASB ASC 250, *Accounting Changes and Error Corrections*, excluding retrospective application if it is impracticable to do so? [FASB ASC 810-10-45-13]	_____	_____	_____

Consolidation of Variable Interest Entities

Notes: In June 2009, FASB issued Statement No. 167, *Amendments to FASB Interpretation No. 46(R)*. Among other things, FASB Statement No. 167 amends FASB Interpretation No. 46(R), to require an entity to perform an analysis to determine whether the entity's variable interest or interests give it a controlling financial interest in a variable interest entity (VIE) and to provide enhanced disclosures that will provide more transparent information about an entity's involvement in a VIE.

FASB Statement No. 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 (that is, January 1, 2010, for entities with calendar year-ends), for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.

In December 2009, FASB issued Accounting Standards Update (ASU) No. 2009-17, *Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, which formally incorporated the provisions of FASB Statement No. 167 into FASB ASC 810.

In January 2010, FASB issued ASU No. 2010-02, *Consolidations (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification*, which clarifies the application of the scope of the decrease in ownership provisions of FASB ASC 810. ASU No. 2010-02 also contains amendments that expand the disclosure requirements about deconsolidation of a subsidiary or derecognition of a group of assets. The amendments are effective beginning in the period that an entity adopts FASB Statement No. 160. If an entity has previously adopted FASB Statement No. 160, the amendments are effective beginning in the first interim or annual reporting period ending on or after December 15, 2009. The amend-

(continued)

	Yes	No	N/A

ments in ASU No. 2010-02 should be applied retrospectively to the first period that an entity adopts FASB Statement No. 160.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 167, ASU No. 2009-17, and ASU No. 2010-02. This guidance has been codified in FASB ASC 810. This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 810-10-65.

8. Has the entity properly presented each of the following separately on the income statement:

   a. Assets of a consolidated variable interest entity (VIE) that can be used only to settle obligations of the consolidated VIE? _____ _____ _____

   b. Liabilities of a consolidated VIE for which creditors (or beneficial interest holders) do not have recourse to the general credit of the primary beneficiary? _____ _____ _____
   [“Pending Content” in FASB ASC 810-10-45-25]

9. Has the entity properly included disclosures in order to provide financial statement users with an understanding of the following: (***Note:*** The entity may need to supplement the disclosures required by this subsection to achieve the following objectives. Further, these disclosures may be made in more than one note, provided there is a cross-reference provided.)

   a. The significant judgments and assumptions made by the entity in determining whether it must (i) consolidate a VIE and (ii) disclose information about its involvement in a VIE? _____ _____ _____

   b. The nature of restrictions on the consolidated VIE’s assets and on the settlement of its liabilities reported by the entity in its statement of financial position, including the carrying amounts of such assets and liabilities? _____ _____ _____

   c. The nature of, and changes in, the risks associated with the reporting entity’s involvement with the VIE? _____ _____ _____

   d. How the entity’s involvement with the VIE affects the reporting entity’s financial position, financial performance, and cash flows? _____ _____ _____
   [“Pending Content” in FASB ASC 810-10-50-2AA]

10. Has the entity properly disclosed, if it is the primary beneficiary of a VIE, all of the following: (***Note:*** A VIE may issue voting equity interests, and the entity that holds a majority voting interest may also be the primary beneficiary of the VIE. If so, and if the VIE meets the definition of a business and the VIE’s assets can be used for purposes other than the settlement of the VIE’s obligations, the disclosures that follow are not required.)

	Yes	No	N/A
a. The carrying amounts and classification of the VIE's assets and liabilities in the statement of financial position that are consolidated in accordance with the "Variable Interest Entities" subsections of FASB ASC 810-10, including qualitative information about the relationship(s) between those assets and liabilities?	____	____	____
b. Lack of recourse if creditors (or beneficial interest holders) of a consolidated VIE have no recourse to the general credit of the primary beneficiary?	____	____	____
c. Terms of arrangements, giving consideration to both explicit arrangements and implicit variable interests that could require the reporting entity to provide financial support to the VIE, including events or circumstances that could expose the reporting entity to a loss? ["Pending Content" in FASB ASC 810-10-50-3]	____	____	____
11. Has the entity properly disclosed the following, if it holds an interest in a VIE but is not the VIE's primary beneficiary:			
a. The carrying amounts and classification of the assets and liabilities in the reporting entity's statement of financial position that relate to the reporting entity's variable interest in the VIE?	____	____	____
b. The reporting entity's maximum exposure to loss as a result of its involvement with the VIE, including how the maximum exposure is determined and the significant sources of the reporting entity's exposure to the VIE?	____	____	____
c. A tabular comparison of the carrying amounts of the assets and liabilities, as required by item (*a*), preceding, and the reporting entity's maximum exposure to loss, as required by item (*b*), preceding? (***Note:*** The reporting entity should provide qualitative and quantitative information to allow financial statement users to understand the differences between the two amounts. That discussion should include, but is not limited to, the terms of arrangements, giving consideration to both explicit arrangements and implicit variable interests, that could require the reporting entity to provide financial support to the VIE, including events or circumstances that could expose the reporting entity to a loss.)	____	____	____
d. Encouraged, although not required, information about any liquidity arrangements, guarantees, or other commitments by third parties that may affect the fair value or risk of the reporting entity's variable interest in the VIE?	____	____	____

	Yes	*No*	*N/A*
e. If applicable, significant factors considered and judgments made in determining that the power to direct the activities of a VIE that most significantly affect the VIE's economic performance is shared in accordance with the guidance in FASB ASC 810-10-25-38D? ["Pending Content" in FASB ASC 810-10-50-4]	____	____	____
12. Has the reporting entity properly disclosed the following, if it is a primary beneficiary of a VIE or if it holds a variable interest in a VIE but is not the entity's primary beneficiary: (***Note:*** A VIE may issue voting equity interests, and the entity that holds a majority voting interest may also be the primary beneficiary of the VIE. If so, and if the VIE meets the definition of a business and the VIE's assets can be used for purposes other than the settlement of the VIE's obligation, the disclosures that follow are not required.)			
a. Its methodology for determining whether the reporting entity is the primary beneficiary of a VIE, including but not limited to significant judgments and assumptions made. (***Note:*** The entity may meet this disclosure requirement by providing information about the types of involvements a reporting entity considers significant, supplemented with information about how the significant involvements were considered in determining whether the reporting entity is the primary beneficiary.)	____	____	____
b. If facts and circumstances change such that the conclusion to consolidate a VIE has changed in the most recent financial statements (for example, the VIE was previously consolidated and is not currently consolidated), the primary factors that caused the change and the effect on the reporting entity's financial statements?	____	____	____
c. Whether the reporting entity has provided financial or other support (explicitly or implicitly) during the periods presented to the VIE that it was not previously contractually required to provide or whether the reporting entity intends to provide that support, including both of the following:			
i. The type and amount of support, including situations in which the reporting entity assisted the VIE in obtaining another type of support?	____	____	____
ii. The primary reason for providing the support?	____	____	____
d. Qualitative and quantitative information about the reporting entity's involvement (giving consideration to both explicit arrangements and implicit variable interests) with the VIE, including but not limited to the nature, purpose, size, and activities of the VIE, including how the VIE is financed? ["Pending Content" in FASB ASC 810-10-50-5A]	____	____	____

	Yes	No	N/A

13. If an entity does not apply the guidance in the "Variable Interest Entities" subsections of FASB ASC 810 to one or more VIEs or potential VIEs because of the condition described in FASB ASC 810-10-15-17(c), is the following information disclosed:

    a. The number of legal entities to which this guidance is not being applied and the reason why the information required to apply this guidance is not available? _____ _____ _____

    b. The nature, purpose, size (if available), and activities of the legal entity(ies) and the nature of the enterprise's involvement with the entity(ies)? _____ _____ _____

    c. The reporting entity's maximum exposure to loss because of its involvement with the legal entity(ies)? _____ _____ _____

    d. The amount of income, expense, purchases, sales, or other measure of activity between the reporting entity and the legal entity(ies) for all periods presented? (***Note:*** If it is not practicable to present that information for prior periods that are presented in the first set of financial statements for which this requirement applies, the information for those prior periods is not required.) _____ _____ _____
    [FASB ASC 810-10-50-6]

14. Has the entity properly disclosed, if providing disclosures about VIEs, and if providing separate reporting would not provide more useful information to financial statement users, how similar entities are aggregated? The reporting entity should distinguish between (*a*) VIEs that are consolidated and (*b*) those that are not consolidated because the reporting entity is not the primary beneficiary but has a variable interest or is the sponsor that holds the variable interest. (***Note:*** The entity should consider quantitative and qualitative information about different risk and reward characteristics of each VIE and the significance of each VIE to the entity. Further, disclosures should be presented in a manner that clearly and fully explains to the financial statement users the nature and extent of an entity's involvement with VIEs.) _____ _____ _____
    ["Pending Content" in FASB ASC 810-10-50-9]

II. Statement of Net Assets Available for Benefits

A. General

1. Do disclosures include restrictions, if any, on plan assets (for example, legal restrictions on multiple trusts)? _____ _____ _____
   [FASB ASC 965-205-50-1*n*]

B. Investments

1. Are plan investments, whether they are in the form of equity or debt securities, real estate, or other investments (excluding insurance contracts), reported at their fair values at the financial statement date? _____ _____ _____
   [FASB ASC 965-325-35-1]

		Yes	No	N/A
2.	Are the plan's investments presented in enough detail to identify the types of investments and indicate whether reported fair values have been measured by quoted prices in an active market or have been otherwise determined? [FASB ASC 965-325-45-1]	____	____	____
3.	For nonparticipant-directed investments, are investments presented in the "Statements of Net Assets Available for Benefits" or in the notes detailed by general type, including the following:			
	a. Government securities?	____	____	____
	b. Short term securities?	____	____	____
	c. Corporate bonds?	____	____	____
	d. Common stocks?	____	____	____
	e. Mortgages?	____	____	____
	f. Real estate?	____	____	____
	g. Loans to participants?	____	____	____
	h. Registered investment companies (also known as *mutual funds*)? [FASB ASC 965-325-45-2]	____	____	____
4.	For contracts with insurance companies that are included in plan assets, are restrictions on the use of the assets disclosed? [AAG 7.53*c*; Common Practice]	____	____	____
5.	Are investments that represent five percent or more of the net assets available for benefits as of the end of the year separately identified in the financial statements or notes thereto? [FASB ASC 965-325-50-1]	____	____	____

Practice Tip

Listing all investments in Schedule H, line 4i—Schedule of Assets (Held at End of Year) required by ERISA does not eliminate the requirement to include this disclosure in the financial statements.
[Common Practice]

It is important to note that any information required by ERISA to be disclosed in the schedules must be disclosed in the schedules; disclosure of the information on the face of the financial statements or in the notes to the financial statements but not in the schedules is not acceptable.
[AAG 4.91]

		Yes	No	N/A
6.	Has consideration been given to disclosing provisions of insurance contracts included as plan assets that could cause an impairment of the asset value upon liquidation or other occurrence (for example, surrender charges and market value adjustments)? [FASB ASC 965-325-50-1]	____	____	____

	Yes	No	N/A

C. Investment and Insurance Contracts

Practice Tip

The AICPA issued TIS sections 6931.08–.10 (AICPA, *Technical Practice Aids*) to provide nonauthoritative guidance on the reporting of fully-benefit responsive investment contracts held by defined contribution health and welfare plans and to clarify the types of investments covered, financial statement presentation of investments in common collective trust funds and master trusts, and related disclosure requirements.

1. Are investment contracts held by defined benefit health and welfare plans reported at fair value? [FASB ASC 965-325-35-2] _____ _____ _____
2. Does the statement of net assets available for benefits present amounts for the following:
   a. Total assets? _____ _____ _____
   b. Total liabilities? _____ _____ _____
   c. Net assets reflecting all investments at fair value? _____ _____ _____
   d. Net assets available for benefits? [FASB ASC 965-20-45-1] _____ _____ _____
3. Is the amount representing the difference between net assets reflecting all investments at fair value and net assets available for benefits, presented on the face of the statement of net assets available for benefits as a single amount? Is this amount calculated as the sum of the amounts necessary to adjust the portion of net assets attributable to each fully benefit-responsive investment contract from fair value to contract value? [FASB ASC 965-20-45-2] _____ _____ _____
4. Are insurance contracts, as defined by FASB ASC 944, *Financial Services—Insurance*, presented in the same manner as specified in the annual report filed by the plan with certain governmental agencies pursuant to ERISA; that is, either at fair value or at amounts determined by the insurance entity (contract value)? If the plan is not subject to ERISA, does it present insurance contracts as if the plan was subject to the reporting requirements of ERISA? [FASB ASC 965-325-35-3] _____ _____ _____
5. Are the following disclosed, in the aggregate, for fully benefit-responsive investment contracts:
   a. A description of the nature of those investment contracts, including how they operate, and the methodology for calculating the interest crediting rate, including the key factors that could influence future average interest crediting rates, the basis for and frequency of determining interest crediting rate resets, and any minimum interest crediting rate under the terms of the contracts? This disclosure should explain the relationship between future interest crediting rates and the amount reported on the statement of net assets available for benefits representing the adjustment for the portion of net assets attributable to fully benefit-responsive investment contracts from fair value to contract value. _____ _____ _____

	Yes	No	N/A
b. The average yield earned by the plan for all fully benefit-responsive investment contracts (which may differ from the interest rate credited to participants in the plan) for each period for which a statement of net assets available for benefits is presented? This average yield should be calculated by dividing the annualized earnings of all fully benefit-responsive investment contracts in the plan (irrespective of the interest rate credited to participants in the plan) by the fair value of all fully benefit-responsive investment contracts in the plan.	____	____	____
c. The average yield earned by the plan for all fully benefit-responsive investment contracts with an adjustment to reflect the actual interest rate credited to participants in the plan for each period for which a statement of net assets available for benefits is presented? This average yield should be calculated by dividing the annualized earnings credited to participants in the plan for all fully benefit-responsive investment contracts in the plan (irrespective of the actual earnings of those investments) by the fair value of all fully benefit-responsive investment contracts in the plan.	____	____	____
d. A description of the events that limit the ability of the plan to transact at contract value with the issuer (for example, premature termination of the contracts by the plan, plant closings, layoffs, plan termination, bankruptcy, mergers, and early retirement incentives), including a statement as to whether the occurrence of those events that would limit the plan's ability to transact at contract value with participants in the plan is probable or not probable (the term *probable* used herein is consistent with its use in FASB ASC 450, *Contingencies*)?	____	____	____
e. A description of the events and circumstances that would allow issuers to terminate fully benefit-responsive investment contracts with the plan and settle at an amount different from contract value? [FASB ASC 965-325-50-2]	____	____	____
6. For ERISA-covered plans, if a fully benefit-responsive investment contract does not qualify for contract-value reporting in the DOL Form 5500, but is reported in the financial statements at contract value, and the contract value does not approximate fair value, the DOL's rules and regulations require that a statement explaining the differences between amounts reported in the financial statements and DOL Form 5500 be added to the financial statements? [FASB ASC 965-325-50-3]	____	____	____

	Yes	No	N/A

D. Assets Held in 401(h) Account

1. Are the 401(h) assets and liabilities and changes in them shown in the health and welfare benefit plan financial statements either as a single line item on the face of the statements or included in individual line items with separate disclosure in the footnotes about the 401(h) amounts included in those individual line items? ____ ____ ____
[FASB ASC 965-205-45-7]

2. Do the notes to the financial statements disclose the following:

   a. The fact that retiree health benefit obligations are funded partially through a 401(h) account of the defined benefit pension plan (if applicable)? ____ ____ ____

   b. If question 2(*a*) is applicable, is the fact that the assets in the 401(h) account are available only to pay retiree health benefits also disclosed? ____ ____ ____

   c. The significant components of net assets and changes in net assets of the 401(h) account? ____ ____ ____
   [FASB ASC 965-205-50 par. 2–3]

3. Because ERISA requires 401(h) accounts to be reported as assets of the health and welfare benefit plan, do the notes to the financial statements include a reconciliation of the net assets reported in the financial statements to those reported in the Form 5500? ____ ____ ____
[FASB ASC 965-205-50-4]

E. Contributions Receivable

1. Are contributions receivable separately identified? ____ ____ ____
[FASB ASC 965-310-45-1]

2. Are the following contributions receivable separately identified and accrued as of the date of the financial statements:

   a. Receivables from employer(s)? ____ ____ ____

   b. Receivables from participants? ____ ____ ____

   c. Other sources of funding (for example, state subsidies or federal grants) pursuant to formal commitments as well as legal or contractual requirements? ____ ____ ____
   [Common Practice]

3. Do contributions receivable include an allowance for uncollectible amounts? ____ ____ ____
[FASB ASC 965-310-35-1]

F. Deposits With and Receivables From Insurance Entities and Other Service Providers

1. Is the nature of payments made to insurance entities disclosed for deposits required to be maintained to be applied against future losses in excess of current premiums and premium stabilization reserves? ____ ____ ____
[FASB ASC 965-310-50-1]

	Yes	No	N/A
2. If the amount of refund due from an insurance entity for experience-rating cannot be reasonably estimated, is this fact disclosed? [FASB ASC 965-310-50-2]	_____	_____	_____
G. Property, Plant, and Equipment			
1. Are plan assets used in plan operations (for example, buildings, equipment, furniture and fixtures, or leasehold improvement) reported at cost less accumulated depreciation or amortization? [FASB ASC 965-360-35-1]	_____	_____	_____
2. For depreciable assets, do the financial statements include disclosure of the following:			
a. Depreciation expense for each period?	_____	_____	_____
b. Balances of major classes of depreciable assets by nature or function?	_____	_____	_____
c. Accumulated depreciation, either by major classes of assets or in total?	_____	_____	_____
d. A general description of the method or methods used in computing depreciation for each major class of depreciable assets? [FASB ASC 360-10-50-1]	_____	_____	_____
3. If an impairment loss is recognized for assets to be held and used, or for assets to be disposed of, are disclosures made in accordance with the guidance for the presentation and disclosure of the "Impairment or Disposal of Long-Lived Assets" section of FASB ASC 360, *Property, Plant and Equipment*?[2] [FASB ASC 360-10-45; FASB ASC 360-10-50]	_____	_____	_____
H. Cash			
1. Is separate disclosure made of restricted cash? [FASB ASC 210-10-45-4]	_____	_____	_____
2. Are restrictions on cash properly disclosed? [Common Practice]	_____	_____	_____
3. Are bank overdrafts reclassified to and presented separately in liabilities? [Common Practice]	_____	_____	_____

Practice Tip

The AICPA issued TIS section 1100.15, "Liquidity Restrictions" (AICPA, *Technical Practice Aids*), to discuss auditing and accounting issues related to withdrawal restrictions placed on short term investments by a money market fund or its trustee.

[2] Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 360-10-45 and FASB ASC 360-10-50 provide guidance for the presentation and disclosure of the impairment or disposal of long-lived assets to be held and used and assets to be disposed of. The specific detailed requirements of FASB ASC 360-10-45 and FASB ASC 360-10-50 have not been included in the checklist due to the determination that many of the presentation and disclosure requirements would not be applicable to health and welfare benefit plans. However, if the plan recognizes an impairment of long-lived assets, please refer to the aforementioned sections of FASB ASC for the presentation and disclosure requirements.

	Yes	No	N/A
I. Liabilities			
1. Are liabilities other than for benefits (such as securities purchased, income taxes payable by the plan, and other expenses, for example, third-party administrator fees) deducted in arriving at net assets available for benefits? [FASB ASC 965-20-25-1]	_____	_____	_____
2. Are the following stated separately:			
a. Due to broker for securities purchased?	_____	_____	_____
b. Income taxes payable?	_____	_____	_____
c. Other expenses (for example, third-party administrator fees)? [Common Practice; AAG 4.64; and AAG exhibits E-1, E-6, E-9, and E-14 in app. E]	_____	_____	_____

III. Statement of Changes in Net Assets Available for Benefits

	Yes	No	N/A
1. Is the statement of changes in net assets available for benefits presented in enough detail to identify the significant changes during the year including the following, as applicable:			
a. Contributions from employers, segregated between cash and noncash contributions?	_____	_____	_____
b. The nature of noncash contributions should be described either parenthetically or in a note.	_____	_____	_____
c. Contributions from participants, including those collected and remitted by the sponsor?	_____	_____	_____
d. Contributions from other identified sources (for example, state subsidies or federal grants)?	_____	_____	_____
e. The net appreciation or depreciation in fair value for each significant class of investments, segregated between investments whose fair values have been measured by quoted prices in an active market and those whose fair values have been otherwise determined?	_____	_____	_____

Practice Tip

Net appreciation or depreciation includes realized gains and losses on investments that were both purchased and sold during the period. Ordinarily, information regarding the net appreciation or depreciation in the fair value of investments is found in the notes to the financial statements.
[FASB ASC 965-20-45-3; FASB ASC 965-320-50-1]

	Yes	No	N/A
f. Investment income, excluding the net appreciation or depreciation?	_____	_____	_____
g. Income taxes paid or payable, if applicable?	_____	_____	_____
h. Payments of claims, excluding payments made by an insurance entity pursuant to contracts that are excluded from plan assets?	_____	_____	_____
i. Payments of premiums to insurance entities to purchase contracts that are excluded from plan assets?	_____	_____	_____

	Yes	No	N/A
j. Operating and administrative expenses?	_____	_____	_____
k. Other changes (such as transfers of assets to or from other plans), if significant? [FASB ASC 965-20-45-3]	_____	_____	_____

Practice Tip

The list of minimum disclosures is not intended to define the degree of detail or the manner of presenting the information, and subclassifications or additional classifications may be useful.
[FASB ASC 965-20-45-4]

	Yes	No	N/A
2. Is the statement of changes in net assets available for benefits prepared on a basis that reflects income credited to participants in the plan and net appreciation or depreciation in the fair value of only those investment contracts that are not deemed to be fully benefit-responsive? [FASB ASC 965-20-45-5]	_____	_____	_____
3. If the 401(h) account assets and liabilities are shown as a single line item in the statement of net assets, are the changes in net assets also shown as a single line item on the health and welfare benefit plan's statement of changes in net assets? [FASB ASC 965-205-45-8]	_____	_____	_____
4. If the 401(h) account assets and liabilities are included in individual asset and liability line items in the statement of net assets, are the changes in individual 401(h) amounts included in the changes in the individual line items in the statement of changes in net assets, with separate disclosure in the footnotes about the 401(h) amounts included in those individual line items? [FASB ASC 965-205-45-8]	_____	_____	_____

IV. Statement of Plan's Benefit Obligations

Practice Tip

Information about the benefit obligations should be presented in a separate statement, combined with other information on another financial statement, or presented in the notes to financial statements. Regardless of the format selected, the plan financial statements should present the benefit obligations information in its entirety in the same location.
[FASB ASC 965-205-45-2]

	Yes	No	N/A
1. Do benefit obligations for single-employer, multiple-employer, and multiemployer defined-benefit health and welfare benefit plans include the actuarial present value, as applicable, of the following:			
a. Claims payable, claims incurred but not reported (IBNR), and premiums due to insurance entities?	_____	_____	_____

	Yes	No	N/A

Practice Tip

In an insured health and welfare benefit plan, claims payable and currently due and claims IBNR to the plan will be paid by the insurance entity. Consequently, they should be excluded from the benefit obligations of the plan. Benefit obligations of a self-funded plan should present claims payable and currently due for active and retired participants, dependents, and beneficiaries as well as IBNR claims for active participants. IBNR claims for retired participants are included in the postretirement benefit obligation, if separately calculated in accordance with FASB ASC 965-30-35-1(a).
[FASB ASC 965-30-45 par. 2–3]

Claims IBNR may be computed in the aggregate for active participants and retirees. Alternatively, if claims IBNR are not calculated in the aggregate for active participants and retirees, such claims for retirees are recorded in the postretirement benefit obligation. Aggregating claims payable and claims IBNR are often appropriate if adequate time has passed to provide sufficient data on costs incurred and the actuarially determined expected cost of long-term medical claims is insignificant. Benefits expected to be earned for future service by active participants (for example, vacation benefits) during the term of their employment should not be included.
[FASB ASC 965-30-35 par. 1 and 3–4]

b. Accumulated eligibility credits and postemployment benefits, net amounts currently payable? _____ _____ _____

c. Postretirement benefits for the following groups of participants:

i. Retired plan participants, including their beneficiaries and covered dependents, net of amounts currently payable and claims IBNR (assuming such amounts are included in the aggregate computation described in question 1(*a*))? _____ _____ _____

ii. Other plan participants fully eligible for benefits? _____ _____ _____

iii. Plan participants not yet fully eligible for benefits? _____ _____ _____
[FASB ASC 965-30-35-1]

2. Are benefit obligations reported as of the end of the plan year? _____ _____ _____
[FASB ASC 965-30-35-5]

Practice Tip

The effect of plan amendments should be included in the computation of the expected and accumulated postretirement benefit obligations (APBO) once they have been contractually agreed to, even if some provisions take effect only in future periods.
[FASB ASC 965-30-35-7]

3. To the extent they exist, are the amounts of benefit obligations in each of the three major classifications listed in question 1(*c*) shown as separate line items in the financial statements or notes to the financial statements? _____ _____ _____

a. Regardless of the format selected, do the plan financial statements present the benefit obligations information in its entirety in the same location? _____ _____ _____

	Yes	No	N/A
b. For negotiated plans, are benefit obligations due during a plan's contract period disclosed? (***Common Practice***) [FASB ASC 965-30-45-1]	_____	_____	_____
4. Does the postretirement benefit obligation information include the following classifications:			
a. Obligations related to retired plan participants, including their beneficiaries and covered dependents?	_____	_____	_____
b. Obligations related to active or terminated participants who are fully eligible to receive benefits?	_____	_____	_____
c. Obligations related to other plan participants not yet fully eligible for benefits? [FASB ASC 965-30-35-22]	_____	_____	_____
5. Is consideration given to separately disclosing each significant benefit (for example, medical and death) for each classification listed in question 4, as appropriate? [FASB ASC 965-30-50-1]	_____	_____	_____
6. Premium deficits should be included in benefit obligations if (*a*) it is probable that the deficit will be applied against the amounts of future premiums or future experience-rating refunds (this determination should consider the extent to which the insurance contract requires payment of such deficits and the plan's intention, if any, to transfer coverage to another insurance entity) and (*b*) the amount can be reasonably estimated. If no obligation is included for a premium deficit because either or both of the conditions in the preceding list are not met, or if an exposure to loss exists in excess of the amount accrued, is disclosure of the premium deficit made if it is reasonably possible that a loss or an additional loss has been incurred? [FASB ASC 965-30-25-5; FASB ASC 965-30-50-4]	_____	_____	_____
7. Are 401(h) obligations reported in the health and welfare benefit plan's statement of benefit obligations? [FASB ASC 965-205-45-8]	_____	_____	_____
A. Medicare Prescription Drug, Improvement and Modernization Act of 2003			
Single-Employer Health and Welfare Benefit Plans			
1. Are the following disclosures made by a single-employer health and welfare benefit plan, whose effects of the plan sponsor's (employer's) Medicare prescription drug subsidy (Medicare subsidy) are not included in calculating the health and welfare plan's postretirement benefit obligation:			
a. The existence of the act?	_____	_____	_____
b. The fact that the APBO and the changes in the benefit obligation do not reflect any amount associated with the Medicare subsidy because the plan is not directly entitled to the Medicare subsidy?	_____	_____	_____

	Yes	No	N/A
2. Until the plan sponsor (employer) is able to determine whether benefits provided by its plan are actuarially equivalent to Medicare Part D.1, is disclosure made that the employer is not able to determine whether the benefits provided by its plan are actuarially equivalent to Medicare Part D.1?	____	____	____
3. If the plan sponsor (employer) has included the effects of the Medicare subsidy in measuring its APBO and changes in benefit obligation, is disclosure made of the fact that the amount of the APBO differs from that disclosed by the plan sponsor (employer) because the plan sponsor's amounts are net of the Medicare subsidy? [TIS 6931.05]	____	____	____
Multiemployer Employee Health and Welfare Benefit Plans			
4. Are the following disclosures made when a multiemployer health and welfare benefit plan has included the effects of the Medicare subsidy in measuring its APBO and changes in the benefit obligation:			
a. The existence of the act?	____	____	____
b. The reduction in the APBO for the subsidy related to benefits attributed to past service?	____	____	____
c. The effect of the subsidy on the changes in the benefit obligation for the current period?	____	____	____
d. An explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures?	____	____	____
e. The gross benefit payments (paid and expected, respectively) including prescription drug benefits, and separately the gross amount of the subsidy receipts (received and expected, respectively)?	____	____	____
5. Until the multiemployer plan is able to determine whether benefits provided by its plan are at least actuarially equivalent to Medicare Part D.1, are the following disclosures made:			
a. The existence of the act?	____	____	____
b. The fact that measures of the APBO and changes in the benefit obligation do not reflect any amount associated with the subsidy because the plan is unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D under the act? [TIS 6931.06]	____	____	____

Yes No N/A

V. Postemployment Benefits

Practice Tip

Plans that provide postemployment benefits should recognize a benefit obligation for current participants, based on amounts expected to be paid in subsequent years, if all the conditions listed in FASB ASC 965-30-25-3 are met. See paragraphs 3–4 of FASB ASC 965-30-25 and paragraphs 9–10 of FASB ASC 965-30-35 for guidance on accounting for and reporting of postemployment benefits.
[FASB ASC 965-30-25 par. 3–4]

1. If an obligation for postemployment benefits is not recognized in accordance with FASB ASC 965-30-25-3 and paragraphs 9–10 of FASB ASC 965-30-35 only because the amount cannot be reasonably estimated, do the financial statements disclose that fact? ____ ____ ____
[FASB ASC 965-30-50-2]
2. Is disclosure made of the weighted-average assumed discount rate used to measure the plan's obligation for postemployment benefits? ____ ____ ____
[FASB ASC 965-30-50-5*b*]

A. **American Recovery and Reinvestment Act of 2009**

Note: The AICPA issued a TIS section to provide information on how the effects of the Consolidated Omnibus Budget Reconciliation Act (COBRA) premium subsidy should be reflected when calculating a health and welfare plan's postemployment benefit obligation. See TIS section 6931.12, "Accounting and Disclosure Requirements for Health and Welfare Plans Related to the COBRA Premium Subsidy Included in the American Recovery and Reinvestment Act of 2009" (AICPA, *Technical Practice Aids*), for additional nonauthoritative guidance.

1. Is disclosure made about the portion of the plan's estimated cost that is funded by the COBRA premium subsidy? ____ ____ ____
[TIS 6931.12]

VI. Statement of Changes in Plan's Benefit Obligations

Practice Tip

Information regarding changes in the benefit obligations within a plan period should be presented to identify the significant factors affecting year-to-year changes in benefit obligations. Like the benefit obligation information, the changes in each of the three major classifications of benefit obligations should be presented in the body of the financial statements or in the notes to the financial statements; the information may be presented in either a reconciliation or narrative format.
[FASB ASC 965-30-45 par. 4–5]

A. **General**

1. Are changes in benefit obligations presented in the following categories:
   a. Claims payable, claims IBNR, and premiums due to insurance entities? ____ ____ ____

	Yes	No	N/A
b. Accumulated eligibility credits and postemployment benefits, net of amounts currently payable?	_____	_____	_____
c. Postretirement benefits for retired plan participants, including their beneficiaries and covered dependents, net of amounts currently payable and claims IBNR; other plan participants fully eligible for benefits; and plan participants not yet fully eligible for benefits? [FASB ASC 965-30-45 par. 5*a*–*c*]	_____	_____	_____

B. Claims Paid Through 401(h) Account

	Yes	No	N/A
1. Does the health and welfare benefit plan's statement of changes in benefit obligations include claims paid through the 401(h) account? [FASB ASC 965-205-45-8]	_____	_____	_____

C. Minimum Disclosure Requirements Regarding Changes in Benefit Obligations

Practice Tip

If only the minimum disclosure is presented, presentation in a statement format will necessitate an additional unidentified other category to reconcile the initial and ultimate amounts.
[FASB ASC 965-30-45-8]

Changes in actuarial assumptions are to be considered as changes in accounting estimates and therefore previously reported amounts should not be restated.
[FASB ASC 965-30-45-7]

Actuarial experience gains or losses may be included with the effects of additional benefits accumulated rather than separately disclosed. If the effects of changes in actuarial assumptions cannot be separately determined, those effects should be included in benefits accumulated and described accordingly.
[FASB ASC 965-30-45-7]

	Yes	No	N/A
1. At a minimum, is information provided with respect to the significant effects of all of the following:			
a. Plan amendments?	_____	_____	_____
b. Changes in the nature of the plan (mergers or spinoffs)?	_____	_____	_____
c. Changes in actuarial assumptions (health care cost-trend rate or interest rate)? [FASB ASC 965-30-45-6]	_____	_____	_____
2. Are significant effects of other factors identified, for example, benefits accumulated, the effects of the time value of money (for interest), and benefits paid? [FASB ASC 965-30-45-7]	_____	_____	_____

Practice Tip

Financial statements prepared on a comprehensive basis of accounting other than GAAP should disclose information regarding benefit obligations.
[AAG 4.23 fn 3]

	Yes	No	N/A

VII. Summary of Significant Accounting Policies

A. Accounting Policies

1. Is a description of all significant accounting policies been included as an integral part of the financial statements as either a separate summary of significant accounting policies preceding the notes to the financial statements or as the initial note? ____ ____ ____
[FASB ASC 235-10-50-1; FASB ASC 235-10-50-6; Common Practice]

2. Does the disclosure of significant accounting policies identify and describe all significant accounting principles followed by the reporting entity and the methods of applying those principles that materially affect the determination of financial position and results of operations including instances in which there

   a. is a selection from existing acceptable alternatives? ____ ____ ____

   b. are principles and methods peculiar to the industry in which the reporting entity operates, even if such principles and methods are predominantly followed in that industry? ____ ____ ____

   c. are unusual or innovative applications of GAAP? ____ ____ ____
   [FASB ASC 235-10-50-3]

3. 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? ____ ____ ____
[FASB ASC 235-10-50-5]

4. Does the disclosure of significant accounting policies include a description of the methods and significant assumptions used to determine the fair value of investments and the reported value of insurance contracts? ____ ____ ____
[FASB ASC 965-325-50-1]

5. Does the disclosure of significant accounting policies include a description of the methods and significant actuarial assumptions used to determine the plan's benefit obligations? ____ ____ ____
[FASB ASC 965-30-50-5]

6. Are any significant changes in assumptions between financial statement dates and their effects described? ____ ____ ____
[FASB ASC 965-30-50-5]

7. If administrative expenses expected to be paid by the plan (but not those paid directly by the plan's participating employer[s]) that are associated with providing the plan's benefits are reflected by reducing the discount rate(s) used in measuring the benefit obligation, is the resulting reduction in the discount rate(s) disclosed? ____ ____ ____
[FASB ASC 965-30-50-7]

	Yes	No	N/A
8. For defined-contribution health and welfare plans, does the disclosure of significant accounting policies include the accounting policy for, and the amount and disposition of, forfeited nonvested accounts (specifically, identification of whether those amounts will be used to reduce future employer contributions, employer expenses, or will be allocated to participants accounts)? [FASB ASC 965-205-50-1*o*]	____	____	____
B. Risks and Uncertainties			
1. Has the entity properly disclosed a description of the major products or services the entity sells or provides and it principal markets, including the locations of those markets? [FASB ASC 275-10-50-2]	____	____	____
2. Is an explanation that the preparation of financial statements in conformity with GAAP requires the use of management's estimates included? [FASB ASC 275-10-50-4]	____	____	____
3. Has the entity properly disclosed if, based on known information available to the entity before the issuance of the financial statements, it is reasonably possibly that estimates in the financial statements will change in the *near term* (as defined by the FASB ASC glossary as a period of time not to exceed one year from the date of the financial statements) and the effects will be material, discussion (including an estimate of the effect of the change in condition, situation, or set of circumstances that existed at the date of the financial statements) in the financial statements of these facts and circumstances? [FASB ASC 275-10-50-6]	____	____	____
4. If known information available before the financial statements are issued or are available to be issued indicates that (*a*) it is at least reasonably possible that the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events, and (*b*) the effect of the change would be material to the financial statements,			
a. is disclosure made of the nature of the uncertainty, including an indication that it is at least reasonably possible that a change in the estimate will occur in the near term?	____	____	____
b. if the estimate involves a loss contingency covered by FASB ASC 450-20, does the disclosure include an estimate of the possible range of loss, or state that such an estimate cannot be made?	____	____	____
c. does the disclosure describe the factors that cause the estimate to be sensitive to change? (*encouraged, not required*) [FASB ASC 275-10-50 par. 8–9]	____	____	____

	Yes	No	N/A

Practice Tip

Whether an estimate meets the criteria for disclosure under FASB ASC 275, *Risks and Uncertainties*, does not depend on the amount that has been reported in the financial statements, but rather on the materiality of the effect that using a different estimate would have had on the financial statements. Simply because an estimate resulted in the recognition of a small financial statement amount, or no amount, does not mean that disclosure is not required under FASB ASC 275-10.
[FASB ASC 275-10-50-14]

5. Is disclosure (including information that is adequate to inform users of the general nature of the risk associated with concentrations in the volume of business transacted with a particular customer, supplier, lender, grantor, or contributor; in revenue from particular products, services, or fund-raising events; in the available sources of supply of materials, labor, or services, or licenses or other rights used in the reporting entity's operations; or in the market or geographic area in which the reporting entity conducts its operations) made if, based on information known to management before the financial statements are issued, (*a*) the concentration existed at the date of the financial statements, (*b*) the concentration made the entity vulnerable to the risk of a near-term severe impact, and (*c*) it is at least reasonably possible that the events that could cause the severe impact will occur in the near term? ____ ____ ____
[FASB ASC 275-10-50 par. 16, 18, and 20]

6. For those concentrations of labor subject to collective bargaining agreements and concentrations of operations located outside the reporting entity's home country that (*a*) exist at the date of the financial statements and (*b*) make the reporting entity vulnerable to the risk of a near-term severe impact, where it is at least reasonably possible that the events that could cause the severe impact will occur in the near term, are the following disclosed:

   a. The percentage of labor force covered by a collective agreement and the percentage of the labor force covered by a collective bargaining agreement that will expire in one year? ____ ____ ____

   b. For operations located outside the reporting entity's home country, the carrying amounts of net assets and the geographic areas in which they are located? ____ ____ ____
   [FASB ASC 275-10-50-20]

7. Certain loan products have contractual terms that expose entities to risks and uncertainties that fall into one or more categories, as discussed in FASB ASC 275-10-50-1. If they meet the requirements of FASB ASC 275-10-50, are other concentrations disclosed? ____ ____ ____
[FASB ASC 310-10-50-25]

	Yes	No	N/A

VIII. Other Financial Statement Disclosures

A. Description of Health and Welfare Benefit Plans

1. Do disclosures include a brief, general description of the plan agreement, including, but not limited to, participants covered, vesting, and benefit provisions? [FASB ASC 965-205-50-1(a)] _____ _____ _____

Practice Tip

If a plan agreement or a description thereof providing this information is otherwise published or made available, the description in the financial statement disclosures may be omitted provided that a reference to the other source is made.
[FASB ASC 965-205-50-1*a*]

2. Does the description of the plan include the termination provisions of the plan and priorities for distribution of assets, if applicable? [FASB ASC 965-205-50-1(m)] _____ _____ _____

B. Description of Plan Amendments

1. If applicable, do disclosures include a description of significant plan amendments adopted during the period, as well as significant changes in the nature of the plan (for example, a plan spin-off or merger with another plan) and changes in actuarial assumptions? [FASB ASC 965-205-50-1(b)] _____ _____ _____

C. Accounting Changes and Error Corrections

Change in Accounting Principle

1. Is the following disclosed in the fiscal period in which a change in accounting principle is made (not required for subsequent periods):
   a. The nature of and reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable? _____ _____ _____
   b. The method of applying the change, including all of the following:
      i. A description of the prior-period information that has been retrospectively adjusted, if any? _____ _____ _____
      ii. The effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), any other affected financial statement line item, and any affected per-share amounts for the current period and any prior periods retrospectively adjusted? Presentation of the effect on financial statement subtotals and totals other than income from continuing operations and net income (or other appropriate captions of changes in the applicable net assets or performance indicator) is not required. _____ _____ _____

	Yes	*No*	*N/A*
iii. The cumulative effect of the change on retained earnings or other components of equity or net assets in the statement of financial position as of the beginning of the earliest period presented?	____	____	____
iv. If retrospective application to all prior periods is impracticable, disclosure of the reasons therefore, and a description of the alternative method used to report the change?	____	____	____
c. If indirect effects of a change in accounting principle are recognized,			
i. a description of the indirect effects of a change in accounting principle, including the amounts that have been recognized in the current period, and the related per-share amounts, if applicable?	____	____	____
ii. unless impracticable, the amount of the total recognized indirect effects of the accounting change and the related per-share amounts, if applicable, that are attributable to each prior period presented? [FASB ASC 250-10-50 par. 1–2]	____	____	____

Note: Financial statements of subsequent periods need not repeat the disclosures required by this paragraph.
[FASB ASC 250-10-50-1]

2. If a change in accounting principle has no material effect in the period of change but is reasonably certain to have a material effect in later periods, are the disclosures required by question 1(*a*) provided whenever the financial statements of the period of change are presented? [FASB ASC 250-10-50-1]	____	____	____
3. In the fiscal year in which a new accounting principle is adopted, does financial information reported for interim periods after the date of adoption include disclosure of the effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), and related per-share amounts, if applicable, for those post-change interim periods? [FASB ASC 250-10-50-3]	____	____	____

	Yes	No	N/A
***Change in Accounting Estimate*[3]**			
4. Is the effect on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), and any related per-share amounts of the current period disclosed for a change in estimate that affects several future periods, such as a change in service lives of depreciable assets? Disclosure of those effects is not necessary for estimates made each period in the ordinary course of accounting for items such as uncollectible accounts or inventory obsolescence; however, if the effect of a change in the estimate is material, is it disclosed?	____	____	____
5. When an entity effects a change in estimate by changing an accounting principle, are the disclosures required by paragraphs 1–3 of FASB ASC 250-10-50 are made?	____	____	____
6. If a change in estimate does not have a material effect in the period of change but is reasonably certain to have a material effect in later periods, is a description of that change in estimate disclosed whenever the financial statements of the period of change are presented? [FASB ASC 250-10-50-4]	____	____	____
Change in the Reporting Entity			
7. When there has been a change in the reporting entity, do the financial statements of the period of the change describe the nature of the change and the reason for it?	____	____	____
8. Is the effect of the change in the reporting entity on income before extraordinary items, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), other comprehensive income, and any related per-share amounts disclosed for all periods presented? [FASB ASC 250-10-50-6]	____	____	____
Note: Financial statements of subsequent periods need not repeat the disclosures required by this paragraph. [FASB ASC 250-10-50-6]			
9. If a change in reporting entity does not have a material effect in the period of change but is reasonably certain to have a material effect in later periods, is the nature of and reason for the change disclosed whenever the financial statements of the period of change are presented? [FASB ASC 250-10-50-6]	____	____	____
Note: Regarding business combinations, FASB ASC 805-10-50; FASB ASC 805-20-50; FASB ASC 805-30-50; and FASB ASC 805-740-50 describe the manner of reporting and the disclosures required for a business combination.			

[3] Per FASB ASC 250-10-50-5, the disclosure provisions for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique or its application.

	Yes	No	N/A

Correction of an Error in Previously Issued Financial Statements

10. When financial statements are restated to correct an error, does the entity disclose that its previously issued financial statements have been restated, along with a description of the nature of the error? Does the entity also disclose the following: ___ ___ ___

    a. The effect of the correction on each financial statement line item and any per-share amounts affected for each prior period presented? ___ ___ ___

    b. The cumulative effect of the change on retained earnings or other appropriate components of equity or net assets in the statement of financial position, as of the beginning of the earliest period presented? ___ ___ ___
    [FASB ASC 250-10-50-7]

11. In addition to question 10, does the entity make the following disclosures of prior-period adjustments and restatements (see also FASB ASC 205-10-45 and FASB ASC 205-10-50-1)? ___ ___ ___

    a. When financial statements for a single period only are presented, the effects (including applicable income taxes) of such restatement on the balance of retained earnings or other appropriate component of equity or net assets, at the beginning of the period and on the change in net assets of the immediately preceding period? ___ ___ ___

    b. When financial statements for more than one period are presented, the effects (including applicable income taxes) for each of the periods included in the financial statements? ___ ___ ___
    [FASB ASC 250-10-50-9]

Note: Financial statements of subsequent periods need not repeat the disclosures required by FASB ASC 250-10-50-8.
[FASB ASC 250-10-50-10]

An entity that issues interim financial statements should provide the required disclosures in the financial statements of both the interim period of the change and the annual period of the change.
[FASB ASC 250-10-50-2]

D. Commitments and Contingencies

Commitments

1. Has the entity disclosed the following items: unused letters of credit, long term leases, assets pledged as securities for loans, pension plans, the existence of cumulative preferred stock dividends in arrears, commitments for plant acquisitions to reduce debts, maintain working capital, or restrict dividends? ___ ___ ___
   [FASB ASC 440-10-50-1]

	Yes	No	N/A
2. Has the entity properly disclosed unconditional purchase obligations in accordance with paragraphs 2–6 of FASB ASC 440-10-50? [FASB ASC 440-10-50 par. 2–6]	_____	_____	_____
3. Has the entity properly complied with the disclosure requirements of both: FASB ASC 440, *Commitments*, and FASB ASC 815, *Derivatives and Hedging*, if an unconditional purchase obligation meets the requirements explained in FASB ASC 815-10-50-6? [FASB ASC 440-10-50-7]	_____	_____	_____

Accruals for Loss Contingencies

	Yes	No	N/A
4. Is disclosure made of the nature of estimated loss contingencies accrued when (*a*) information available prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and (*b*) the amount of loss can be reasonably estimated? [FASB ASC 450-20-25-2]	_____	_____	_____
5. If necessary to keep the financial statements from being misleading, are the amounts of contingencies accrued as described in question 1 disclosed? (***Note:*** The terminology used should be descriptive of the nature of the accrual, such as estimated liability or liability of an estimated amount. Further, the term *reserve* should not be used and is limited to an amount of unidentified or unsegregated assets held or retained for a specific purpose.) [FASB ASC 450-20-50-1]	_____	_____	_____

Practice Tip

"Pending Content" in FASB ASC 450-20-50-2A notes that the information required in question 6 does not apply to loss contingencies arising from an entity's recurring estimation of its allowance for credit losses under the provisions of ASU No. 2010-20, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*.

	Yes	No	N/A
6. Has the entity properly disclosed the following, if it is at least reasonably possible that the loss estimate will change in the near term and the change would be material to the financial statements:			
a. Nature of the contingency?	_____	_____	_____
b. An indication that it is at least reasonably possible that a change in the estimate will occur in the near term?	_____	_____	_____
c. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made? [FASB ASC 450-20-50 par. 2 and 4]	_____	_____	_____
7. Has the entity properly disclosed the contingency if there is at least a reason-able possibility that a loss or an additional loss may have been incurred and either of the following conditions exists:			

	Yes	No	N/A
a. An accrual is not made for a loss contingency because any of the conditions in question 4 are not met?	____	____	____
b. An exposure to loss exists in excess of the amount accrued pursuant to the provisions of FASB ASC 450-20-30-1? [FASB ASC 450-20-50-3]	____	____	____

Practice Tips

Disclosure is preferable to accrual when a reasonable estimate of loss cannot be made. For example, disclosure should be made of any loss contingency that meets the condition in FASB ASC 450-20-25-2(a), question 4, but that is not accrued because the amount of loss cannot be reasonably estimated. Disclosure also should be made of some loss contingencies that do not meet the condition in FASB ASC 450-20-25-2(a), question 4, namely, those contingencies for which there is a reasonable possibility that a loss may have been incurred even though information may not indicate that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements.
[FASB ASC 450-20-50-5]

******

Disclosure is not required of a loss contingency involving an unasserted claim or assessment if there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless both of the following conditions are met:

- It is considered probable that a claim will be asserted.
- There is a reasonable possibility that the outcome will be unfavorable.

Further, disclosure of noninsured or underinsured risks is not required, however disclosure in appropriate circumstances is not discouraged.
[FASB ASC 450-20-50 par. 6–7]

******

Occasionally, in the case of a loss arising after the date of the financial statements if the amount of asset impairment or liability incurrence can be reasonably estimated, disclosure may best be made by supplementing the historical financial statements with pro forma financial data giving effect to the loss as if it had occurred at the date of the financial statements. It may be desirable to present pro forma statements, usually a balance sheet only, in columnar form on the face of the historical financial statements.
[FASB ASC 450-20-50-10]

	Yes	No	N/A
8. Has the entity properly disclosed a loss or a loss contingency arising after the date of the entity's financial statements (but before those financial statements are issued), if applicable. If such a disclosure is required, have the following been provided:			
a. The nature of the loss or loss contingency?	____	____	____
b. An estimate of the possible loss or range of loss, or a statement that such an estimate cannot be made? [FASB ASC 450-20-50-9]	____	____	____

Yes | No | N/A

Practice Tip

Occasionally, in the case of a loss arising after the date of the financial statements if the amount of asset impairment or liability incurrence can be reasonably estimated, disclosure may best be made by supplementing the historical financial statements with pro forma financial data giving effect to the loss as if it had occurred at the date of the financial statements. It may be desirable to present pro forma statements, usually a balance sheet only, in columnar form on the face of the historical financial statements.
[FASB ASC 450-20-50-10]

Gain Contingencies

9. Are gain contingencies adequately disclosed with care to avoid any misleading implications about the likelihood of realization? _____ _____ _____
[FASB ASC 450-30-50-1]

Guarantees[4]

10. Has the entity properly recorded an accrual for credit loss on a financial instrument with off-balance sheet risk (including financial guarantees and financial standby letters of credit) separately from a valuation account related to a recognized financial instrument? _____ _____ _____
[FASB ASC 460-10-45-1]

11. Has the entity properly disclosed certain loss contingencies even though the possibility of loss may be remote (for example, guarantees of indebtedness of others, including indirect guarantees of indebtedness of others, obligations of commercial banks under standby letters of credit, guarantees to repurchase receivables that have been sold or otherwise assigned, and other agreements that in substance have the same guarantee characteristic)? _____ _____ _____
[FASB ASC 460-10-50-2]

12. Has the entity properly disclosed the nature and amount of the guarantee disclosing, if estimable, the value of any recovery that could be expected, such as from the guarantor's right to proceed against an outside party? _____ _____ _____
[FASB ASC 460-10-50-3]

13. Is the following information disclosed by a guarantor about each guarantee, or each group of similar guarantees, even if the likelihood of the guarantor's having to make any payments under the guarantee is remote:

[4] Per FASB ASC 460-10-50-5, the disclosure requirements of FASB ASC 460-10-50 do not eliminate or affect the disclosure requirements of the following:

- The requirements of the general subsection of FASB ASC 825-10-50
- The requirements of FASB ASC 450-20-50 paragraphs 3–4 that an entity disclose a contingent loss that has a reasonable possibility of occurring
- The requirements of the disclosure subsections of FASB ASC 815, *Derivatives and Hedging*
- The requirements of FASB ASC 275-10-50 that an entity disclose information about risks and uncertainties that could significantly affect the amounts reported in the financial statements in the near term

	Yes	*No*	*N/A*
a. The nature of the guarantee, including the approximate term, how the guarantee arose, and the events or circumstances that would require the guarantor to perform under the guarantee and the current status (that is, as of the date of the statement of financial position) of the payment or performance risk of the guarantee?	____	____	____
b. The maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee?	____	____	____
c. If the terms of the guarantee provide for no limitation to the maximum potential future payments under the guarantee, is that fact disclosed?	____	____	____
d. If the guarantor is unable to develop an estimate of the maximum potential amount of future payments under its guarantee, is the reasons why the maximum potential amount cannot be estimated disclosed?	____	____	____
e. The current carrying amount of the liability, if any, for the guarantor's obligations under the guarantee, including the amount, if any, recognized under FASB ASC 450-20-30, regardless of whether the guarantee is freestanding or embedded in another contract?	____	____	____
f. The nature of			
i. any recourse provisions that would enable the guarantor to recover from third parties any of the amounts paid under the guarantee?	____	____	____
ii. any assets held either as collateral or by third parties that, upon the occurrence of any triggering event or condition under the guarantee, the guarantor can obtain and liquidate to recover all or a portion of the amounts paid under the guarantee?	____	____	____
g. If estimable, the approximate extent to which the proceeds from liquidation of those assets would be expected to cover the maximum potential amount of future payments under the guarantee? [FASB ASC 460-10-50-4]	____	____	____
14. Has the entity properly disclosed the requirements in paragraphs 4–6 of FASB ASC 460-10-50 as applied to all minimum revenue guarantees in financial statements of interim or annual periods? [FASB ASC 460-10-50 par. 4–6]	____	____	____
15. For product warranties and other guarantee contracts required to be disclosed by FASB ASC 460-10-15-9, is the following information disclosed:			
a. The information required to be disclosed by FASB ASC 460-10-50-4, except that a guarantor is not required to disclose the maximum potential amount of future payments in FASB ASC 460-10-50-4(b)?	____	____	____

	Yes	No	N/A
b. The guarantor's accounting policy and methodology used in determining its liability for product warranties (including any liability associated with extended warranties)?	_____	_____	_____
c. A tabular reconciliation of the changes in the guarantor's aggregate product warranty liability for the reporting period?	_____	_____	_____
d. Does the tabular reconciliation present the following:			
i. The beginning balance of the aggregate product warranty liability?	_____	_____	_____
ii. The aggregate reductions in that liability for payments made (in cash or in kind) under the warranty?	_____	_____	_____
iii. The aggregate changes in the liability for accruals related to product warranties issued during the reporting period, and the aggregate changes in the liability for accruals related to preexisting warranties, including adjustments related to changes in estimates?	_____	_____	_____
iv. The ending balance of the aggregate product warranty liability? [FASB ASC 460-10-50-8]	_____	_____	_____
16. Are the disclosure requirements in paragraphs 30–34 of FASB ASC 460-10-55 complied with for intellectual property infringement indemnifications, as described in FASB ASC 460? [FASB ASC 460-10-55 par. 30–34]	_____	_____	_____

E. Derivatives and Hedging

Notes: In March 2010, FASB issued ASU No. 2010-11, *Derivative and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives*, to provide amendments to FASB ASC 815, *Derivatives and Hedging*, to clarify the guidance regarding the embedded credit derivative scope exception. ASU No. 2010-11 was effective for reporting periods beginning after June 15, 2010.

This checklist has been updated to include the disclosure and presentation requirements of ASU No. 2010-11.

This guidance is located in FASB ASC 815-10-50.

	Yes	No	N/A
1. Have the following disclosures been made by the entity with derivative instruments (or nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 58 and 66 of FASB ASC 815-20-25), which enable the users of the financial statements to understand the following:			
a. How and why an entity uses derivative instruments (or such nonderivative instruments)?	_____	_____	_____

	Yes	No	N/A
b. How derivative instruments (or such nonderivative instruments) and related hedged items are accounted for under FASB ASC 815?	_____	_____	_____
c. How derivative instruments (or such nonderivative instruments) and related hedged items affect the entity's financial position, performance and cash flows? [FASB ASC 815-10-50-1]	_____	_____	_____
2. Does the entity 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 58 and 66 of FASB ASC 815-20-25):			
a. Its objectives for holding or issuing those instruments?	_____	_____	_____
b. The context needed to understand those objectives?	_____	_____	_____
c. Its strategies for achieving those objectives?	_____	_____	_____
d. Information that would enable users of its financial statements to understand the volume of its activity in those instruments? (***Note:*** An entity should select the format and the specifics of disclosures relating to its volume of such activity that are most relevant and practicable for its individual facts and circumstances.) [FASB ASC 815-10-50 par. 1A–1B]	_____	_____	_____
3. Is the information described in question 2 about the instruments disclosed in the context of each instrument's primary underlying risk exposure (for example, interest rate, credit, foreign exchange rate, interest rate and foreign exchange rate, or overall price? [FASB ASC 815-10-50-1B]	_____	_____	_____
4. Does the description of those instruments in question 2 also distinguished between those used for risk management purposes and those used for other purposes? Derivative instruments (and nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 58 and 66 of FASB ASC 815-20-25) used for risk management purposes include those designated as hedging instruments under FASB ASC 815-20 as well as those used as economic hedges and for other purposes related to the entity's risk exposures. [FASB ASC 815-10-50-1B]	_____	_____	_____
5. For derivative instruments designated as hedging instruments, does the description distinguish between each of the following:			
a. Instruments used for risk management purposes, distinguish between each of the following:			

	Yes	No	N/A
i. Derivatives designated as fair value hedging instruments, derivative instruments designated as cash flow hedging instruments, and derivative instruments designated as hedging instruments of the foreign currency exposure in a net investment in a foreign operation?	_____	_____	_____
ii. Instruments used as economic hedges and for other purposes related to the entity's risk exposure?	_____	_____	_____
b. Instruments used for other purposes? [FASB ASC 815-10-50-2]	_____	_____	_____
6. For derivative instruments not designated as hedging instruments under FASB ASC 815-20, does the description indicate the purpose of the derivative activity? [FASB ASC 815-10-50-4]	_____	_____	_____

Practice Tip

The qualitative disclosures required by FASB ASC 815-10-50-4A(a)–(b), question 7, should be presented in tabular format except for the information required for hedged items by FASB ASC 815-10-50-4C(a). Information about hedged items can be presented in a tabular or nontabular format.
[FASB ASC 815-10-50-4E]

	Yes	No	N/A
7. For every annual and interim reporting period for which a statement of financial position and a statement of financial performance is presented, does the entity disclose the location and fair value amounts or the location and amount of gains and losses, as applicable, of derivative instruments it holds or issues (or nonderivative instruments it holds or issues that are designated and qualify as hedging instruments pursuant to paragraphs 58 and 66 of FASB ASC 815-20-25) reported in the financial statements? [FASB ASC 815-10-50-4A]	_____	_____	_____
8. Do the disclosures required by FASB ASC 815-10-50-4A(a), as discussed in question 7, provide the following:			
a. The fair value of derivative instruments on a gross basis, even when the derivative instruments are subject to master netting arrangements and qualify for net presentation in the statement of financial position in accordance with FASB ASC 210-20 (cash collateral payables and receivables associated with the derivative instruments are not added to or netted against the fair value amounts)?	_____	_____	_____
b. Fair value amounts presented as separate asset and liability values segregated between derivatives that are designated and qualifying as hedging instruments in accordance with FASB ASC 815-20, and those that are not?	_____	_____	_____

	Yes	No	N/A
c. Within each of the aforementioned categories, are fair value amounts presented separately by type of derivative contract (such as interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, or other contracts)?	____	____	____
d. Does the disclosure identify the line item(s) in the statement of financial position in which the fair value amounts for these categories of derivative instruments are included? [FASB ASC 815-10-50-4B]	____	____	____
9. Are the gains and losses disclosed pursuant to FASB ASC 815-10-50-4A(b) presented separately for all of the following types of contracts:			
a. Derivative instruments designated and qualifying as hedging instruments in fair value hedges and related hedged items designated and qualifying in fair value hedges? (***Note:*** The information about hedged items in this step can be presented in tabular or nontabular format.)	____	____	____
b. The effective portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges that was recognized in investment income during the current period?	____	____	____
c. The effective portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges recorded in investment income during the term of the hedging relationship?	____	____	____
d. The portion of gain and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges representing any of the following: (i) the amount of the hedges' ineffectiveness and (ii) the amount, if any, excluded from the assessment of hedge effectiveness?	____	____	____
e. Derivative instruments not designated or qualifying as hedging instruments under FASB ASC 815-20? [FASB ASC 815-10-50-4C]	____	____	____
10. Do the disclosures in the preceding question 9 present information separately by type of derivative contract (for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, and credit contracts)? [FASB ASC 815-10-50-4D]	____	____	____
11. Do the disclosures in the preceding question 9 identify the line item(s) in the statement of financial performance in which the gains and losses for the categories of derivative instruments are included? [FASB ASC 815-10-50-4D]	____	____	____

Yes No N/A

Practice Tip

If the disclosure option in question 12 is elected, a footnote in the required tables referencing the use of alternative disclosures for trading activities should be included.
[FASB ASC 815-10-50-4F]

12. If the entity's policy is to include derivative instruments that are not designated or qualifying as hedging instruments under FASB ASC 815-20 in its trading activities, and the entity elects to exclude those derivative instruments from the disclosures pursuant to question 9, has it disclosed the following:

    a. The gains and losses on its trading activities (including both derivative and nonderivative instruments) recognized in the statement of financial performance, separately by major types of items (for example, fixed income or interest rates, foreign exchange, equity, commodity, and credit)? ____ ____ ____

    b. The line items in the statement of financial performance in which trading activities gains and losses are included? ____ ____ ____

    c. A description of the nature of its trading activities and related risks and how the entity manages those risks? ____ ____ ____
    [FASB ASC 815-10-50-4F]

13. Does the entity disclose the following information about derivative instruments it holds and issues (or nonderivative instruments it holds and issues that are designated and qualify as hedging instruments pursuant to paragraphs 58 and 66 of FASB ASC 815-20-25) for every annual and interim reporting period for which a statement of financial position and a statement of financial performance is presented?

    a. The existence and nature of credit-risk-related contingent features and the circumstances in which the features could be triggered in derivative instruments (or such nonderivative instruments) that are in a net liability position at the end of the reporting period? ____ ____ ____

    b. The aggregate fair value amounts of derivative instruments (or such nonderivative instruments) that contain credit-risk related contingent features that are in a net liability position at the end of the reporting period? ____ ____ ____

    c. The aggregate fair value of assets that are already posted as collateral at the end of the reporting period and (1) the aggregate fair value of additional assets that would be required to be posted as collateral or (2) the aggregate fair value of assets needed to settle the instrument immediately, if the credit-risk-related contingent features were triggered at the end of the reporting period? ____ ____ ____
    [FASB ASC 815-10-50-4H]

	Yes	No	N/A
14. If the disclosures related to derivative instruments (or nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 58 and 66 of FASB ASC 815-20-25) are presented in more than a single footnote, does each derivative footnote cross-reference the other footnotes in which derivative-related information is disclosed? [FASB ASC 815-10-50-4I]	_____	_____	_____

Credit Derivatives

	Yes	No	N/A
15. If the entity is a seller of *credit derivatives* (as defined in FASB ASC 815-10-50-4J), does it disclose the following information even if the likelihood of the seller's having to make any payments under the credit derivative is remote:[5] (***Note:*** The term *seller* refers to the party that assumes credit risk, which could be a guarantor in a guarantee type contract, and any party that provides the credit protection in an option type contract, a credit default swap, or any other credit derivative contract. A seller is also sometimes referred to as *a writer of the contract*.)			
a. The nature of the credit derivative, including all of the following:			
i. The approximate term of the credit derivative?	_____	_____	_____
ii. The reason(s) for entering into the credit derivative?	_____	_____	_____
iii. The events or circumstances that would require the seller to perform under the credit derivative?	_____	_____	_____
iv. The current status (that is, as of the date of the statement of financial position) of the payment or performance risk of the credit derivative?	_____	_____	_____
v. If the entity uses internal groupings for the purposes of item (iv), how those groupings are determined and used for managing risk?	_____	_____	_____
b. The maximum potential amount of future payments (undiscounted) the seller could be required to make under the credit derivative that should not be reduced by the effect of any amounts that may possibly be recovered under recourse or collateralization provisions in the credit derivative?	_____	_____	_____
c. The fact that the terms of the credit derivative provide for no limitation to the maximum potential future payments under the contract, if applicable, is disclosed?	_____	_____	_____
d. If the seller is unable to develop an estimate of the maximum potential amount of future payments under the credit derivative, are the reasons why it cannot estimate the maximum potential amount disclosed?	_____	_____	_____

[5] Per FASB ASC 815-10-50-4L, for hybrid instruments that have embedded credit derivatives, the seller of the embedded credit derivative should disclose the information required for the entire hybrid instrument, not just the embedded credit derivatives.

	Yes	No	N/A
e. Is the fair value of the credit derivative as of the date of the statement of financial position disclosed?	____	____	____
f. The nature of the following:			
i. Any recourse provisions that would enable the seller to recover from third parties any of the amounts paid under the credit derivative?	____	____	____
ii. Any assets held either as collateral or by third parties that, upon the occurrence of any specified triggering event or condition under the credit derivative, the seller can obtain and liquidate to recover all or a portion of the amounts paid under the credit derivative?	____	____	____
g. Does the entity, as the seller of the credit derivative, indicate, if estimable, the approximate extent to which the proceeds from liquidation of those assets would be expected to cover the maximum potential amount of future payments under the credit derivative?	____	____	____
h. In its estimate of potential recoveries, does the seller of credit protection consider the effect of any purchased credit protection with identical underlying(s)? [FASB ASC 815-10-50-4J; FASB ASC 815-10-50-4K]	____	____	____

Note: The disclosures required by question 15*a*–*h* do not apply to an embedded derivative feature related to the transfer of credit risk that is only in the form of subordination of one financial instrument to another, as described in FASB ASC 815-15-15-9.
[FASB ASC 815-10-50-4K]

	Yes	No	N/A
16. With respect to hybrid instruments that have embedded credit derivatives, does the seller of the embedded credit derivative disclose the information required by FASB ASC 815-10-50-4K, question 15, for the entire hybrid instrument, not just the embedded credit derivatives? [FASB ASC 815-10-50-4L]	____	____	____
17. Does the seller of a credit derivative disclose the information required by FASB ASC 815-10-50-4K, question 15, for groups of similar credit derivatives by			
a. major types of contracts (for example, single-name credit default swaps, traded indexes, other portfolio products, and swaptions), and, then,	____	____	____
b. for each major type, by additional subgroups for major types of referenced or underlying asset classes (for example, corporate debt, sovereign debt, and structured finance) (*encouraged but not required*)? [FASB ASC 815-10-50-4L]	____	____	____

	Yes	No	N/A
18. The qualitative disclosures about the plan's objective and strategies for using derivative instruments (and nonderivative instruments that are designated and qualify as hedging instruments pursuant to FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66) may be more meaningful if they are described in the context of the plan's overall risk exposures relating to interest rate risk, foreign exchange risk, commodity price risk, credit risk, and equity price risk, even if the plan does not manage some of those exposures by using derivative instruments. Accordingly, in such situations, has the plan presented a more complete picture of its activities by disclosing that information (*encouraged but not required*)? [FASB ASC 815-10-50-5]	____	____	____

Unconditional Purchase Obligations

	Yes	No	N/A
19. Has the entity properly disclosed the information required by FASB ASC 440, *Commitments*, and FASB ASC 815 if the entity has unconditional purchase obligations which are subject to the requirements of those topics? [FASB ASC 815-10-50-6]	____	____	____

Balance Sheet Offsetting

	Yes	No	N/A
20. Has the entity properly disclosed its policy for offsetting or not offsetting in accordance with FASB ASC 815-10-45-6? [FASB ASC 815-10-50-7]	____	____	____

Practice Tip

A reporting entity should make an accounting policy decision to offset fair value amounts pursuant to FASB ASC 815-10-45-5. The reporting entity's choice to offset or not must be applied consistently. A reporting entity should not offset fair value amounts recognized for derivative instruments without offsetting fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral. A reporting entity that makes an accounting policy decision to offset fair value amounts recognized for derivative instruments pursuant to FASB ASC 815-10-45-5 but determines that the amount recognized for the right to reclaim cash collateral or the obligation to return cash collateral is not a fair value amount should continue to offset the derivative instruments.[6]
[FASB ASC 815-10-45-6]

21. Has the entity properly disclosed the amounts recognized at the end of each reporting period for the right to reclaim cash collateral or the obligation to return cash collateral as follows:

[6] In December 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-11, *Balance Sheet Topic (210): Disclosures about Offsetting Assets and Liabilities*. The amendments in ASU No. 2011-11 affect all entities that have financial instruments and derivative instruments that are either (*a*) offset in accordance with either FASB ASC 210-20-45 or FASB ASC 815-10-45 or (*b*) subject to an enforceable master netting arrangement or similar agreement. The requirements amend the disclosure requirements of offsetting in FASB ASC 210-20-50. The amendments in ASU No. 2011-11 require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The amendments in ASU No. 2011-11 will be effective for annual reporting periods beginning on or after January 1, 2013. This checklist will be updated closer to the effective date of ASU No. 2011-11.

	Yes	No	N/A
a. If the entity has made an accounting policy decision to offset fair value amounts, has it separately disclosed amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral that have been offset against net derivative positions in accordance with FASB ASC 815-10-45-5?	_____	_____	_____
b. Has the entity separately disclosed amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral under master netting arrangements that have not been offset against net derivative instrument positions?	_____	_____	_____
c. If the entity has made an accounting policy decision to not offset fair value amounts, has it separately disclosed the amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral under master netting arrangements? [FASB ASC 815-10-50-8]	_____	_____	_____

Practice Tip

A reporting entity may offset fair value amounts recognized for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative instrument(s) recognized at fair value executed with the same counterparty under a master netting arrangement. Solely as it relates to the right to reclaim cash collateral or the obligation to return cash collateral, fair value amounts include amounts that approximate fair value. [FASB ASC 815-10-45-5]

Certain Contracts on Debt and Equity Securities

	Yes	No	N/A
22. Has the plan disclosed its accounting policy for the premium paid (time value) to acquire an option that is classified as held to maturity or available for sale? [FASB ASC 815-10-50-9]	_____	_____	_____

Embedded Derivatives

	Yes	No	N/A
23. If the plan measures hybrid instruments (financial instruments containing embedded derivatives) at fair value in accordance with the election and under the practicability exception in FASB ASC 815-15-30-1 on earnings (or other performance indicators for entities that do not report earnings), is the aggregate fair value of those instruments reported separately on the face of the statement of financial position from the aggregate carrying amounts of assets and liabilities subsequently measured using another measurement attribute? [FASB ASC 815-15-45-1]	_____	_____	_____
24. For those hybrid financial instruments measured at fair value under the election and under the practicability exception in FASB ASC 815-15-30-1 on earnings (or other performance indicators for entities that do not report earnings), has the plan disclosed the information in paragraphs 28–32 of FASB ASC 825-10-50? [FASB ASC 815-15-50-1]	_____	_____	_____

	Yes	*No*	*N/A*

25. Has the plan provided information that will allow users to understand the effect of changes in the fair value of hybrid financial instruments measured at fair value under the election and under the practicability exception in FASB ASC 815-15-30-1 on earnings (or other performance indicators for entities that do not report earnings)? ____ ____ ____
[FASB ASC 815-15-50-2]

26. For those embedded conversion options previously accounted for as a derivative instrument under FASB ASC 815-15 (embedded derivatives) that no longer meet the separation criteria has a description of the principal changes causing the embedded conversion option to no longer require bifurcation and the amount of the liability for the conversion option that has been reclassified to stockholders' equity been disclosed? ____ ____ ____
[FASB ASC 815-15-50-3]

Fair Value Hedges

27. For derivative instruments, as well as nonderivative instruments that may give rise to foreign currency transaction gains or losses under FASB ASC 830-20 that have been designated and have qualified as fair value hedging instruments and for the related hedged items, has the following been disclosed:

    a. The net gain or loss recognized in the investment income during the reporting period representing (i) the amount of the hedges' ineffectiveness and (ii) the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness? ____ ____ ____

    b. The amount of net gain or loss recognized in investment income when a hedged firm commitment no longer qualifies as a fair value hedge? ____ ____ ____
    [FASB ASC 815-25-50-1]

Cash Flow Hedges

28. Have the disclosure requirements of FASB ASC 815-30-45-1 and paragraphs 1–2 of FASB ASC 815-30-50 been followed for derivative instruments that have been designated as cash flow hedging instruments that are reported in comprehensive income pursuant to FASB ASC 815-20-25-65 and FASB ASC 815-30-35-3? ____ ____ ____
[FASB ASC 815-30-45-1; FASB ASC 815-30-50 par. 1–2]

	Yes	No	N/A

Net Investment Hedges

29. The quantitative disclosures about derivative instruments may be more useful, and less likely to be perceived to be out of context or otherwise misunderstood, if similar information is disclosed about other financial instruments or nonfinancial assets and liabilities to which the derivative instruments are related by activity. Accordingly, in such situations, an entity is encouraged, but not required, to present a more complete picture of its activities by disclosing that information. Have such disclosures been made (for every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented) (*encouraged but not required*)? ____ ____ ____
[FASB ASC 815-35-50-2; FASB ASC 815-10-50-4A]

Weather Derivatives

30. Has the entity properly disclosed information for financial instruments, such as those required in FASB ASC 825-10-50, for weather derivative contracts, which are financial instruments within the scope of FASB ASC 815-45? ____ ____ ____
[FASB ASC 815-45-50-1]

F. Fair Value Measurement

Notes: In January 2010, FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. ASU No. 2010-06 amends the disclosure requirements of FASB ASC 820 to require new disclosures regarding (*a*) transfers in and out of levels 1 and 2 and (*b*) activity in level 3 fair value measurements. ASU No. 2010-06 also provides amendments to FASB ASC 820 that clarify existing disclosures regarding (*a*) level of disaggregation for each class of assets and liabilities and (*b*) disclosures about inputs and valuation techniques for fair value mea-surements that fall in either levels 2 or 3.

The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009 (that is January 1, 2010 for plans with calendar year-ends), except for the disclosures regarding the rollforward of activity in level 3 fair value measurements which are effective for fiscal years beginning after December 15, 2010 (that is, January 1, 2011 for plans with calendar year-ends), and for interim periods within those fiscal years. Retrospective application to prior periods of the disclosure requirements of ASU No. 2010-06 is not required in the period of initial adoption. Early adoption is permitted.

This checklist has been updated to include the presentation and disclosure requirements of ASU No. 2010-06.

This guidance is located in FASB ASC 820-10-50 and 820-10-55 and is labeled as "Pending Content" due to the transition and open effective date information contained in FASB ASC 820-10-65-7.

In May 2011, FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU No. 2011-

(continued)

	Yes	No	N/A

04 amends the disclosure requirements of FASB ASC 820 to reflect the work of the FASB and the International Accounting Standards Board to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and International Financial Reporting Standards (IFRSs). The amendments in ASU No. 2011-04 do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting.

For public entities, the amendments in ASU No. 2011-04 are to be applied prospectively and are effective during interim and annual period beginning after December 15, 2011. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011 (that is January 1, 2012 for calendar year plans). Early application by public entities is not permitted. Nonpublic entities may apply the amendments early, but no earlier than for interim periods beginning after December 15, 2011. This checklist will be updated for ASU No. 2011-04 closer to it effective date.

Practice Tip

For equity and debt securities, class should be determined on the basis of the nature and risks of the investments in a manner consistent with the guidance in FASB ASC 320-10-50-1B and, if applicable, should be the same as the guidance on major security type as described in FASB ASC 942-320-50-2 even if the equity securities or debt securities are not within the scope of FASB ASC 320-10-50-1B. For all other assets and liabilities, judgment is needed to determine the appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided. Fair value measurement disclosures for each class of assets and liabilities often will require greater disaggregation than the reporting entity's line items in the statement of financial position. A reporting entity should determine the appropriate classes for those disclosures on the basis of the nature and risks of the assets and liabilities and their classification in the fair value hierarchy (that is, levels 1, 2, and 3). In determining the appropriate classes for fair value measurement disclosures, the reporting entity should consider the level of disaggregated information required for specific assets and liabilities under other FASB ASC topics. For example, under FASB ASC 815, disclosures about derivative instruments are presented separately by type of contract such as interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, and credit contracts. The classification of the asset or liability in the fair value hierarchy also should affect the level of disaggregation because of the different degrees of uncertainty and subjectivity involved in level 1, level 2, and level 3 measurements. For example, the number of classes may need to be greater for fair value measurements using significant unobservable inputs (that is, level 3 measurements) to achieve the disclosure objectives because level 3 measurements have a greater degree of uncertainty and subjectivity.
["Pending Content" in FASB ASC 820-10-50-2A]

	Yes	No	N/A
1. For assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition (for example, trading securities), has the reporting entity disclosed information that enables users of its financial statements to assess the valuation techniques and inputs used to develop those measurements and for recurring fair value measurements using significant unobservable inputs (level 3), the effect of the measurements on earnings (or changes in net assets) for the period? To meet these objectives, has the reporting entity disclosed all of the following information for each interim and annual period separately for each class of assets and liabilities:			
a. The fair value measurement at the reporting date?	____	____	____
b. The level within the fair value hierarchy in which the fair value measurements in its entirety falls, segregating the fair value measurements using (i) quoted prices in active markets for identical assets or liabilities (level 1), (ii) significant other observable inputs (level 2), and (iii) significant unobservable inputs (level 3)?	____	____	____
c. The amounts of significant transfers between level 1 and level 2 of the fair value hierarchy and the reasons for the transfers? (***Note:*** Significant transfers into each level should be disclosed separately from transfers out of each level. The reporting entity should disclose and consistently follow its policy for determining when transfers between levels are recognized. The policy about the timing of recognizing transfers should be the same for transfers into the levels as that for transfers out of the levels. Examples of policies for when to recognize the transfers include (i) the actual date of the event or change in circumstances that caused the transfer, (ii) the beginning of the reporting period, or (iii) the end of the reporting period.)	____	____	____
d. For fair value measurements using significant unobservable inputs (level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following:			
i. Total gains or losses for the period (realized and unrealized), separately presenting gains or losses included in earnings (or changes in net assets), and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities)?	____	____	____
ii. Purchases, sales, issuances, and settlements (each type disclosed separately)?	____	____	____

Yes No N/A

iii. Transfers in or out, or both, of level 3 and the reasons for those transfers? (***Note:*** Significant transfers into level 3 should be disclosed separately from significant transfers out of level 3. The reporting entity should disclose and consistently follow its policy for determining when transfers between levels are recognized. The policy about the timing of recognizing transfers should be the same for transfers into level 3 as that for transfers out of level 3. Examples of policies for when to recognize the transfers include (1) the actual date of the event or change in circumstances that caused the transfer, (2) the beginning of the reporting period, or (3) the end of the reporting period.) ____ ____ ____

e. The amount of the total gains or losses for the period in question 1(*d*)(i) included in earnings (or changes in net assets) that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date and a description of where those unrealized gains or losses are reported in the statement of income (or activities)? ____ ____ ____

f. For fair value measurements using significant other observable inputs (level 2) and significant unobservable inputs (level 3), a description of the valuation technique (or multiple valuation techniques) used, such as the market approach, income approach, or the cost approach, and the inputs used in determining the fair values of each class of assets or liabilities? (***Note:*** If there has been a change in the valuation technique(s), the reporting entity should disclose that change and the reason for making it.) ____ ____ ____
["Pending Content" in FASB ASC 820-10-50 par. 1–2]

2. Has the entity properly disclosed both of the following:

a. The fair value disclosures required by "Pending Content" in FASB ASC 820-10-50-2(a)–(bb) on a gross basis (question 1(*a*)–(*c*))? ____ ____ ____

b. The reconciliation disclosure required by "Pending Content" in FASB ASC 820-10-50-2(c)–(d) either gross or net (question 1(*d*)–(*e*))? ____ ____ ____
["Pending Content" in FASB ASC 820-10-50-3]

3. Has the entity properly disclosed, for a liability issued with an inseparable third-party credit enhancement that is measured or disclosed at fair value on a recurring basis (and is not subject to the listed exceptions in FASB ASC 820-10-25-1), the existence of a third-party credit enhancement on its issued liability, if such an enhancement exists? ____ ____ ____
[FASB ASC 820-10-50-4A]

	Yes	No	N/A
4. For assets and liabilities that are measured at fair value on a nonrecurring basis in periods after initial recognition (for example, impaired assets), has the reporting entity disclosed information that enables users of its financial statements to assess the valuation techniques and inputs used to develop those measurements? To meet that objective, has the reporting entity disclosed all of the following information for each interim and annual period (except as otherwise specified) separately for each class of assets and liabilities:			
a. The fair value measurement recorded during the period and the reasons for the measurements?	____	____	____
b. The level within the fair value hierarchy in which the fair value measurements in its entirety falls, segregating the fair value measurements using (i) quoted prices in active markets for identical assets or liabilities (level 1), (ii) significant other observable inputs (level 2), and (iii) significant unobservable inputs (level 3)?	____	____	____
c. For fair value measurements using significant other unobservable inputs (level 2) and significant unobservable inputs (level 3), the disclosure required by "Pending Content" in FASB ASC 820-10-50-2(e) (question 1(*f*))?	____	____	____
["Pending Content" in FASB ASC 820-10-50-5]			
5. For investments that are within the scope of paragraphs 4–5 of FASB ASC 820-10-15 (regardless of whether the practical expedient in FASB ASC 820-10-35-59 has been applied) and are measured at fair value on a recurring or nonrecurring basis, has the plan disclosed information that enables the users of its financial statements to understand the nature and risks of the investments and whether the investments are probable of being sold at amounts different from net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed)?	____	____	____
6. To meet the disclosure requirements in question 5, to the extent applicable, has the plan disclosed all of the following information for each interim and annual period separately for each class of investment:			
a. The fair value (as determined by applying paragraphs 59–62 of FASB ASC 820-10-35) of the investments in the class, and a description of the significant investment strategies of the investee(s) in the class?	____	____	____
b. For each class of investment that includes investments that can never be redeemed with the investees, but the reporting entity receives distributions through the liquidation of the underlying assets of the investees, the reporting entity's estimate of the period of time over which the underlying assets are expected to be liquidated by the investees?	____	____	____

	Yes	No	N/A
c. The amount of the reporting entity's unfunded commitments related to investments in the class?	_____	_____	_____
d. A general description of the terms and conditions upon which the investor may redeem investments in the class (for example, quarterly redemption with 60 days' notice)?	_____	_____	_____
e. The circumstances in which an otherwise redeemable investment in the class (or a portion thereof) might not be redeemable (for example, investment subject to a lockup or gate)? Also for those otherwise redeemable investments that are restricted from redemption as of the reporting entity's measurement date, has the reporting entity disclosed its estimate of when the restriction from redemption might lapse? If an estimate cannot be made, has the reporting entity disclosed that fact and how long the restriction has been in effect?	_____	_____	_____
f. Any other significant restriction on the ability to sell investments in the class at the measurement date?	_____	_____	_____
g. If a reporting entity has determined that it is probable that it will sell an investment(s) for an amount different from net asset value per share (or its equivalent) as described in FASB ASC 820-10-35-62, has the reporting entity disclosed the total fair value of all investments that meet the criteria in FASB ASC 820-10-35-62 and any remaining actions required to complete the sale?	_____	_____	_____
h. If a group of investments would otherwise meet the criteria in FASB ASC 820-10-35-62 but the individual investments to be sold have not been identified, so the investments continue to qualify for the practical expedient in FASB ASC 820-10-35-59, has the reporting entity disclosed its plans to sell and any remaining actions required to complete the sale(s)? ["Pending Content" in FASB ASC 820-10-50-6A]	_____	_____	_____
7. Are the quantitative disclosures required by FASB ASC 820-10-50 presented using a tabular format? [FASB ASC 820-10-50-8]	_____	_____	_____
8. Is the fair value information disclosed under FASB ASC 820-10-50 and the fair value information disclosed as required by other FASB ASC topics (for example, FASB ASC 825-10-50) combined in the periods in which those disclosures are required, if practicable (*encouraged but not required*)? [FASB ASC 820-10-50-9; Common Practice]	_____	_____	_____
9. Is information about other similar measurements (for example, inventories measured at market value under FASB ASC 330, *Inventory*, disclosed, if practicable (*encouraged but not required*)? [FASB ASC 820-10-50-9; Common Practice]	_____	_____	_____

	Yes	No	N/A
G. Financial Instruments			
1. Have the disclosure requirements of FASB ASC 825, *Financial Instruments*, been followed for financial instruments of the plan? [FASB ASC 825-10-50]	___	___	___

Practice Tip

The disclosure requirements of FASB ASC 825-10-50-21 do not apply to the following financial instruments, whether written or held:

- The financial instruments described in FASB ASC 825-10-50-8(a), (c), (e), and (f), except for reinsurance receivables and prepaid reinsurance premiums.
- Financial instruments of a pension plan, including plan assets, when subject to the accounting and reporting requirements of FASB ASC 715, *Compensation—Retirement Benefits*. (Financial instruments of a pension plan, other than the obligations for pension benefits, if subject to the accounting and reporting requirements of FASB ASC 960, *Plan Accounting—Defined Benefit Pension Plans*, are subject to the requirements of paragraphs 20–21 of FASB ASC 825-10-50.) [FASB ASC 825-10-50-22]

	Yes	No	N/A
Disclosure About Concentrations of Credit Risk of All Financial Instruments			
2. Except as indicated in FASB ASC 825-10-50-22, has the plan disclosed all significant concentrations of credit risk arising from *all* financial instruments, whether from an individual counterparty or groups of counterparties (*group concentrations* of credit risk exist if a number of counterparties are engaged in similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions)? (***Note:*** The term *financial instruments* includes derivatives accounted for under FASB ASC 815.) [FASB ASC 825-10-50-20]	___	___	___
3. Has the plan made the following disclosures about each significant concentration:			
a. Information about the (shared) activity, region, or economic characteristic that identifies the concentration?	___	___	___
b. The maximum amount of loss due to credit risk that, based on the gross fair value of the financial instrument, the plan would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and the collateral or other security, if any, for the amount due proved to be of no value to the plan?	___	___	___
c. The plan's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the plan'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?	___	___	___

	Yes	No	N/A
d. The plan's policy of entering into master netting arrangements to mitigate the credit risk of financial instruments, information about the arrangements to which the plan is a party, and a brief description of the terms of those arrangements, including the extent to which they would reduce the plan's maximum amount of loss due to credit risk? [FASB ASC 825-10-50-21]	_____	_____	_____
4. Has the plan disclosed quantitative information[7] about the market risks of financial instruments that is consistent with the way it manages or adjusts those risks (*encouraged, but not required*)? [FASB ASC 825-10-50-23]	_____	_____	_____
Financial Instruments—Fair Value Option			
5. Has the entity properly presented information that separates the reported assets and liabilities that are measured at fair value, pursuant to the fair value option in FASB ASC 825-10, from the carrying amounts of similar assets and liabilities measured using another measurement attribute by either			
a. presenting the aggregate of fair value and non-fair-value amounts in the same line item in the statement of financial position and parenthetically disclosing the amount measured at fair value included in the aggregate amount?	_____	_____	_____
b. presenting two separate line items to display the fair value and non-fair-value carrying amounts? [FASB ASC 825-10-45 par. 1–2]	_____	_____	_____

Practice Tip

The disclosure about fair values of financial instruments is optional (for annual reporting periods) for reporting entities that meet all of the following criteria:

- Are *nonpublic entities* as defined in the FASB ASC glossary
- Have total assets of less than $100 million on the date of the financial statements
- Have no instrument that, in whole or in part, is accounted for as a derivative instrument under FASB ASC 815, other than commitments related to the origination of mortgage loans to be held for sale during the reporting period

This criterion should be applied to the most recent year presented in comparative financial statements to determine the applicability of FASB ASC 825-10-50.
[FASB ASC 825-10-50 par. 3–4]

[7] Appropriate ways of reporting the quantitative information encouraged will differ for different plans and will likely evolve over time as management approaches and measurement techniques evolve. Possibilities include disclosing (*a*) more details about current positions and perhaps activity during the period, (*b*) the hypothetical effects on comprehensive income (or net assets), or annual income, of several possible changes in market prices, (*c*) a gap analysis of interest rate repricing or maturity dates, (*d*) the duration of the financial instruments, or (*e*) the plan's value at risk from derivatives and from other positions at the end of the reporting period and the average value at risk during the year. This list is not exhaustive, and a plan is encouraged to develop other ways of reporting quantitative information. [FASB ASC 825-10-50-23]

	Yes	No	N/A

6. As of each date for which a statement of financial position is presented, do the entities disclose the following about items measured at fair value under the option in FASB ASC 825:

   a. Management's reasons for electing a fair value option for each eligible item or group of similar eligible items? _____ _____ _____

   b. If the fair value option is elected for some but not all eligible items within a group of similar eligible items

      i. a description of those similar items and the reasons for partial election? _____ _____ _____

      ii. information to enable users to understand how the group of similar items relates to individual line items on the statement of financial position? _____ _____ _____

   c. For each line item in the statement of financial position that includes an item or items for which the fair value option has been elected

      i. information to enable users to understand how each line item in the statement of financial position relates to major classes of assets and liabilities presented in accordance with FASB ASC 820's fair value disclosure requirements? _____ _____ _____

      ii. the aggregate carrying amount of items included in each line item in the statement of financial position that are not eligible for the fair value option, if any? _____ _____ _____

   d. The difference between the aggregate fair value and the aggregate unpaid principal balance of

      i. loans and long-term receivables (other than securities subject to FASB ASC 320) that have contractual principal amounts and for which the fair value option has been elected? _____ _____ _____

      ii. long-term debt instruments that have contractual principal amounts and for which the fair value option has been elected? _____ _____ _____

   e. For loans held as assets for which the fair value option has been elected

      i. the aggregate fair value of loans that are 90 days or more past due? _____ _____ _____

      ii. if the entity's policy is to recognize interest income separately from other changes in fair value, the aggregate fair value of loans in nonaccrual status? _____ _____ _____

      iii. the difference between the aggregate fair value and the aggregate unpaid principal balance for loans that are 90 days or more past due, in nonaccrual status, or both? _____ _____ _____

	Yes	No	N/A
f. For information required by FASB ASC 323-10-50-3 (equity method and joint venture investments) for investments that would have been accounted for under the equity method if the entity had not chosen to apply the fair value option? [FASB ASC 825-10-50-28]	_____	_____	_____
7. For each period for which an income statement is presented, do entities disclose the following about items for which the fair value option has been elected:			
a. For each line item in the statement of financial position, the amounts of gains and losses from fair value changes included in earnings during the period and in which line in the income statement those gains and losses are reported? (The statement does not preclude an entity from meeting this requirement by disclosing amounts of gains and losses that include amounts of gains and losses for other items measured at fair value, such as items required to be measured at fair value.)	_____	_____	_____
b. A description of how interest and dividends are measured and where they are reported in the income statement? (The statement does not address the methods used for recognizing and measuring the amount of dividend income, interest income, and interest expense for items for which the fair value option has been elected.)	_____	_____	_____
c. For loans and other receivables held as assets			
i. the estimated amount of gains or losses included in earnings during the period attributable to changes in instrument-specific credit risk?	_____	_____	_____
ii. how the gains or losses attributable to changes in instrument-specific credit risk were determined?	_____	_____	_____
d. For liabilities with fair values that have been significantly affected during the reporting period by changes in the instrument-specific credit risk,			
i. the estimated amount of gains and losses from fair value changes included in earnings that are attributable to changes in the instrument specific credit risk?	_____	_____	_____
ii. qualitative information about the reasons for those changes?	_____	_____	_____
iii. how the gains and losses attributable to changes in instrument-specific credit risk were determined? [FASB ASC 825-10-50-30]	_____	_____	_____

	Yes	No	N/A

Notes: The disclosure requirements in paragraphs 28–30 of FASB ASC 825-10-50 do not eliminate disclosure requirements included in other FASB ASC topics, including other disclosure requirements relating to fair value measurement. Entities are encouraged but are not required to present the required disclosures in combination with related fair value information required to be disclosed.
[FASB ASC 825-10-50-27]

Fair Value Option—Other Required Disclosures

8. In annual periods only, does an entity disclose the methods and significant assumptions used to estimate the fair value of items for which the fair value option has been elected? ____ ____ ____
[FASB ASC 825-10-50-31]

9. If an entity elects the fair value option at a remeasurement event, has it disclosed the following in financial statements for the period of the election:

   a. Qualitative information about the nature of the event? ____ ____ ____

   b. Quantitative information by line item in the statement of financial position indicating which line items in the income statement include the effect on earnings of initially electing the fair value option for an item? ____ ____ ____
   [FASB ASC 825-10-50-32]

H. Income Tax Status

1. Do disclosures include the federal income tax status of the plan? ____ ____ ____
[FASB ASC 965-205-50-1(*d*)]

Practice Tip

There is no determination letter program for health and welfare plans; however, a 501(c)(9) VEBA trust must obtain a determination letter to be exempt from taxation.
[AAG 4.91*e*]

I. Uncertainty in Income Tax

Notes: In September 2009, FASB issued ASU No. 2009-06, *Income Taxes (Topic 740)—Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*. The amendments apply only to nonpublic entities, including *employee benefit plans*, as defined in FASB ASC 740-10-20.

The amendments to FASB ASC in ASU No. 2009-06 provide implementation guidance, through examples, on how to apply the standards for uncertainty in income taxes. In addition, ASU No. 2009-06 eliminates, for nonpublic entities, the disclosures required by both FASB ASC 740-10-50-15(a) (which requires a tabular reconciliation of the total amount of unrecognized tax benefits at the beginning and end of the periods presented) and FASB ASC 740-10-50-15(b) (which requires the disclosure of the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate).

(continued)

	Yes	No	N/A

For plans that are currently applying the guidance for accounting for uncertainty in income taxes, this guidance and the disclosure amendments are effective for financial statements issued for interim and annual periods ending after September 15, 2009 (that is, December 31, 2009, for plans with calendar year-ends). For those plans that have deferred the application of accounting for uncertainty in income taxes in accordance with FASB ASC 740-10-65-1(e), the guidance and disclosure amendments are effective upon adoption of those standards.

This checklist has been updated to include the presentation and disclosure requirements for accounting for uncertainty in income taxes and FASB ASU No. 2009-06.

1. Does the entity disclose its policy on classification of interest and penalties in accordance with the alternatives permitted in FASB ASC 740-10-45-25 in the notes to the financial statements? ____ ____ ____
   [FASB ASC 740-10-50-19]

2. Does the entity disclose the following at the end of each annual reporting period presented:
   a. The total amounts of interest and penalties recognized in the statement of financial operations and the total amounts of interest and penalties recognized in the statement of financial position? ____ ____ ____
   b. For positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date,
      i. the nature of the uncertainty? ____ ____ ____
      ii. the nature of the event that could occur in the next 12 months that would cause the change? ____ ____ ____
      iii. an estimate of the range of the reasonably possible change or a statement that an estimate of the range cannot be made? ____ ____ ____
   c. A description of tax years that remain subject to examination by major tax jurisdictions? ____ ____ ____
   [FASB ASC 740-10-50-15; FASB ASC 740-10-50-15A]

3. Has a liability (or a reduction in the amount refundable) been created for an unrecognized tax benefit because it represents a future obligation to the taxing authority for a tax position that was not recognized under the requirements of FASB ASC 740-10? ____ ____ ____
   [FASB ASC 740-10-25-16]

4. Is a liability that has been recognized for an unrecognized tax benefit not classified as a deferred tax liability unless it arises from a taxable temporary difference? ____ ____ ____
   [FASB ASC 740-10-45-12; FASB ASC 740-10-25-17]

	Yes	No	N/A
J. Plan Terminations			
1. If a decision is made to terminate the plan or when a wasting trust exists, are all relevant circumstances disclosed? [FASB ASC 965-40-50-1]	____	____	____
2. If a decision is made to terminate the plan before the end of the plan year, have the plan's year-end financial statements been prepared on the liquidation basis of accounting? [FASB ASC 965-40-25-1]	____	____	____

Practice Tip

For terminating plan assets, changing to the liquidation basis will usually cause little or no change in values, most of which are current market values. Assets that may not be carried at market values include all of the following:

a. Operating assets

b. Insurance and certain investment contracts carried at contract values

c. Large blocks of stock or other assets that cannot be readily disposed of at their quoted market prices. [FASB ASC 965-40-35-1]

	Yes	No	N/A
3. Have the plan's financial statements for periods ending after the termination decision been prepared on the liquidation basis of accounting? [FASB ASC 965-40-25-2]	____	____	____
K. Related-Party Transactions			
1. For related-party transactions, do disclosures include the following:			
a. The nature of the relationships involved?	____	____	____
b. For each period for which a statement of changes in net assets is presented,			
i. a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed?	____	____	____
ii. other information deemed necessary to gain an understanding of the effects of the transactions on the financial statements?	____	____	____
iii. the dollar amount of transactions?	____	____	____
iv. the effects of any changes in the method of establishing the terms from that used in the preceding period?	____	____	____
c. 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? [FASB ASC 850-10-50-1]	____	____	____

	Yes	No	N/A
2. Have notes or accounts receivable from officers, employees, or affiliated entities been shown separately and have not been included under a general heading (such as notes receivable or accounts receivable)? [FASB ASC 850-10-50-2]	____	____	____
3. If representations about transactions with related parties are made, do they avoid the implication that the related party transactions were consummated at arm's length, or if such implications are made, can they be substantiated? [FASB ASC 850-10-50-5]	____	____	____
4. Is the nature of a controlled relationship disclosed (even if there are no transactions between the entities) if the entity and one or more other entities are under common ownership or management control, and the existence of the control could result in operating results or financial position of the entity being significantly different from those that would have been obtained if the entities were autonomous? [FASB ASC 850-10-50-6]	____	____	____
5. Do the financial statements include a description of any agreements and transactions with persons known to be parties in interest? [AAG A.52c in app. A]	____	____	____

Practice Tips

In some cases, aggregation of similar transactions by type of related party may be appropriate. Sometimes, the effect of the relationship between the parties may be so pervasive that disclosure of the relationship alone will be sufficient. If necessary to the understanding of the relationship, the name of the related party should be disclosed.
[FASB ASC 850-10-50-3]

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ERISA defines a *party in interest* to include fiduciaries or employees of the plan, any person who provides services to the plan, an employer whose employees are covered by the plan, an employee organization whose members are covered by the plan, a person who owns 50 percent or more of such an employer or employee association, or relatives of a person previously described.
[AAG 11.01 and fn 25 in app. A; ERISA sec. 3(14)]

	Yes	No	N/A
6. Do the financial statements include a description of any agreements, significant real estate or other transactions with persons known to be parties in interest? [AAG 4.91*l* and A.52*c* in app. A]	____	____	____
7. Do the financial statements include disclosure of amounts and types of securities of the employer and related parties included in plan assets, and the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer and related parties? [AAG 4.91*h*]	____	____	____

	Yes	No	N/A

L. Leases

1. Has the entity properly presented and disclosed leasing transactions as lessee or lessor in accordance with FASB ASC 840, *Leases*? ____ ____ ____
[FASB ASC 840]

2. Are the nature and extent of leasing transactions with related parties appropriately disclosed? ____ ____ ____
[FASB ASC 840-10-50-1]

M. Subsequent Events

1. If the entity does not file a Form 11-K with the SEC, has it disclosed (in both originally issued financial statements and any revised financial statements) the date through which subsequent events have been evaluated as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued? ____ ____ ____
[FASB ASC 855-10-50-1; FASB ASC 855-10-50-4]

Practice Tip

Revised financial statements are considered reissued financial statements. For guidance on the recognition of subsequent events in reissued financial statements, see FASB ASC 855-10-25-4.
[FASB ASC 855-10-50-5]

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2. For nonrecognized subsequent events that are of such a nature that they must be disclosed to keep the financial statements from being misleading, has the entity disclosed the following:
   a. The nature of the event? ____ ____ ____
   b. An estimate of its financial effect or a statement that such an estimate cannot be made? ____ ____ ____
   [FASB ASC 855-10-50-2]

3. Has the entity considered disclosing, regarding significant nonrecognized subsequent events, historical financial statements with pro forma financial data, including the presentation of pro forma statements (usually a balance sheet only, in columnar form on the face of the historical statements)? ____ ____ ____
[FASB ASC 855-10-50-3]

4. Do disclosures include unusual or infrequent events or transactions occurring after the financial statement date, but before the financial statements are issued or are available to be issued (as discussed in FASB ASC 855-10-25), which might significantly affect the usefulness of the financial statements in assessing the plan's present and future ability to pay benefits? ____ ____ ____
[FASB ASC 965-205-50-1(*h*)]

5. For those unusual or infrequent events or transactions identified in question 4, do disclosures include the effects of such events or transactions, if reasonably determinable, or the reasons why such effects are not quantifiable? ____ ____ ____
[FASB ASC 965-205-50-1(*h*)]

	Yes	No	N/A

N. Transfers and Servicing of Financial Assets and Securitizations

Notes: In December 2009, FASB issued ASU No. 2009-16, *Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets*, which formally incorporated the provisions of FASB Statement No. 166 into FASB ASC 860, *Transfers and Servicing*. ASU No. 2009-16 represents a revision to the provisions of former FASB Statement No. 140 and will require more information about transfers of financial assets, including securitization transactions and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a qualifying special-purpose entity (SPE), changes the requirements for derecognizing financial assets, and requires additional disclosures. ASU No. 2009-16 was effective for fiscal years beginning on or after December, 15 2009 (that is, January 1, 2010, for plans with calendar year-ends), and interim periods within those fiscal years. Early adoption was not permitted. See FASB ASC 860 for more information.

This guidance is located in FASB ASC 860 and is labeled as "Pending Content" due to the transition and open effective date information in FASB ASC 860-10-65-3.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 166 and ASU No. 2009-16.

Readers can refer to the full texts of these statements on the FASB website at www.fasb.org.

Sales of Financial Assets

1. Has the entity properly disclosed the following, for each income statement period presented, the following:
   - *a.* The characteristics of the transfer, including (i) a description of the transferor's continuing involvement with the transferred financial assets, (ii) the nature and fair value of the assets obtained as proceeds and the liabilities incurred in the transfer, and (iii) the gain or loss from the sale of transferred financial assets? ____ ____ ____
   - *b.* For the initial fair value measurements in item *a*, the level within the fair value hierarchy, as described in FASB ASC 820, in which fair value measurements fall, segregating fair value measurements into each level? ____ ____ ____
   - *c.* For the initial fair value measurements in item *a*, the key inputs and assumptions used in measuring the fair value of assets obtained and liabilities incurred as a result of the sale that relate to the transferor's continuing involvement, including quantitative information about all of the following:
     - i. Discount rates? ____ ____ ____
     - ii. Expected prepayments including the expected weighted-average life of prepayable financial assets? ____ ____ ____

	Yes	No	N/A
iii. Anticipated credit losses, including expected static pool losses?	_____	_____	_____
d. For the initial fair value measurements in item *a*, the valuation technique(s) used to measure fair value?	_____	_____	_____
e. Cash flows between a transferor and transferee, including (i) proceeds from new transfers, (ii) proceeds from collections reinvested in revolving-period transfers, (iii) purchases of previously transferred financial assets, (iv) servicing fees, and (v) cash flows received from a transferor's interests? [FASB ASC 860-20-50-3]	_____	_____	_____
2. Has the entity properly disclosed the following, for each statement of financial position presented, regardless of when the transfer occurred, the following:			
a. Qualitative and quantitative information about the transferor's continuing involvement with transferred financial assets that provides financial statement users with sufficient information to assess the reasons for the continuing involvement and the risks related to the transferred financial assets to which the transferor continues to be exposed after the transfer and the extent that the transferor's risk profile has changed as a result of the transfer, including the following:			
i. The total principal amount outstanding?	_____	_____	_____
ii. The amount that has been derecognized?	_____	_____	_____
iii. The amount that continues to be recognized in the statement of financial position?	_____	_____	_____
iv. The terms of any arrangements that could require the transferor to provide financial support to the transferee or its beneficial interest holders, including (1) a description of any events or circumstances that could expose the transferor to loss and (2) the amount of the maximum exposure to loss?	_____	_____	_____
v. Whether the transformer has provided financial or other support during the periods presented that it was not previously contractually required to provide to the transferee or its beneficial interest holders, including (1) the type and amount of support and (2) the primary reason for providing the support?	_____	_____	_____
vi. Although encouraged, but not required, information about any liquidity arrangements, guarantees, or other commitments by third parties related to the transferred financial assets that may affect the fair value or risk of the related transferor's interest?	_____	_____	_____

	Yes	No	N/A
b. The entity's accounting policies for subsequently measuring assets or liabilities that relate to the continuing involvement with the transferred financial assets?	____	____	____
c. The key inputs and assumptions used in measuring the fair value of those interests including, at a minimum, quantitative information about (i) discount rates, (ii) expected prepayments including the expected weighted-average life of prepayable financial assets, and (iii) anticipated credit losses, if applicable? (***Note:*** If the entity has aggregated transfers during a period in accordance with FASB ASC 860-10-50-5, it may disclose the range of assumptions.)	____	____	____
d. A sensitivity analysis or stress test showing the hypothetical effect on the fair value of those interests (including any servicing assets or servicing liabilities) of two or more unfavorable variations from the expected levels for each key assumption that is reported under item *b* independently from any change in another key assumption?	____	____	____
e. A description of the objectives, methodology, and limitations of the sensitivity analysis or stress test?	____	____	____
f. Information about the asset quality of transferred financial assets and any other financial assets that it manages together with them? (***Note:*** This information should be separated between assets that have been derecognized and assets that continue to be recognized in the statement of financial position. This information is intended to provide financial statement users with an understanding of the risks inherent in the transferred financial assets as well as in other financial assets and liabilities that it manages together with transferred financial assets.) [FASB ASC 860-20-50-4]	____	____	____
3. Has the entity properly disclosed the aggregate amount of gains or losses on sales of loans or trade receivables (including adjustments to record loans held for sale at the lower of cost or fair value) separately in the financial statements or in the notes to the financial statements? [FASB ASC 860-20-50-5]	____	____	____
Secured Borrowing and Collateral			
4. Has the entity properly presented a collateral asset, which the secured party has the right by contract or custom to sell or repledge, separately from other assets not so encumbered, in its statement of financial position? [FASB ASC 860-30-45-1]	____	____	____
5. Has the entity properly presented liabilities incurred by either the secured party or the obligor in securities borrowing or resale transactions separately? [FASB ASC 860-30-45-2]	____	____	____

	Yes	No	N/A
6. Is the policy for requiring collateral or other security disclosed if the reporting entity has entered into repurchase agreements or securities lending transactions? [FASB ASC 860-30-50-1A]	____	____	____
7. As of the latest date of the statement of financial position, are the carrying amount and classification of both of the following presented:			
a. Any assets pledged as collateral that are not reclassified and separately reported in the statement of financial position in accordance with FASB ASC 860-30-25-5(a)?	____	____	____
b. Associated liabilities? [FASB ASC 860-30-50-1A]	____	____	____
8. As of the date of the latest statement of financial position, is qualitative information about the relationships between those assets and liabilities presented (for example, if assets are restricted solely to satisfy a specific obligation, a description of the nature of restrictions placed on those assets)? [FASB ASC 860-30-50-1A]	____	____	____
9. If the plan has accepted collateral that it is permitted by contract or custom to sell or repledge, are the following disclosed:			
a. The fair value (as of the date of each statement of financial position) of that collateral?	____	____	____
b. The fair value (as of the date of each statement of financial position) of the portion of that collateral that it has sold or repledged?	____	____	____
c. Information about the sources and uses of that collateral? [FASB ASC 860-30-50-1A]	____	____	____
Servicing Assets and Liabilities			
10. Has the entity properly presented recognized servicing assets and servicing liabilities that are subsequently measured using the fair value measurement method in a manner that separates those carrying amounts on the face of the statement of financial position from the carrying amounts for separately recognized servicing assets and servicing liabilities that are subsequently measured using the amortization method? [FASB ASC 860-50-45-1]	____	____	____

	Yes	*No*	*N/A*
11. Has the entity properly presented the information, in order to accomplish the separate reporting in FASB ASC 860-40-45-1, either by (*a*) displaying separate line items for the amounts that are subsequently measured using the fair value measurement method and amounts that are subsequently measured using the amortization method or (*b*) presenting the aggregate of those amounts that are subsequently measured at fair value and those amounts that are subsequently measured using the amortization method and by disclosing parenthetically the amount that is subsequently measured at fair value that is included in the aggregate amount? [FASB ASC 860-50-45-2]	_____	_____	_____
12. For all servicing assets and servicing liabilities, are the following disclosures made:			
a. Management's basis for determining its classes of servicing assets and servicing liabilities?	_____	_____	_____
b. A description of the risks inherent in servicing assets and servicing liabilities and, if applicable, the instruments used to mitigate the income statement effect of changes in fair value of the servicing assets and servicing liabilities? (***Note:*** Disclosure of quantitative information about the instruments used to manage the risks inherent in servicing assets and servicing liabilities, including the fair value of those instruments at the beginning and end of the period, is encouraged but not required.)	_____	_____	_____
c. The amount of contractually specified servicing fees (as defined in the FASB ASC glossary), late fees, and ancillary fees earned for each period for which results of operations are presented, including a description of where each amount is reported in the statement of income?	_____	_____	_____
d. Quantitative and qualitative information about the assumptions used to estimate fair value? (***Note:*** Although not required, the entity is encouraged to disclose quantitative information about the instruments used to manage the risks inherent in servicing assets and servicing liabilities, including the fair value of those instruments at the beginning and the end of the period, and quantitative and qualitative information about the assumptions used to estimate the fair value of those instruments.) ["Pending Content" in FASB ASC 860-50-50-2]	_____	_____	_____
13. Has the entity properly disclosed the following regarding all servicing assets and servicing liabilities subsequently measured at fair value:			

	Yes	No	N/A
a. For each class of servicing assets and servicing liabilities, the activity in the balance of servicing assets and the activity in the balance of servicing liabilities (including a description of where changes in fair value are reported in the statement of income for each period for which results of operations are presented), including, but not limited to, the following:			
i. The beginning and ending balances?	____	____	____
ii. Additions (through purchases of servicing assets, assumptions of servicing obligations, and servicing obligations that result from transfers of financial assets)?	____	____	____
iii. Disposals?	____	____	____
iv. Changes in fair value during the period resulting from changes in valuation inputs or assumptions used in the valuation model?	____	____	____
v. Changes in fair value during the period resulting from other changes in fair value and a description of those changes?	____	____	____
vi. Other changes that affect the balance and a description of those changes? [FASB ASC 860-50-50-3]	____	____	____
14. Has the entity properly disclosed the following regarding all servicing assets and servicing liabilities subsequently measured under the amortization method:			
a. For each class of servicing assets and servicing liabilities, the activity in the balance of servicing assets and the activity in the balance of servicing liabilities (including a description of where changes in the carrying amount are reported in the statement of income for each period for which results of operations are presented), including, but not limited to, the following:			
i. The beginning and ending balances?	____	____	____
ii. Additions (through purchases or servicing assets, assumption of servicing obligations, and servicing obligations that result from transfers of financial assets)?	____	____	____
iii. Disposals?	____	____	____
iv. Amortization?	____	____	____
v. Application of valuation allowance to adjust carrying value of servicing assets?	____	____	____
vi. Other-than-temporary impairments?	____	____	____
vii. Other changes that affect the balance and a description of those changes?	____	____	____

	Yes	No	N/A
b. For each class of servicing assets and servicing liabilities, the fair value of recognized servicing assets and servicing liabilities at the beginning and end of the period?	____	____	____
c. The risk characteristics of the underlying financial assets used to stratify recognized servicing assets for purposes of measuring impairment in accordance with FASB ASC 860-50-35-9? (***Note:*** If the predominant risk characteristics and resulting stratums are changes, that fact and the reasons for those changes should be included in the disclosures about the risk characteristics of the underlying financial assets used to stratify the recognized servicing assets in accordance with FASB ASC 860-50-50-4.)	____	____	____
d. The activity by class in any valuation allowance for impairment of recognized servicing assets—including beginning and ending balances, aggregate additions charged and recoveries credited to operations, and aggregate write-downs charged against the allowance—for each period for which results of operations are presented? [FASB ASC 860-50-50-4]	____	____	____
15. Has the entity properly disclosed, separately, if it elected under FASB ASC 860-50-35-3(d) to subsequently measure a class of servicing assets and servicing liabilities at fair value at the beginning of the fiscal year, the amount of the cumulative-effect adjustment to retained earnings? [FASB ASC 860-50-50-5]	____	____	____

O. Other Matters

Note: The plan's financial statements should disclose other information as described in FASB ASC 965, *Health and Welfare Benefit Plans*. Certain of the disclosures relate to plans with accumulated assets rather than those with trusts that act more as conduits for benefit payments or insurance premiums. Separate disclosures may be made to the extent that the plan provides both health and other welfare benefits.
[FASB ASC 965-205-50-1]

	Yes	No	N/A
1. For defined contribution health and welfare plans, do the plan's financial statements provide information about plan resources and the manner in which the stewardship responsibility for those resources has been discharged? [FASB ASC 965-205-10-2(a)]	____	____	____
2. Do disclosures include the funding policy of the plan and any changes in the policy during the plan year?	____	____	____
a. If the benefit obligations exceed the net assets of the plan, is the method of funding this deficit, as provided for in the plan agreement or collective bargaining agreement, disclosed?	____	____	____

	Yes	No	N/A
b. For a contributory plan, does the disclosure on funding policy state the method of determining participants' contributions?	_____	_____	_____
c. If significant plan administration or related costs are being borne by the employer, is that fact disclosed? [FASB ASC 965-205-50-1*c*]	_____	_____	_____
3. Is a description included of the portion of the plan's estimated cost of providing postretirement benefits funded by retiree contributions for each year for which a year-end statement of net assets available for benefits is presented? [FASB ASC 965-205-50-1*c*]	_____	_____	_____

Practice Tip

The plan's estimated cost of postretirement benefits is the plan's expected claims cost for the year. It excludes benefit costs paid by Medicare and costs, such as deductibles and copayments, paid directly to the medical provider by participants. The portion of the plan's estimated cost that is funded by retiree contributions is determined at the beginning of the year based on the plan sponsor's cost-sharing policy. In determining that amount, the retirees' required contribution for the year should be reduced by any amounts intended to recover a shortfall (or increased by amounts intended to compensate for an overcharge) in attaining the desired cost-sharing in prior year(s).
[FASB ASC 965-205-50-1*c*]

	Yes	No	N/A
a. If the plan terms provide that a shortfall in attaining the intended cost sharing in the prior year(s) is to be recovered by increasing the retiree contribution in the current year, is that incremental contribution separately disclosed?	_____	_____	_____
b. If the plan terms provide that participant contributions in the current year are to be reduced by the amount by which participant contributions in prior year exceeded the amount needed to attain the desired cost-sharing, is the resulting reduction in the current year contribution separately disclosed?	_____	_____	_____
c. Is the information about retiree contributions provided for each significant group of retired participants to the extent their contributions differ? [FASB ASC 965-205-50-1*c*]	_____	_____	_____
4. Do disclosures include the policy regarding the purchase of contracts with insurance entities that are excluded from plan assets? [FASB ASC 965-205-50-1*e*]	_____	_____	_____
5. With respect to contracts with insurance entities that are excluded from plan assets, is consideration given to disclosing the type and extent of insurance coverage, as well as the extent to which risk is transferred (for example, coverage period and claims reported or claims incurred)? [FASB ASC 965-205-50-1*e*]	_____	_____	_____

	Yes	No	N/A
6. Do disclosures include the following:			
a. The amounts and types of securities of the employer and related parties included in plan assets, and the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer and related parties? [FASB ASC 965-205-50-1*f*]	_____	_____	_____
b. Significant real estate or other transactions in which the plan and any of the following parties are jointly involved: the sponsor, the plan administrator, employers, or employee organizations? [FASB ASC 965-205-50-1*g*]	_____	_____	_____
7. Do disclosures include the assumed health care cost-trend rate(s) used to measure the expected cost of benefits covered by the plan for the next year, a general description of the direction and pattern of change in the assumed trend rates thereafter, the ultimate trend rate(s), and when the rate is expected to be achieved? [FASB ASC 965-205-50-1*j*]	_____	_____	_____
8. For health and welfare benefit plans providing postretirement health care benefits, is the effect of a one-percentage-point increase in the assumed health care cost-trend rates for each future year on the postretirement benefit obligation disclosed? [FASB ASC 965-205-50-1*k*]	_____	_____	_____
9. Do disclosures include any modification of the existing cost-sharing provisions that are encompassed by the substantive plan(s) and the existence and nature of any commitment to increase monetary benefits provided by the plan and their effect on the plan's financial statements? [FASB ASC 965-205-50-1(l)]	_____	_____	_____
10. For negotiated plans, are benefit obligations due during a plan's contract period disclosed? [FASB ASC 965-30-50-3; Common Practice]	_____	_____	_____

Reimbursements Received Under the PPACA's ERRP

Note: The Early Retiree Reinsurance Program (ERRP) was established by the Patient Protection and Affordable Care Act (PPACA). The PPACA was passed by Congress and signed into law in March 2010, providing for comprehensive health insurance reforms. Congress appropriated funding of $5 billion for this temporary program to provide financial assistance to employers, unions, and state and local governments to help them maintain coverage for early retirees age 55 and older who are not yet eligible for Medicare, including their spouses, surviving spouses, and dependents. Employers could apply for the ERRP beginning June 29, 2010. The ERRP ceased accepting applications after May 5, 2011.

Per AICPA Technical Questions and Answers (TIS) section 6931.13, "Health and Welfare Plan Accounting for Reimbursements Received Under the Patient Protection and Affordable Care Act's

(continued)

	Yes	No	N/A

Early Retiree Reinsurance Program When the Reimbursement Is Not Remitted to the Trust" (AICPA, *Technical Practice Aids*), if a reimbursement is received under the ERRP, the employer must use the proceeds to reduce (*a*) the employer's health benefit premiums or costs; (*b*) plan participants' health benefit premium contributions, copayments, deductibles, coinsurance, or other out-of-pocket costs or any combination of these costs; or (*c*) any combination of the costs specified in (*a*) and (*b*). Proceeds received pursuant to the ERRP may not be used as general revenue of the employer.

11. Are reimbursements received (even if the reimbursement is not remitted to the trust) under the ERRP recorded as Contributions From Other Identified Sources in the statement of changes in net assets? _____ _____ _____
    [TIS 6931.14]

12. For reimbursements that were applied for prior to year-end but not approved until after year-end under the PPACA's ERRP, has the plan considered disclosing the following:
    a. The existence of the PPACA and the ERRP? _____ _____ _____
    b. The fact that the employer applied for reimbursements from the ERRP prior to year-end? _____ _____ _____
    c. Subsequent events disclosures of the reimbursement amounts received after year-end? _____ _____ _____
    [TIS 6931.15]

Practice Tip

The health and welfare plan's financial statements should not reflect a receivable for reimbursements under the PPACA's ERRP until an approval of the reimbursement is received. As noted in TIS section 6931.13, the notification indicating approval of the reimbursement request will also include the amount of the reimbursement. Employers may be able to estimate the reimbursement amount when they submit their reimbursement request; however, realization of the reimbursement request is subject to approval, and approval is contingent upon the availability of funds in the ERRP.
[TIS 6931.15]

13. In addition to the disclosures in question 12, do disclosures include the following for reimbursements received or applied for under the PPACA's ERRP:
    a. The amount of reimbursements received by the plan? _____ _____ _____
    b. How the reimbursements were used or are intended to be used? _____ _____ _____
    c. How the reimbursements are reflected in the plan's financial statements? _____ _____ _____
    [TIS 6931.17]

	Yes	No	N/A

IX. ERISA Reporting Requirements

A. Form 5500 Report

1. Did plans with 100 or more participants at the beginning of the plan year file an annual report (Form 5500) containing financial statements prepared in accordance with either GAAP, or an other comprehensive basis of accounting, such as the cash basis or modified cash basis of accounting, separate schedules, notes (required for a full and fair presentation), and an independent public accountant's report prepared under generally accepted auditing standards? _____ _____ _____
[AAG 13.31–.32 and A.24 in app. A]

Practice Tip

DOL regulations permit plans that have between 80 and 120 participants (inclusive) at the beginning of the plan year to complete the Form 5500 in the same category (*large plan* or *small plan*) as was filed for the previous year. The Form 5500 is filed with the EBSA in accordance with the instructions to the form. (See paragraphs .22–.25 of FSP section 10,000 for a discussion about the Form 5500.)

B. Financial Statement Disclosures Required Under the Alternative Method of Compliance for Health and Welfare Benefit Plans Pursuant to DOL Regulations Section CFR 2520.103 and Section 103 of ERISA

1. If the financial statements are filed under the alternative method pursuant to DOL Regulations Section 2520.103-1(a)(2), do the disclosures in the financial statements include the following:
   a. A description of accounting principles and variances from GAAP? _____ _____ _____
   b. A description of the plan, including significant changes in the plan and the effect of the changes on benefits? _____ _____ _____
   c. The funding policy and changes in the funding policy from the prior year (including the policy with respect to prior service cost) and any changes in such policies during the year? _____ _____ _____
   d. A description of material lease commitments, and other commitments and contingent liabilities? _____ _____ _____
   e. A description of any agreements and transactions with persons known to be parties in interest? _____ _____ _____
   f. A general description of priorities in the event of plan termination? _____ _____ _____
   g. Whether a tax ruling or determination letter has been obtained? _____ _____ _____
   h. Any other information required for a fair presentation? _____ _____ _____

	Yes	No	N/A
i. An explanation of any differences between the information contained in the separate financial statements and the net assets, liabilities, income, expense, and changes in net assets as required to be reported on Form 5500? [AAG A.51*a* and A.52*c* in app. A]	____	____	____

Practice Tip

Because ERISA requires 401(h) accounts to be reported as assets of the pension plan, a reconciliation of the net assets reported in the financial statements to those reported in the Form 5500 is required for the health and welfare benefit plan.
[FASB ASC 965-205-50-4]

C. **Required Financial Statements and Supporting Schedules**

1. For plans filing under either method (statutory or alternative), are the following financial statements included and covered by the auditor's report:

   a. Statement of plan assets and liabilities by category at current value and in comparative form for the beginning and end of the plan year? ____ ____ ____

   b. Separate or combined statements of plan income and expenses and of changes in net assets? ____ ____ ____
   [AAG A.52*a* in app. A]

2. The Form 5500 requires that certain supplemental schedules be attached to the annual Form 5500 filing using the Form 5500 series and not Form 5500-SF or 5500-EZ. Pursuant to DOL regulations, are the following *separate schedules* included with the financial statements of the plan and covered by the auditor's report:

Practice Tip

The instructions to the Form 5500 provide specific information as to the form and content of the various schedule requirements.

Nonstandardized Schedules

a. The Schedule H, Line 4a—Schedule of Delinquent Participant Contributions? ____ ____ ____

Participant Contributions Transferred Late to Plan	Total That Constitute Nonexempt Prohibited Transactions			Total Fully Corrected Under Voluntary Fiduciary Correction Program (VFCP) and Prohibited Transaction Exemption 2002-51
Check Here If Late Particpant Loan Repayments Are Included	Contributions Not Corrected	Contributions Corrected Outside VFCP	Correction in VFCP	

Yes *No* *N/A*

Practice Tip

Participant loan repayments paid to or withheld by an employer for purposes of transmittal to the plan that were not transmitted to the plan in a timely fashion must be reported either on Line 4a of either Schedule H or I of the Form 5500 in accordance with the reporting requirements that apply to delinquent participant contributions or on Line 4d of Schedule H or I of Form 5500. For further guidance regarding the reporting of delinquent participant contributions, see the instructions to the Form 5500 and the EBSA website FAQs at www.dol.gov/ebsa/faqs/faq_compliance_5500.html.

b. The Schedule H line 4i—Schedule of Assets (Held at End of Year). Does the schedule use the format shown here and is it clearly labeled "Schedule H line 4i—Schedule of Assets (Held at End of Year)?" (If filing under the alternative method, a separate schedule of assets held at plan year-end and a schedule of certain assets acquired and disposed of within the plan year.) ____ ____ ____

(*a*)	(*b*) Identity of issue, borrower, lessor, or similar party	(*c*) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(*d*) Cost	(*e*) Current value

Practice Tip

Participant loans may be aggregated and presented with a general description of terms and interest rates. In column *d*, cost information may be omitted with respect to participant or beneficiary directed transactions under an individual account plan.

c. The Schedule H line 4i—Schedule of Assets (Acquired and Disposed of Within the Plan Year) (see 2520.103-11). Is the schedule clearly labeled "Schedule H line 4i—Schedule of Assets (Acquired and Disposed of Within the Plan Year)" and does it use the following format? ____ ____ ____

(*a*) Identity of issue, borrower, lessor, or similar party	(*b*) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(*c*) Cost of acquisitions	(*d*) Proceeds of dispositions

Practice Tip

In column *c*, cost information may be omitted with respect to participant or beneficiary directed transactions under an individual account plan.

Yes No N/A

d. The Schedule H line 4j—Schedule of Reportable Transactions. Is this schedule clearly labeled "Schedule H line 4j—Schedule of Reportable Transactions" and does it use the following format? _____ _____ _____

(*a*) Identity of party involved	(*b*) Description of asset (include interest rate and maturity in case of a loan)	(*c*) Purchase price	(*d*) Selling price	(*e*) Lease rental	(*f*) Expense incurred with transaction	(*g*) Cost of asset	(*h*) Current value of asset on transaction date	(*i*) Net gain or (loss)

[AAG A.52*b* in app. A]

Practice Tips

Participant or beneficiary directed transactions under an individual account plan should not be taken into account for purposes of preparing this schedule. The current value of all assets of the plan, including those resulting from participant direction, should be included in determining the five percent figure for all other transactions.

*****

Plans filing their annual reports under the statutory method are required to report transactions that exceed three percent of the fair value of plan assets at the beginning of the year, whereas plans that file pursuant to the alternative method of compliance prescribed in DOL regulations are required to report transactions that exceed five percent of the fair value of plan assets at the beginning of the year. For a new plan, the percentage amount applies to the fair value of plan assets at the end of the year.
[AAG fn 18 in par. A.52 in app. A]

Standardized Schedules

e. Are the following schedules reported on Schedule G of the Form 5500:

i. Schedule G Part I—Schedule of Loans or Fixed Income Obligations in Default or Classified as Uncollectible? _____ _____ _____

ii. Schedule G Part II—Schedule of Leases in Default or Classified as Uncollectible? _____ _____ _____

iii. Schedule G Part III—Nonexempt Transactions? _____ _____ _____
[AAG A.52*b* and AAG exhibit A-1 in app. A]

Note: ERISA requires that all transactions with parties in interest (excluding any transactions exempted from prohibited transaction rules) be disclosed in the supplementary schedule without regard to their materiality.
[AAG 11.19]

FSP Section 10,300
Auditor's Report 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 contains numerous references to authoritative accounting and auditing pronouncements. Abbreviations and acronyms used in such references include the following:

AAG = AICPA Audit and Accounting Guide *Employee Benefit Plans* (as of January 1, 2012)

AU = Reference to section number in AICPA *Professional Standards*

CFR = U.S. *Code of Federal Regulations*

DOL = Department of Labor

GAAP = Accounting principles generally accepted in the United States of America

GAAS = Auditing standards generally accepted in the United States of America

SAS = AICPA Statement on Auditing Standards

.03 In December 2009, the Accounting and Review Service Committee, a senior technical committee of the AICPA, issued Statement on Standards for Accounting and Review Services (SSARS) No. 19, *Compilation and Review Engagements* (AICPA, *Professional Standards*). SSARS No. 19 is effective for compilations and reviews of financial statements for periods ending on or after December 15, 2010. This checklist has not been updated to reflect the new reporting standards in SSARS No. 19. For information regarding accountant's reports on compiled or reviewed financial statements, refer to a new guide that has recently been developed by the AICPA, Compilation and Review Engagements (available at www.cpa2biz.com) that features information on implementing SSARS No. 19, including illustrative engagement and representation letters, sample compilation and review reports, detailed illustrations, and case studies. Additionally, the AICPA Compilation and Review Alert *Compilation and Review Developments* (available at www.cpa2biz.com) is published annually to provide CPAs with an update on recent practice issues and professional standards that affect compilation and review engagements. The alert is an *other compilation and review publication* as defined in AR section 60, *Framework for Performing and Reporting on Compilation and Review Engagements* (AICPA, *Professional Standards*). Other compilation and review publications have no authoritative status; however, they may help the accountant understand and apply the SSARS.

.04 Checklist Questionnaire:

Auditor's Report Checklist

	Yes	No	N/A
1. Is each financial statement audited, specifically identified in the introductory paragraph of the auditor's report? [AU 508.06]	____	____	____
2. Do the titles of the financial statements referred to in the introductory paragraph of the auditor's report match the titles of the financial statements presented? [Common Practice]	____	____	____
3. Do the dates of the financial statements referred to in the introductory paragraph of the auditor's report match the dates of the financial statements presented? [Common Practice]	____	____	____
4. Is the report appropriately addressed to the entity whose financial statement are being audited or to its board of directors? [AU 508.09]	____	____	____
5. When applicable, does the auditor's report state that the auditor has formed an opinion, on the basis of an audit performed in accordance with GAAS, that the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity?[1] [AU 508.07]	____	____	____
6. Does the independent auditor's report include the following elements:			
a. A title that includes the word *independent*? [AU 508.08*a*]	____	____	____
b. A statement that the financial statements identified in the report were audited? [AU 508.08*b*]	____	____	____
c. A statement that the financial statements are the responsibility of management and that the auditor's responsibility is to express an opinion on the financial statements based on his or her audit? [AU 508.08*c*]	____	____	____
d. A statement that the audit was conducted in accordance with generally accepted auditing standards (GAAS) and an identification of the country of origin of those standards (for example, auditing standards generally accepted in the United States of America)? [AU 508.08*d*]	____	____	____
e. A statement that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement? [AU 508.08*e*]	____	____	____

[1] When reporting on financial statements prepared in conformity with a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), as defined in paragraph .04 of AU section 623, *Special Reports* (AICPA, *Professional Standards*), the independent auditor's report will also include the elements listed.

		Yes	No	N/A
f.	A statement that an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation? [AU 508.08*f*]	_____	_____	_____
g.	A statement that the auditor believes that his or her audit provides a reasonable basis for his or her opinion? [AU 508.08*g*]	_____	_____	_____
h.	When the auditor reports on financial statements presented in conformity with GAAP, an opinion about whether the financial statements present fairly, in all material respects, the net assets of the plan as of the balance sheet date and the changes in net assets for the period then ended in conformity with generally accepted accounting principles (GAAP)? The opinion should include an identification of the United States of America as the country of origin of those accounting principles. [AU 508.08*h*]	_____	_____	_____
i.	Identification of the basis of presentation and, if that basis is an other comprehensive basis of accounting,[2] that fact and a reference to the note to the financial statements that describes the basis of presentation? [AU 508.08; AU 623.05]	_____	_____	_____
j.	The manual or printed signature of the auditor's firm? [AU 508.08*i*]	_____	_____	_____
k.	The date (or dual dates)[3] of the audit report? [AU 508.08*j*; AU 530.05]	_____	_____	_____

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[2] Reporting on financial statements prepared in conformity with an other comprehensive basis of accounting (OCBOA) is addressed in AU section 623. For purposes of that section, a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) is one of the following:

a. A basis of accounting that the reporting entity uses to comply with the requirements or financial reporting provisions of a governmental regulatory agency to whose jurisdiction the entity is subject. An example is a basis of accounting insurance companies use pursuant to the rules of a state insurance commission.

b. A basis of accounting that the reporting entity uses or expects to use to file its income tax return for the period covered by the financial statements.

c. The cash receipts and disbursements basis of accounting, and modifications of the cash basis having substantial support, such as recording depreciation on fixed assets or accruing income taxes.

d. A definite set of criteria having substantial support that is applied to all material items appearing in financial statements, such as the price-level basis of accounting.

In considering whether the financial statements (including the accompanying notes) include all informative disclosures that are appropriate for the basis of accounting used, paragraph .09 of AU section 623 states that the auditor should apply essentially the same criteria to financial statements prepared on an OCBOA as he or she does to financial statements prepared in conformity with GAAP.

[3] If a subsequent event is disclosed, the appropriateness of dual dating the report should be considered. [AU 530.05]

	Yes	No	N/A

Practice Tip

DOL regulations require the auditor's report to be dated and manually signed and to identify the city and state where issued.

AU section 530, *Dating of the Independent Auditor's Report* (AICPA, *Professional Standards*), says the auditor's report should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion. Such sufficient appropriate audit evidence includes management having asserted responsibility for the final financial statements. In May 2007, the AICPA issued a Technical Practice Aid providing nonauthoritative guidance regarding the effect of obtaining the management representation letter on dating the auditor's report. See Technical Questions and Answers (TIS) section 9100.06, "The Effect of Obtaining the Management Representation Letter on Dating the Auditor's Report" (AICPA, *Technical Practice Aids*), for this and other helpful guidance regarding the auditor's report.

7. Is the report dated no earlier than the date on which the auditor has obtained sufficient competent audit evidence to support the opinion on the financial statements? ____ ____ ____
   [AU 530.01 and .05]

8. If a subsequent event disclosed in the financial statements occurs after the original date of the independent auditor's report but before the issuance of the related financial statements, has the auditor followed one of the two following methods available for dating the report:

   a. Dual dating, in which the independent auditor's responsibility for events occurring subsequent to the original report date is limited to the specific event referred to in an explanatory note in the report (or otherwise disclosed)? ____ ____ ____

   b. Dating the report as of the later date, in which the independent auditor's responsibility for subsequent events extends to the date of the report? ____ ____ ____
   [AU 530.03–.05]

9. If the accountant is not independent, has he or she followed one of the two reporting alternatives available:

   a. Disclaiming the opinion with respect to the financial statements and specifically stating that he or she is not independent? ____ ____ ____

   b. Issuing a compilation report in accordance with Statements on Standards for Accounting and Review Services indicating the lack of independence (nonpublic companies only)? ____ ____ ____
   [AU 504.05 and .09–.10]

Additional or Explanatory Language

10. Does the report include appropriate language for the following situations:

    a. Only one basic financial statement is presented and there are no scope limitations? ____ ____ ____
    [AU 508.33–.34]

    b. Audited and unaudited financial statements are presented in comparative form? ____ ____ ____
    [AU 504.14–.17]

    c. Different opinions are expressed on comparative financial statements? ____ ____ ____
    [AU 508.67]

	Yes	No	N/A
d. The financial statements of the plan contain supplemental schedules relating to the Employee Retirement Income Security Act of 1974 (ERISA) and DOL regulations? [AAG 13.08–.29]	_____	_____	_____

Practice Tip

The guide includes additional auditor reports with respect to "change in trustee," "financial statements of a trust established under a plan," and "inadequate procedures to value investments."
[AAG 13.42, .44, and .49]

	Yes	No	N/A
11. If the opinion is based in part on the report of another auditor,			
a. does the introductory paragraph of the standard report disclose the fact that the opinion is based, in part, on the report of another auditor indicating a division of responsibility?	_____	_____	_____
b. does the opinion paragraph include a reference to the report of the other auditor? [AU 508.11*a* and .12–.13]	_____	_____	_____
12. If, to prevent the financial statements from being misleading because of unusual circumstances, the financial statements contain a departure from an accounting principle promulgated by a body designated by the AICPA Council to establish such principles, does the report include, in a separate paragraph or paragraphs, the information required by the rule? [AU 508.11*b* and .14–.15]	_____	_____	_____
13. If there is substantial doubt about the plan's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being audited,			
a. does the report include an explanatory paragraph, following the opinion paragraph, to reflect that conclusion?	_____	_____	_____
b. is that conclusion expressed through the use of the phrase "substantial doubt about its (the plan's) ability to continue as a going concern" or similar wording that includes the terms substantial doubt and going concern? [AU 508.11*c*; AU 341.12]	_____	_____	_____

Practice Tip

During the course of the audit, the auditor may become aware of information that raises substantial doubt about the plan sponsor's ability to continue as a going concern. Although employee benefit plans are not automatically and necessarily affected by the plan sponsor's financial adversities, this situation may result in the auditor determining it to be a condition or event sufficient to evaluate whether there is substantial doubt about the plan's ability to continue as a going concern.
[AAG 5.126]

In evaluating whether substantial doubt exists about the plan's ability to continue as a going concern, the auditor's evaluation is based on his or her knowledge of relevant conditions that exist at or have occurred prior to the date of the auditor's report. If, after considering identified conditions and events and management's plans, the auditor concludes that substantial doubt about the plan's ability to continue as a going concern for a reasonable period of time remains, the audit report should include an explanatory paragraph to reflect that conclusion.

(continued)

	Yes	No	N/A

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 AU section 311, *Planning and Supervision* (AICPA, *Professional Standards*), for an example.
[AU 341.13]

Practice Tips

Changes in Accounting Estimates

Paragraph .15 of AU section 420, *Consistency of Application of Generally Accepted Accounting Principles* (AICPA, *Professional Standards*), clarifies that the change in an accounting estimate that does not include a change in accounting principle does not require an explanatory paragraph in the auditor's report. However, an accounting change of this type having a material effect on the financial statements may require disclosure in a note to the financial statements.

Changes in Classification

Paragraph .17 of AU section 420 clarifies that changes in classification from the prior year's financial statements are usually not of sufficient importance to necessitate disclosure; however, material changes in classification should be indicated and explained in the financial statements or notes.

Error Corrections

Paragraph .16 of AU section 420 states that the correction of an error in previously issued financial statements resulting from mathematical mistakes, oversight, or misuse of facts that existed at the time the financial statements were originally prepared does not involve the consistency standard if no element of accounting principles or their application is included. Accordingly, the independent auditor need not recognize the correction in his or her report. However, if the independent auditor had previously reported on the financial statements containing the error, the auditor has concluded, based on the considerations in paragraph .05 of AU section 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report* (AICPA, *Professional Standards*), that action should be taken to prevent future reliance on his or her report, and the issuance of financial statements accompanied by the auditor's report for a subsequent period is imminent, the auditor should disclose the revision in such statements instead of reissuing the earlier statements.

14. If there has been a material change between periods in accounting principles or in the method of their application, including a change from an accounting principle that is not generally accepted to one that is generally accepted and a change in accounting principle that is inseparable from the effect of a change in estimate, that has a material effect on the comparability of the reporting entity's financial statements

    a. does the report include an explanatory paragraph, following the opinion paragraph, that refers to the change? ____ ____ ____

    b. does the explanatory paragraph identify the nature of the change and refer the reader to the note to the financial statements that discusses the change in detail? ____ ____ ____
    [AU 508.05–.06 and .12–.13]

    c. if the change in the accounting principle is a change in reporting entity that did not result from a transaction or an event, is an explanatory paragraph included in the auditor's report? (***Note:*** A change in the reporting entity resulting from a transaction or event does not require that an explanatory paragraph about consistency be included in the auditor's report.) ____ ____ ____
    [AU 420.08]

	Yes	No	N/A
15. In an updated report on the individual financial statement of one or more prior periods presented on a comparative basis with those of the current period, if the opinion is different from the opinion previously expressed on the financial statements of a prior period,			
a. does the report include an explanatory paragraph, preceding the opinion paragraph, that discloses all of the substantive reasons for the different opinion?	_____	_____	_____
b. does the explanatory paragraph disclose the following:			
i. The date of the auditor's previous report?	_____	_____	_____
ii. The type of opinion previously expressed?	_____	_____	_____
iii. The circumstances or events that caused the auditor to express a different opinion?	_____	_____	_____
iv. That the auditor's updated opinion on the financial statements of the prior period is different from his or her previous opinion on those statements? [AU 508.11*e* and .68–.69]	_____	_____	_____
16. If financial statements of a prior period (presented for comparative purposes) have been audited by a predecessor auditor whose report is not presented,			
a. does the introductory paragraph of the report indicate			
i. that the financial statements of the prior period were audited by another auditor?	_____	_____	_____
ii. the date of the predecessor auditor's report?	_____	_____	_____
iii. the type of report issued by the predecessor auditor?	_____	_____	_____
iv. if the report was other than a standard report, the substantive reasons therefore, including a description of the nature of and reasons for the explanatory paragraph added to the predecessor's report or his or her opinion qualification?	_____	_____	_____
b. if the financial statements have been restated, does the introductory paragraph indicate that the predecessor auditor reported on the financial statements of the prior period before restatement? [AU 508.11*e* and .72–.74]	_____	_____	_____
17. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if			
a. the auditor wishes to clarify that an audit performed in accordance with GAAS does not require the same level of testing and reporting on internal control over financial reporting as an audit of an issuer when Section 404(b) of the Sarbanes-Oxley Act of 2002 is applicable? (***Note:*** Common Practice—Interpretation No. 17, "Clarification in the Audit Report of the Extent of Testing of Internal Control Over Financial Reporting in Accordance With Generally Accepted Auditing Standards," of AU section 508, *Reports on Audited Financial Statements* [AICPA, *Professional Standards*, AU sec. 9508 par. .85–.88], provides an example report.) [AU 9508.85–.88]	_____	_____	_____

	Yes	No	N/A
b. the audit is conducted in accordance with both GAAS and the PCAOB's auditing standards? (***Note:*** Common Practice—Interpretation No. 18, "Reference to PCAOB Standards in an Audit Report on a Nonissuer," of AU section 508 [AICPA, *Professional Standards*, AU sec. 9508 par. .89–.92] provides an example report.) [AU 9508.89–.92]	_____	_____	_____
18. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if the prior period's financial statements are audited by a predecessor auditor who has ceased operations? [AU 9508.60–.75]	_____	_____	_____
19. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if a designated accounting standard setter (FASB, Governmental Accounting Standards Board, the Federal Accounting Standards Advisory Board, and the International Accounting Standards Board) requires information to accompany the entity's basic financial statements (see also questions 43–44)? [AU 508.11*g*; AU 558.04]	_____	_____	_____
20. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if a material change exists between periods in accounting principles or in the method of their application? [AU 508.11 and .16–.18]	_____	_____	_____

Note: In February 2010, the AICPA issued SAS No. 118, *Other Information in Documents Containing Audited Financial Statements* (AICPA, *Professional Standards*, AU sec. 550). SAS No. 118 supersedes the requirements and guidance in AU section 550A, *Other Information in Documents Containing Audited Financial Statements* (AICPA, *Professional Standards*), and, along with SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole* (AICPA, *Professional Standards*, AU sec. 551) supersedes the requirements and guidance in AU section 551A, *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents* (AICPA, *Professional Standards*). SAS No. 118 addresses the auditor's responsibility in relation to other information in documents containing audited financial statements and the auditor's report thereon. SAS No. 118 was effective for audits of financial statements for periods beginning on or after December 15, 2010.

This checklist has been updated to include the reporting requirements of SAS No.118.

	Yes	No	N/A
21. If prior to the report release date, the auditor identifies that other information in a document containing audited financial statements is materially inconsistent with information appearing in the audited financial statements and management refuses to make the revision, has an explanatory paragraph describing the material inconsistency been added to the auditor's report? [AU 508.11*h*; AU 550.10–.11]	_____	_____	_____
22. Although the auditor is not required to reference the other information in the auditor's report on the financial statements, has the auditor included an explanatory paragraph disclaiming an opinion on the other information (***Common Practice***)? [AU 550.A2]	_____	_____	_____

	Yes	No	N/A

Practice Tip

Other information is financial and nonfinancial information (other than the financial statements and the auditor's report thereon) that is included in a document containing audited financial statements and the auditor's report thereon, excluding required supplementary information.
[AU 550.05]

Required supplementary information is information that a designated accounting standard setter requires to accompany an entity's basic financial statements. Required supplementary information is not part of the basic financial statements; however, a designated accounting standard setter considers the information to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition, authoritative guidelines for the methods of measurement and presentation of the information have been established.

A *designated accounting standard setter* is a body designated by the AICPA Council to establish GAAP pursuant to Rule 202, *Compliance With Standards* (AICPA, *Professional Standards*, ET sec. 202 par. .01), and Rule 203, *Accounting Principles* (AICPA, *Professional Standards*, ET sec. 203 par. .01). The bodies designated by the Council to establish professional standards with respect to financial accounting and reporting principles pursuant to Rules 202 and 203 are the Financial Accounting Standards Board, the Governmental Accounting Standards Board, the Federal Accounting Standards Advisory Board, and the International Accounting Standards Board.
[AU 558.04]

23. If the auditor decides to emphasize a matter regarding the financial statements in the report, is the matter being emphasized disclosed in the financial statements and is the explanatory information presented in a separate paragraph that avoids use of phrases such as "with the foregoing (following) explanation?" ____ ____ ____
[AU 508.11 and .19; AU 9410.18; AU 9342.03]

24. If the decision has been made to terminate a plan,

    a. is the auditor's report modified by the addition of an explanatory paragraph that states that the plan is being terminated and that the financial statements (including the benefit information disclosures presented) have been prepared on a liquidation basis? ____ ____ ____
    [AAG 13.52]

    b. if the financial statements are presented along with the financial statements for a period prior to the adoption of the liquidation basis, does the explanatory paragraph state that the plan has changed the basis of accounting used to determine the amounts at which assets, liabilities, and benefit information are presented from the ongoing plan basis to a liquidation basis? ____ ____ ____
    [AAG 13.52; AU 9508.35]

	Yes	No	N/A
25. As a result of the report or findings of a specialist, has explanatory language been added to the auditor's report? (***Note:*** Except as discussed in paragraph .16 of AU section 336, *Using the Work of a Specialist* [AICPA, *Professional Standards*], the auditor should not refer to the work or findings of the specialist. Such a reference might be misunderstood to be a qualification of the auditor's opinion or a division of responsibility, neither of which is intended. Further, there may be an inference that the auditor making such reference performed a more thorough audit than an auditor not making such reference. Reference to and identification of the specialist may be added if the auditor believes such a reference will facilitate an understanding of the reason for the explanatory paragraph.) [AU 336.15–.16]	_____	_____	_____

Practice Tip

Title 29 CFR Part 2520 requires that the auditor separately identify any exceptions to his or her report that are the result of DOL regulations.

Departures From Unqualified Opinions[4]

	Yes	No	N/A
26. If it has not been possible to conduct the audit in accordance with GAAS or to apply all of the procedures considered necessary in the circumstances, has consideration been given to the need to issue a qualified opinion or to disclaim an opinion? [AU 508.22]	_____	_____	_____
27. If a qualified opinion is to be expressed because of a scope limitation,			
a. are all of the substantive reasons for the qualification disclosed in one or more explanatory paragraphs preceding the opinion paragraph?	_____	_____	_____
b. does the qualified opinion include the word *except* or *exception* in a phrase such as *except for* or *with the exception of*?	_____	_____	_____
c. is the situation described and referred to in both the scope and opinion paragraphs?	_____	_____	_____
d. does the wording in the opinion paragraph indicate that the qualification pertains to the possible effects on the financial statements and not the scope limitation itself? [AU 508.22–.32; AU 318.76]	_____	_____	_____

Practice Tip

Scope limitations can be imposed by the client or by circumstances such as the timing of the auditor's work, the inability to obtain sufficient appropriate audit evidence, or an inadequacy in the accounting records. Sufficient appropriate audit evidence includes, among other things, management having asserted responsibility for the financial statements. As provided in TIS section 9100.06, the auditor will need to have the signed management representation letter in hand prior to releasing the auditor's report because management's refusal to furnish written representations constitutes a limitation on the scope of the audit sufficient to preclude an unqualified opinion.

(continued)

[4] Consult the AU topical index of the "U.S. Auditing Standards" section of *Professional Standards* under "Departure From Standard Report" for additional information.

	Yes	No	N/A

In circumstances in which the auditor is unable to obtain sufficient appropriate audit evidence to support management's assertions about the nature of a matter involving an uncertainty and its presentation or disclosure in the financial statements, the auditor should consider the need to express a qualified opinion or to disclaim an opinion because of a scope limitation.

It also includes situations in which the auditor's only evidence of the existence or valuation of (*a*) investments without readily determinable fair value, or (*b*) interests held in trust by a third-party trustee, is receiving confirmation from a third party for those assets.

In circumstances in which the auditor is unable to audit the existence or measurement of interests in investments in securities and interests in trusts, the auditor should consider whether that scope limitation requires the auditor to either qualify his or her opinion or to disclaim an opinion, as discussed in paragraphs .22–.26 of AU section 508; Interpretation No. 1, "Auditing Interests in Trusts Held by a Third-Party Trustee and Reported at Fair Value," of AU section 328, *Auditing Fair Value Measurements and Disclosures* (AICPA, *Professional Standards*, AU sec. 9328 par. .01–.04); and Interpretation No. 1, "Auditing Investments in Securities Where a Readily Determinable Fair Value Does Not Exist," of AU section 332, *Auditing Derivative Instruments, Hedging Activities, and Investments in Securities* (AICPA, *Professional Standards*, AU sec. 9332 par. .01–.04).

If a plan auditor concludes that information about the nature of the services provided by a service organization that are part of the plan's information system, and the service organization's controls over those services, is not available to obtain a sufficient understanding of internal control to plan the audit, it would be considered a scope limitation.
[AU 324.10]

Consult the AU topical index in 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.

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28. Is a qualified opinion or disclaimer of opinion expressed if the auditor's understanding of internal control raises doubts about the auditability of an entity's financial statements, such as the following:

    a. Concerns about the integrity of an entity's management cause the auditor to conclude that the risk of management misrepresentation in the financial statements is such that an audit cannot be conducted? _____ _____ _____

    b. Concerns about the condition and reliability of an entity's records cause the auditor to conclude that it is unlikely that sufficient appropriate audit evidence will be available to support an unqualified opinion on the financial statements? _____ _____ _____
    [AU 314.109]

29. If, in the auditor's judgment, the two-way communication between the auditor and those charged with governance as described in AU section 380, *The Auditor's Communication With Those Charged With Governance* (AICPA, *Professional Standards*), is not adequate and the situation cannot be resolved, thereby prohibiting the auditor from obtaining all the audit evidence required to form an opinion on the financial statements, has the auditor considered the following:

    a. Modifying the audit opinion on the basis of the scope limitation? _____ _____ _____

    b. Obtaining legal advice about the consequences of different courses of action? _____ _____ _____

		Yes	No	N/A
	c. Communicating with an appropriate third party (for example, a regulator)?			
	d. Withdrawing from the engagement? [AU 380.63]			
30.	If, in the auditor's judgment, significant difficulties in dealing with management such as those described in AU section 380 have been encountered, has the auditor considered modifying the audit opinion on the basis of the scope limitation? [AU 380.39]			
31.	If an opinion is disclaimed because of a scope limitation,			
	a. are all of the substantive reasons for the disclaimer stated in a separate paragraph or paragraphs?			
	b. does the report state that the scope of the audit was not sufficient to warrant the expression of an opinion?			
	c. does the report avoid identifying procedures that were performed?			
	d. is the scope paragraph omitted?			
	e. if there are reservations about fair presentation of the financial statements in conformity with GAAP, are they described in the report? [AU 508.62–.63]			

Practice Tip

Question 31 does not apply to limited-scope audits pursuant to 29 CFR 2520.103-8. In these situations, see question 37 and AAG 13.37.

		Yes	No	N/A
32.	If the financial statements are materially affected by a departure from GAAP (including inadequate disclosure, inappropriate accounting principles, and unreasonable accounting estimates), has the auditor issued a qualified opinion or an adverse opinion?[5] [AU 508.35]			
33.	If a qualified opinion is to be expressed because of a GAAP departure,			
	a. are all of the substantive reasons that have led to the conclusion that there is a departure from GAAP disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph?			
	b. does the qualified opinion include the word *except* or *exception* in a phrase such as *except for* or *with the exception of* and a reference to the explanatory paragraph?			
	c. does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and cash flows, if practicable, or state that the effects are not reasonably determinable, if not practicable to do so? [AU 508.21 and .37–.38]			

[5] 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. [AU 508.46–.49]

	Yes	No	N/A
34. If an adverse opinion is to be expressed because of a GAAP departure,			
a. are all of the substantive reasons for the adverse opinion disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph?	_____	_____	_____
b. does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and cash flows, if practicable, or state that the effects are not reasonably determinable, if not practicable to do so?	_____	_____	_____
c. state that the financial statements do not present fairly the net assets available for benefits or changes in net assets in conformity with GAAP? [AU 508.58–.60]	_____	_____	_____
35. If essential data concerning an impending change in GAAP and the future resulting restatement are not disclosed, has the auditor issued a qualified or adverse opinion? [AU 9410.15]	_____	_____	_____
36. If 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, has the auditor issued a qualified or adverse opinion (depending on the materiality effect on the financial statements taken as a whole)? [AU 317.18]	_____	_____	_____
37. If a limited scope audit is performed pursuant to 29 CFR 2520.103-8, is a disclaimer of opinion expressed? [AAG 13.37–.41]	_____	_____	_____

Practice Tip

If the auditor is unable to obtain sufficient appropriate audit evidence regarding other noninvestment related information or investment information not covered by the certification then the form of the limited scope report permitted pursuant to 29 CFR 2520.103-8 may not be appropriate. Also, it likely will not be appropriate for the auditor to opine on the form and content of the supplemental schedules as presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA. See AU section 508 for reporting guidance.

Consult the AU topical index in AICPA *Professional Standards* 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.

Note: In February 2010, the AICPA issued SAS No. 119, which supersedes AU section 551A. This SAS addresses the auditor's responsibility when engaged to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. SAS No. 119 was effective for audits of plans for periods beginning on or after December 15, 2010 (that is, January 1, 2011, for plans with calendar year-ends). This checklist has been updated to reflect the reporting requirements of SAS No. 119.

	Yes	No	N/A

Practice Tip

Supplementary information is defined as information presented outside the basic financial statements, excluding required supplementary information that is not considered necessary for the financial statements to be fairly presented in accordance with the applicable financial reporting framework. Such information may be presented in a document containing the audited financial statements or separate from the financial statements. For example, the supplemental schedules required by ERISA to be attached to the Form 5500 are considered supplementary information.
[AU 551.04]

Besides the financial statements and related disclosures, which may conform to the requirements of FASB ASC 960; FASB ASC 962, *Plan Accounting—Defined Contribution Pension Plans*; and FASB ASC 965, ERISA and DOL regulations require additional information to be disclosed in the financial statements or presented in the supplemental schedules. Some of this information is required to be covered by the auditor's report (for example, supplemental schedules), but other required additional information need not be covered by the auditor's report. The information required by ERISA and related regulations is described in FSP section 10,200 section VIII. Because the supplemental schedules are required by ERISA and DOL regulations and not a designated accounting standard setter, the supplemental schedules are not considered *required supplementary information* as defined in AU section 558, *Required Supplementary Information* (AICPA, *Professional Standards*), and therefore AU section 558 does not apply.
[AAG 13.08]

When the auditor is engaged to perform a limited scope audit, as permitted under 29 CFR 2520.103-8 of the DOL's Rules and Regulations for Reporting and Disclosure under ERISA, and consequently disclaims an opinion on the financial statements as a whole, the auditor is not permitted to issue an opinion on the supplemental schedules. However, because the DOL requires supplemental schedules to be presented with the financial statements, the auditor is required to follow the guidance in AU section 550. Although the auditor is precluded from expressing an opinion on the supplemental schedules in relation to the financial statements, the DOL requires the auditor to express an opinion on the form and content of the information included in the supplemental schedules, other than that derived from the information certified by a qualifying institution. Accordingly, in addition to the requirements in AU section 550, the auditor would also need to perform certain audit procedures, as the auditor deems necessary, to provide an opinion that the form and content of the information included in the supplemental schedules, other than that derived from the information certified by a qualifying institution, have been audited and are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.
[AAG 13.13–.14]

38. If the plan presents supplementary information with the financial statements, does the auditor's report (***Note:*** The auditor should report on the supplementary information in either [*a*] an explanatory paragraph following the opinion paragraph in the auditor's report or [*b*] in a separate report on the supplementary information)[6]

	Yes	No	N/A
a. state that the audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole?	_____	_____	_____
b. state that the supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements?	_____	_____	_____

[6] Consult paragraphs 13.08–.29 of the AICPA Audit and Accounting Guide *Employee Benefit Plans* (as of January 1, 2012) for further guidance on supplemental schedules relating to the Employee Retirement Income Security Act of 1974 (ERISA) and DOL regulations as well as examples of auditor's reports on supplemental schedules required by ERISA and DOL regulations applicable to all types of employee benefit plans.

	Yes	No	N/A
c. state that the supplementary information is the responsibility of the plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements?	_____	_____	_____
d. state that the supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. GAAS? [AU 551.09]	_____	_____	_____
39. If the auditor issues an unqualified opinion on the financial statements and if the auditor has concluded that the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, does the auditor's report include a statement that, in the auditor's opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole? [AU 551.09]	_____	_____	_____
40. If the auditor issues a qualified opinion on the financial statements and if the qualification has an effect on the supplementary information, does the auditor's report include a statement that, in the auditor's opinion, except for the effects on the supplementary information of (refer to the paragraph in the auditor's report explaining the qualification), such information is fairly stated, in all material respects, in relation to the financial statements as a whole? [AU 551.09]	_____	_____	_____
41. If the audited financial statements are not presented with the supplementary information, has the supplementary information been reported on in a separate report that includes			
a. the information included in AU section 551 paragraph .09?	_____	_____	_____
b. the date of that report (not earlier than the date on which the auditor completed the procedures required by AU section 551 paragraph .07)?	_____	_____	_____
c. the nature of the opinion expressed on the financial statements?	_____	_____	_____
d. any report modifications? [AU 551.10 and .12]	_____	_____	_____
42. If the auditor's report on the audited financial statements contains an adverse opinion or a disclaimer of opinion, does the auditor's report on the supplementary information state that because of the significance of the matter disclosed in the auditor's report, it is inappropriate to and the auditor does not express an opinion on the supplementary information? [AU 551.11]	_____	_____	_____

	Yes	No	N/A
43. If the auditor concludes that the supplementary information is materially misstated in relation to the financial statement as a whole, the auditor should discuss the matter with management and propose appropriate revision of the supplementary information. If management, does not revise the supplementary information, has the auditor modified the auditor's opinion on the supplementary information and describe the misstatement in the auditor's report? [AU 551.13]	____	____	____

Note: In February 2010, the AICPA issued SAS No. 120, *Required Supplementary Information* (AICPA, *Professional Standards*, AU sec. 558). SAS No. 120 supersedes the requirements and guidance in AU section 558A. SAS No. 120 addresses the auditor's responsibility with respect to information that a designated accounting standard setter requires to accompany an entity's basic financial statements. SAS No. 120 was effective for audits of financial statements for periods beginning on or after December 15, 2010.

Because the supplemental schedules are required by Employee Retirement Income Security Act of 1974 and Department of Labor regulations and not a designated accounting standard setter, the supplemental schedules are not considered *required supplementary information* as defined in AU section 558, and, therefore, AU section 558 is not applicable to audits of employee benefit plans.

Considerations of Internal Control Related Matters

	Yes	No	N/A
44. Is the reporting form, content, and timing of paragraphs .17–.26 of AU section 325 followed when communicating matters related to an organization's internal control over financial reporting identified in an audit of financial statements? [AU 325.17–.26]	____	____	____

Auditor's Report Requirements Under DOL Regulations

	Yes	No	N/A
45. Auditor's report requirements under DOL regulations are as follows:			
a. Is the auditor's report dated and manually signed?	____	____	____
b. Does it indicate the city and state where issued?	____	____	____
c. Does it identify the statements and schedules covered? [AAG A.51*a* fn 15 in app. A]	____	____	____
d. Does it disclose any omitted auditing procedures deemed necessary by the accountant and the reasons for their omission?	____	____	____
e. Does it state clearly the auditor's opinion of the financial statements and schedules covered by the report and the accounting principles and practices reflected therein?	____	____	____
f. Does it state clearly the consistency of the application of the accounting principles between the current year and the preceding year or any changes in such principles that have a material effect on the financial statements? [AAG A.51*a* in app. A; 29 CFR 2520]	____	____	____
g. Does it state clearly any matters to which the auditor takes exception, the exception, and, to the extent practical, the effect of such matters on the related financial statements? [29 CFR 2520.103-1(iv)]	____	____	____

	Yes	*No*	*N/A*
i. Are the exceptions, if any, further identified as (1) those that are the result of DOL regulations and (2) all others? [AAG A.51*a* in app. A; 29 CFR 2520]	_____	_____	_____

Practice Tip

Present DOL regulations permit, but do not require, financial statements included in the annual report on Form 5500 to be prepared on a basis of accounting other than GAAP. AU section 623, *Special Reports* (AICPA, *Professional Standards*), provides guidance on financial statements prepared in conformity with a comprehensive basis of accounting other than GAAP. AU section 623 is further clarified by Interpretation No. 14, "Evaluating the Adequacy of Disclosure and Presentation in Financial Statements Prepared in Conformity With an Other Comprehensive Basis of Accounting (OCBOA)" of AU section 623 (AICPA, *Professional Standards*, AU sec. 9623 par. .90–.95). Included in the definition of a *comprehensive basis of accounting* are the cash basis and modifications thereof having substantial support. Cash basis financial statements that adjust securities investments to fair value are considered to be prepared on a modified cash basis of accounting. [AAG 13.32]

AU section 532, *Restricting the Use of an Auditor's Report* (AICPA, *Professional Standards*), provides guidance to auditors in determining whether an engagement requires a restricted-use report and, if so, what elements to include in that report.

FSP Section 10,400

Illustrative Financial Statements and Auditor's Reports

.01 This checklist contains illustrations of the following auditor's reports:

- Health and Welfare Benefit Plan—Unqualified Opinion
- Health and Welfare Benefit Plan—Limited-Scope Audit

.02 This section also illustrates certain applications of the provisions of Financial Accounting Standards Board (FASB) *Accounting Standard Codification* (ASC) 965, *Plan Accounting—Health and Welfare Benefit Plans*, that apply to the annual financial statements of the following hypothetical health and welfare benefit plans:

- Allied Industries Health Care Benefit Plan—a multiemployer defined benefit health and welfare plan that displays the benefit obligation information in separate financial statements and the retirees contribute a portion of the cost for their medical coverage
- Classic Enterprises Benefit Plan—a single-employer plan that displays the benefit obligation information on the face of the financial statements along with the net asset information
- C&H Company Welfare Benefit Plan—a health and welfare benefit plan that includes retiree health benefits that are funded partially through a 401(h) account in the plan sponsor's defined benefit pension plan
- Supplemental Unemployment Benefit Plan for Employees of ABC Company Established Pursuant to Agreement with United Workers of America—a multiemployer plan that provides postemployment benefits to covered employees

.03 It does not illustrate other provisions of FASB ASC 965, as well as other FASB ASC topics that might apply in circumstances other than those assumed in this illustration. It also does not illustrate all disclosures required for a fair presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). The formats presented and the wording of accompanying notes are only illustrative and are not necessarily the only possible presentations.

.04 This section also illustrates certain applications of the provisions of FASB ASC 965 to the annual financial statements of a hypothetical health and welfare benefit plan that includes retiree health benefits that are funded partially through a 401(h) account in the plan sponsor's defined benefit pension plan. It illustrates the single line approach to presenting information about the 401(h) account permitted by FASB ASC 965.

.05 The illustrative financial statements in this section were derived from the AICPA Audit and Accounting Guide *Employee Benefit Plans* (guide) as of January 1, 2012. The illustrative financial statements in this section have been amended to conform to FASB ASC 820, *Fair Value Measurement*.

> ***Note***: FASB ASC 820 disclosures are limited to the financial instruments contained within this specific example. It is recommended that users consult all the illustrative financial statements within appendixes C–E of the guide for examples of different types of financial instruments.

.06 Although GAAP encourages but does not require comparative financial statements, the Employee Retirement Income Security Act of 1974 (ERISA) requires a comparative statement of net assets available for benefits. The illustrative financial statements are intended to comply with the requirements of ERISA.

.07 ERISA and U.S. Department of Labor (DOL) regulations require that certain information be included in supplemental schedules, which are not required under GAAP, and reported on by the independent auditor. See appendix A of the guide for further discussion of the ERISA and DOL requirements.

.08 The following is an illustration of an auditor's report with an unqualified opinion on the financial statements of a health and welfare benefit plan.

Independent Auditor's Report

[*Addressee*]

We have audited the accompanying statements of net assets available for benefits and of plan benefit obligations of Allied Industries Health Care Benefit Plan as of December 31, 20X2 and 20X1, and the related statements of changes in net assets available for benefits and of changes in plan benefit obligations for the year ended December 31, 20X2. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. [*Optional: An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.*] 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the plan as of December 31, 20X2 and 20X1, and the changes in its financial status for the year ended December 31, 20X2, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of [*identify title of schedules and period covered*] are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.[1]

[*Signature of Firm*]

[*City and State*]

[*Date*][2]

[AAG 13.07 and .11]

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[1] When the plan presents the supplemental schedules required by the Employee Retirement Income Security Act of 1974 (ERISA) and Department of Labor (DOL) regulations with the financial statements, the auditor should report on the supplemental schedules in either (*a*) an explanatory paragraph following the opinion paragraph in the auditor's report on the financial statements or (*b*) in a separate report on the supplemental schedules. AU section 551, *Supplementary Information in Relation to the Financial Statements as a Whole* (AICPA, *Professional Standards*), paragraph .09 provides the guidance for the explanatory paragraph or separate report in those circumstances.

[2] The auditor's report should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion (paragraph .01 of AU section 530, *Dating of the Independent Auditor's Report* [AICPA, *Professional Standards*]). AICPA Technical Questions and Answers (TIS) section 9100.06, "The Effect of Obtaining the Management Representation Letter on Dating the Auditor's Report," and TIS section 8700.02, "Auditor Responsibilities for Subsequent Events" (AICPA, *Technical Practice Aids*), provide nonauthoritative guidance on dating the auditor's report.

.09 The following is an example of the auditor's report for a health and welfare benefit plan where the plan administrator has limited the scope of the audit under DOL Regulations.

Illustration of Auditor's Report on Financial Statements—Limited-Scope Audits Under DOL Regulations

Independent Auditor's Report

[*Addressee*]

We were engaged to audit the accompanying statements of net assets available for benefits of Allied Industries Health Care Benefit Plan as of December 31, 20X2 and 20X1, the related statement of changes in net assets available for benefits for the year ended December 31, 20X2, and the supplemental schedules of (1) Schedule H, line 4i—Schedule of Assets (Held At End of Year), and (2) Schedule H, line 4j—Schedule of Reportable Transactions as of or for the year ended December 31, 20X1. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note X, which was certified by ABC Bank, the trustee (or custodian) of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee (or custodian) holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee (or custodian) as of December 31, 20X2 and 20X1, and for the year ended December 31, 20X2, that the information provided to the plan administrator by the trustee (or custodian) is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules taken as a whole. The supplemental schedules are presented for the purposes of additional analysis and are not a required part of the financial statements but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee or custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[*Signature of Firm*]

[*City and State*]

[*Date*]

[AAG 13.37]

.10 The following are illustrative financial statements of a health and welfare benefit plan that has assets in an underlying trust and pays all benefits directly from plan assets. The illustration assumes that retirees contribute a portion of the cost for their medical coverage and that the plan provides health benefits and life insurance coverage to both active and retired participants. The illustration also assumes that the plan provides long-term disability benefits and limited coverage during periods of unemployment based on accumulated eligibility credits.

ALLIED INDUSTRIES HEALTH CARE BENEFIT PLAN

Statements of Net Assets Available for Benefits[3]
December 31, 20X1 and 20X0

	20X1	*20X0*
Assets		
Investments, at fair value (see notes 4 and 5)		
U.S. government securities	$5,000,000	$4,000,000
Corporate bonds	2,000,000	1,600,000
Common stocks	1,000,000	600,000
Total Investments	8,000,000	6,200,000
Receivables		
Participating employers' contributions	500,000	430,000
Participants' contributions	100,000	80,000
Accrued interest and dividends	50,000	40,000
Total receivables	650,000	550,000
Cash	140,000	115,000
TOTAL ASSETS	8,790,000	6,865,000
Liabilities		
Due to broker for securities purchased	250,000	240,000
Accounts payable for administrative expenses	25,000	25,000
TOTAL LIABILITIES	275,000	265,000
NET ASSETS AVAILABLE FOR BENEFITS	$8,515,000	$6,600,000

[3] These financial statements are to be used for guidance purposes only and do not contain all disclosures required by accounting principles generally accepted in the United States of America.

.11

ALLIED INDUSTRIES HEALTH CARE BENEFIT PLAN

Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 20X1

	20X1
Additions:	
Contributions	
Participating employers	$15,000,000
Participants	3,000,000
Total contributions	18,000,000
Investment income	
Net appreciation in fair value of investments	300,000
Interest	500,000
Dividends	50,000
Total investment income	850,000
Less investment expenses	15,000
Net investment income	835,000
TOTAL ADDITIONS	18,835,000
Deductions	
Benefits paid to participants	
Health care	16,000,000
Disability and death	770,000
Total benefits paid	16,770,000
Administrative expenses	150,000
TOTAL DEDUCTIONS	16,920,000
NET INCREASE DURING YEAR	1,915,000
Net assets available for benefits	
Beginning of year	6,600,000
End of year	$ 8,515,000

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

.12

ALLIED INDUSTRIES HEALTH CARE BENEFIT PLAN

Statements of Plan's Benefit Obligations
December 31, 20X1 and 20X0

	20X1	*20X0*
Amounts currently payable		
Claims payable, claims incurred but not reported, and premiums due to insurers	$1,200,000	$1,050,000
Postemployment benefit obligations, net of amounts currently payable		
Death and disability benefits for inactive participants	1,350,000	1,000,000
Postretirement benefit obligations, net of amounts currently payable		
Retired participants	2,000,000	1,900,000
Other participants fully eligible for benefits	4,000,000	3,600,000
Participants not yet fully eligible for benefits	5,000,000	4,165,000
	11,000,000	9,665,000
PLAN'S TOTAL BENEFIT OBLIGATIONS	$13,550,000	$11,715,000

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

.13

ALLIED INDUSTRIES HEALTH CARE BENEFIT PLAN

Statement of Changes in Plan's Benefit Obligations
Year Ended December 31, 20X1

	20X1
Amounts currently payable	
Balance at beginning of year	$ 1,050,000
Claims reported and approved for payment, including benefits reclassified from benefit obligations	16,920,000
Claims paid	(16,770,000)
Balance at end of year	1,200,000
Postemployment benefit obligations, net of amounts currently payable	
Balance at beginning of year	1,000,000
Increase (decrease) in postemployment benefits attributable to:	
Benefits earned	600,000
Benefits reclassified to amounts currently payable	(450,000)
Interest	90,000
Changes in actuarial assumptions and other actuarial gains and losses	110,000
Balance at end of year	1,350,000
Postretirement benefit obligations, net of amounts currently payable	
Balance at beginning of year	9,665,000
Increase (decrease) in postretirement benefits attributable to:	
Benefits earned	1,150,000
Benefits reclassified to amounts currently payable	(650,000)
Interest	750,000
Plan amendment	(175,000)
Changes in actuarial assumptions and other actuarial gains and losses	260,000
Balance at end of year	11,000,000
PLAN'S TOTAL BENEFIT OBLIGATIONS AT END OF YEAR	$ 13,550,000

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

.14

ALLIED INDUSTRIES HEALTH CARE BENEFIT PLAN

Notes to Financial Statements

NOTE 1: DESCRIPTION OF PLAN

The following description of the Allied Industries Health Care Benefit Plan (the plan) provides only general information. Participants should refer to the plan agreement for a complete description of the plan's provisions.

General. The plan provides health and other benefits covering all participants in the widgets industry in the Greater Metropolis area. The plan and related trust were established on May 8, 1966, pursuant to a collective bargaining agreement between the Allied Employers' Trade Association and the Allied Union, Local 802. It is subject to the provisions of ERISA, as amended.

Benefits. The plan provides health benefits (medical, hospital, surgical, major medical, and dental), life insurance coverage, long-term disability benefits, and death benefits to full-time participants (with at least 450 hours of work in the industry during a consecutive 3-month period) and to their beneficiaries and covered dependents. Retired employees are entitled to similar health benefits (in excess of Medicare coverage) provided they have attained at least age 62 and have 15 years of service with participating employers before retirement.

The plan also provides health benefits to participants during periods of unemployment, provided they have accumulated in the current year or in prior years credit amounts (expressed in hours) in excess of the hours required for current coverage. Accumulated eligibility credits equal to one year's coverage may be carried forward.

Health, disability, and death claims of active and retired participants, dependents, and beneficiaries are processed by the Administrator Group, but the responsibility for payments to participants and providers is retained by the plan.

In 20X1, the board of trustees amended the plan to increase the deductible under major medical coverage from $100 to $300 and to extend dental coverage to employees retiring after December 31, 20X2. The amendment will not affect participating employers' contributions to the plan in 20X2 under the current collective bargaining agreement.

Contributions. Participating employers contribute 5.5 percent of wages pursuant to the current collective bargaining agreement between employers and the union (expiring February 19, 20X5). Employees may contribute specified amounts, determined periodically by the plan's actuary, to extend coverage to eligible dependents. The costs of the postretirement benefit plan are shared by the plan's participating employers and retirees. In addition to deductibles and copayments, participant contributions in the current (and prior, if applicable) year were as follows:

Participants Retiring	*20X1 Retiree Contribution*	*20X0 Retiree Contribution*
(1) Pre-1990	(1) None	(1) None
(2) 1990–1994	(2) Retirees contribute 20% of estimated cost of providing their postretirement benefits[4]	(2) Retirees contribute 20% of estimated cost of providing their postretirement benefits
(3) 1995–1999	(3) Retirees pay the cost of providing their postretirement benefits in excess of $200 per month "cap" (approximately 60% of the estimated cost)	(3) Retirees pay the cost of providing their postretirement benefits in excess of $200 per month "cap" (approximately 50% of the estimated cost)

(continued)

[4] Excluding $15 per month per capita increase in 20X1 due to adverse claims experience in 20X0.

Participants Retiring	*20X1 Retiree Contribution*	*20X0 Retiree Contribution*
(4) 2000 and after	(4) Retirees pay 100% of estimated cost of providing their postretirement benefits	(4) Retirees pay 100% of estimated cost of providing their postretirement benefits

Other. The plan's board of trustees, as Sponsor, has the right under the plan to modify the benefits provided to active employees. The plan may be terminated only by joint agreement between industry and union, subject to the provisions set forth in ERISA.

NOTE 2: SUMMARY OF ACCOUNTING POLICIES

A. *Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations and changes therein, incurred but not reported (IBNR), eligibility credits, claims payable, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

B. *Investment Valuation and Income Recognition.* Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 5 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the plan's gains and losses on investments bought and sold as well as held during the year.

C. *Postretirement Benefits.* The amount reported as the postretirement benefit obligation represents the actuarial present value of those estimated future benefits that are attributed by the terms of the plan to employees' service rendered to the date of the financial statements, reduced by the actuarial present value of contributions expected to be received in the future from current plan participants. Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and their beneficiaries and dependents and (2) active employees and their beneficiaries and dependents after retirement from service with participating employers. The postretirement benefit obligation represents the amount that is to be funded by contributions from the plan's participating employers and from existing plan assets. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee's service in the industry rendered to the valuation date.

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

For measurement purposes, a 9.5 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 20X2; the rate was assumed to decrease gradually to 8 percent for 20X7 and to remain at that level thereafter. These assumptions are consistent with those used to measure the benefit obligation at December 31, 20X1.

The following were other significant assumptions used in the valuations as of December 31, 20X1 and 20X0:

Weighted-average discount rate	8.0%—20X1; 8.25%—20X0
Average retirement age	60
Mortality	RP 2000 Mortality Table

The foregoing assumptions are based on the presumption that the plan will continue. Were the plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

D. *Other Plan Benefits.* Plan obligations at December 31 for health claims incurred by active participants but not reported at that date, for accumulated eligibility of participants, and for future disability payments to members considered permanently disabled at December 31 are estimated by the plan's actuary in accordance with accepted actuarial principles. Such estimated amounts are reported in the accompanying statement of the plan's benefit obligations at present value, based on an 8.0 percent discount rate. Health claims incurred by retired participants but not reported at year end are included in the postretirement benefit obligation.

E. *Subsequent Events.* The plan has evaluated subsequent events through [*insert date*], the date the financial statements were available to be issued.

NOTE 3: BENEFIT OBLIGATIONS

The plan's deficiency of net assets over benefit obligations at December 31, 20X1 and 20X0, relates primarily to the postretirement benefit obligation, the funding of which is not covered by the contribution rate provided by the current bargaining agreement. It is expected that the deficiency will be funded through future increases in the collectively bargained contribution rates.

The weighted-average health care cost-trend rate assumption (see note 2B) has a significant effect on the amounts reported in the accompanying financial statements. If the assumed rates increased by 1 percentage point in each year, it would increase the obligation as of December 31, 20X1 and 20X0, by $2,600,000 and $2,500,000, respectively.

NOTE 4: INVESTMENTS

The plan's investments are held by a bank-administered trust fund. During 20X1, the plan's investments (including investments bought, sold, and held during the year) appreciated in value by $300,000, as follows:[5]

	20X1		*20X0*
	Net Increase (Decrease) in Value During Year	*Fair Value at End of Year*	*Fair Value at End of Year*
U.S. government securities	$200,000	$5,000,000	$4,000,000
Corporate bonds	—	2,000,000	1,600,000
Common stocks	100,000	1,000,000	600,000
	$300,000	$8,000,000	$6,200,000

The fair value of individual investments that represent 5 percent or more of the plan's net assets are as follows:

	20X1	*20X0*
Commonwealth Power Co., 9.0% bonds due 2014 ($500,000 face amount)	$475,000	$450,000
ABC Company common stock (2,000 shares)	500,000	450,000
U.S. Treasury bond, 8.5% due 20X6 ($360,000 face amount)		350,000

[5] See note 5 for discussion of fair value measurements.

NOTE 5: FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	Inputs to the valuation methodology include • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; and • inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 20X1 and 20X0.

> ***Note***: Information contained herein for fair value disclosures is based upon information for the Illustration of Financial Statements: Allied Industries Health Care Benefit Plan as previously presented. This illustrative disclosure is not representative of all types of investment securities and does not represent the classification for every instance of such investment securities. It should not be assumed that these methodologies are the only appropriate methodologies for these types of assets. As stated in "Pending Content" in FASB ASC 820-10-35-6A, "the principle (or most advantageous) market (and thus, market participants) should be considered from the perspective of the reporting entity, thereby allowing for differences between and among entities with different activities." Plan sponsors will have to evaluate the appropriate classification for each type of investments securities based upon the plan's portfolio and actual fair valuation techniques used.

U.S. Government securities and common stock: Valued at the closing price reported in the active market in which the individual security is traded.

Corporate bonds: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds traded in the over-the-counter market and listed securities for which no sale was reported on the last business day of the plan year are valued at the average of the last reported bid and asked prices. For certain corporate bonds that do not have an established fair value, the plan's board of trustees have established a fair value based on yields currently available on comparable securities of issuers with similar credit ratings.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the plan's fair value measurements at December 31, 20X1 and 20X0:

Practice Tip

The following table illustrates certain disclosure requirements of FASB ASC 820. The disclosures illustrated describe the nature and risks of securities as required by FASB ASC 820-10-50 and are included for illustrative purposes and are NOT intended to represent the ONLY way to disclose such information.

These illustrative financial statements do not contain any transfers between fair value levels and therefore no disclosure has been made. See paragraph 4.38 of the guide for the required disclosure.

In addition, in May 2011, FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and IFRSs*. The objective of this update is to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRSs, by changing the wording used to describe many of the requirements in GAAP for measuring fair value and disclosing information about fair value measurements. The amendments include those that clarify FASB's intent about the application of existing fair value measurement and disclosure requirements and those that change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. This ASU, which is to be applied prospectively, is effective for public entities during interim and annual periods beginning after December 15, 2011 (early application is not permitted). For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Nonpublic entities may early implement during interim periods beginning after December 15, 2011. Some of the disclosures required by the amendments in this ASU are not required for nonpublic entities.

The illustrative financial statements in this appendix will be amended for FASB ASU No. 2011-04 closer to its effective date.

	Fair Value Measurements at December 31, 20X1			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Total*
U.S. government securities	$5,000,000	—	—	$5,000,000
Corporate bonds:				
Aaa credit rating	250,000	—	—	250,000
Aa credit rating	—	$1,750,000	—	1,750,000
Total corporate bonds	250,000	1,750,000	—	2,000,000
Common stocks:				
Consumer goods	450,000	—	—	450,000
Information technology	350,000	—	—	350,000
Other	200,000	—	—	200,000
Total common stocks	1,000,000	—	—	1,000,000
Total assets at fair value	$6,250,000	$1,750,000	$—	$8,000,000

	Fair Value Measurements at December 31, 20X0			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Total*
U.S. government securities	$4,000,000	—	—	$4,000,000
Corporate bonds:				
Aaa credit rating	225,000	—	—	225,000
Aa credit rating	—	$1,375,000	—	1,375,000
Total corporate bonds	225,000	1,375,000	—	1,600,000
Common stocks:				
Consumer goods	270,000	—	—	270,000
Information technology	210,000	—	—	210,000
Other	120,000	—	—	120,000
Total common stocks	600,000	—	—	600,000
Total assets at fair value	$4,825,000	$1,375,000	$—	$6,200,000

NOTE 6: TAX STATUS

The trust established under the plan to hold the plan's assets is intended to qualify pursuant to Section 501(c)9 of the Internal Revenue Code (IRC), and, accordingly, the trust's net investment income is exempt from income taxes. The trust has obtained a favorable tax determination letter from the IRS, and the plan sponsor believes that the trust, as amended, continues to qualify and to operate in accordance with applicable provisions of the IRC.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the [*identify the taxing authorities*]. The plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 20XX.

NOTE 7: RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	December 31,	
	20X1	*20X0*
Net assets available for benefits per the financial statements	$8,515,000	$6,600,000
Benefit obligations currently payable (health claims, death and disability benefits)	1,200,000	1,050,000
Net assets available for benefits per the Form 5500	$7,315,000	$5,550,000

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500:

	Year ended December 31, 20X1
Benefits paid to participants per the financial statements	$16,770,000
Add: Amounts currently payable at December 31, 20X1	1,200,000
Less: Amounts currently payable at December 31, 20X0	(1,050,000)
Benefits paid to participants per the Form 5500	$16,920,000

Amounts currently payable to or for participants, dependents, and beneficiaries are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to December 31, but not yet paid as of that date.

NOTE 8: RISKS AND UNCERTAINTIES

The plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

The actuarial present value of benefit obligations is reported based on certain assumptions pertaining to interest rates, health care inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

.15 The following are illustrative financial statements for a single-employer health and welfare benefit plan that displays the benefit obligation information on the face of the financial statements along with the net asset information. The plan in the following illustration has assets in an underlying trust. The illustration assumes that the plan obtains insurance for current benefits from its assets and that the plan provides health benefits and life insurance coverage to both active and retired participants.

CLASSIC ENTERPRISES BENEFIT PLAN

Statements of Benefit Obligations and Net Assets Available for Benefits
December 31, 20X1 and 20X0

	20X1	*20X0*
BENEFIT OBLIGATIONS (see note 3)		
Amount due insurance companies	$1,200,000	$1,000,000
Postretirement benefit obligations	11,000,000	9,665,000
Total benefit obligations	12,200,000	10,665,000
NET ASSETS		
Assets		
Investments (notes 4 and 5)		
U.S. government securities	$5,000,000	$4,000,000
Corporate bonds	2,000,000	1,600,000
Common stocks	1,000,000	600,000
Total investments	8,000,000	6,200,000
Receivables		
Sponsor's contributions	500,000	430,000
Participants' contributions	100,000	80,000
Accrued interest and dividends	50,000	40,000
Total receivables	650,000	550,000
Cash	75,000	60,000
Insurance premium deposits	65,000	55,000
TOTAL ASSETS	8,790,000	6,865,000
Liabilities		
Due to broker for securities purchased	250,000	240,000
Accounts payable for administrative expenses	25,000	25,000
TOTAL LIABILITIES	275,000	265,000
NET ASSETS AVAILABLE FOR BENEFITS	8,515,000	6,600,000
EXCESS OF BENEFIT OBLIGATIONS OVER NET ASSETS AVAILABLE FOR BENEFITS	$3,685,000	$4,065,000

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

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CLASSIC ENTERPRISES BENEFIT PLAN

Statement of Changes in Benefit Obligations and Net Assets Available for Benefits
Year Ended December 31, 20X1

	20X1
Net Increase in Benefit Obligations	
Increase (Decrease) during the year attributable to:	
Benefits earned and other changes	$1,510,000
Additional amounts payable to insurance company	200,000
Plan amendment	(175,000)
	1,535,000
Net Increase in Net Assets Available for Benefits	
Additions	
Contributions	
Sponsor	15,000,000
Participants	3,000,000
Total contributions	18,000,000
Investments income	
Net appreciation in fair value of investments	300,000
Interest	500,000
Dividends	50,000
	850,000
Less investment expenses,	15,000
Net investment income	835,000
TOTAL ADDITIONS	18,835,000
Deductions	
Insurance premiums paid for health benefits, net of experience-rating adjustments of $250,000 for 20X0 received in 20X1	16,035,000
Insurance premiums paid for death benefits	780,000
	16,815,000
Administrative expenses	105,000
TOTAL DEDUCTIONS	16,920,000
NET INCREASE	1,915,000
Decrease in excess of benefit obligations over net assets available for benefits	(380,000)
Excess of benefit obligations over net assets available for benefits	
Beginning of year	4,065,000
End of year	$3,685,000

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

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CLASSIC ENTERPRISES BENEFIT PLAN

Notes to Financial Statements

NOTE 1: DESCRIPTION OF PLAN

The following description of the Classic Enterprises Benefit Plan (the plan) provides only general information. Participants should refer to the plan agreement for a complete description of the plan's provisions.

General. The plan provides health and death benefits covering substantially all active and retired employees of Classic Enterprises (the sponsor). It is subject to the provisions of ERISA, as amended.

Benefits. The plan provides health benefits (medical, hospital, surgical, major medical, and dental) and death benefits to full-time employees of the sponsor (with at least 1,000 hours of service each year) and to their beneficiaries and covered dependents. Retired employees are entitled to similar health and death benefits provided they have attained at least age 55 and have at least 10 years of service with the sponsor.

Current health claims of active and retired participants and their dependents and beneficiaries are provided under group insurance contracts with ABC Carrier, which are experience rated after the anniversary dates of the policies (generally March 31). Death benefits are covered by a group-term policy with DEF Carrier.

Contributions. The sponsor's policy is to contribute the maximum amounts allowed as a tax deduction by the IRC. Under present law, the sponsor is not permitted to deduct amounts for future benefits to current employees and retirees.

Employees and retirees may contribute specified amounts, determined periodically by the plan's insurance companies, to extend coverage to eligible dependents.

In 20X1, the plan was amended to increase the deductible under major medical coverage from $100 to $300 and to extend dental coverage to employees retiring after December 31, 20X1. The amendment is not expected to significantly affect the Sponsor's contribution to the plan in 20X2.

Other. Although it has not expressed any intention to do so, the sponsor has the right under the plan to modify the benefits provided to active employees, to discontinue its contributions at any time, and to terminate the plan subject to the provisions set forth in ERISA.

NOTE 2: SUMMARY OF ACCOUNTING POLICIES

A. *Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, benefit obligations and changes therein, IBNR, eligibility credits, claims payable, liabilities and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

B. *Investment Valuation and Income Recognition.* The plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 5 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the plan's gains and losses on investments bought and sold as well as held during the year.

C. *Plan Benefits.* The postretirement benefit obligation (see note 3) represents the actuarial present value of those estimated future benefits that are attributed to employee service rendered to December 31. Postretirement benefits include future benefits expected to be paid to or for (1) currently retired employees and their beneficiaries and dependents and (2) active employees and their beneficiaries and dependents after retirement from service with the sponsor. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee's service rendered to the valuation date.

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

For measurement purposes at December 31, 20X1, a 9.5 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 20X2; the rate was assumed to decrease gradually to 8 percent for 20X7 and to remain at that level thereafter. These assumptions are consistent with those used to measure the benefit obligation at December 31, 20X0.

The following were other significant assumptions used in the valuations as of December 31, 20X1 and 20X0:

Weighted-average discount rate	8.0%
Average retirement age	60
Mortality	1971 Group Annuity Mortality Table

The foregoing assumptions are based on the presumption that the plan will continue. Were the plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

D. *Subsequent Events.* The plan has evaluated subsequent events through [*insert date*], the date the financial statements were available to be issued.

NOTE 3: BENEFIT OBLIGATIONS

Health costs incurred by participants and their beneficiaries and dependents are covered by insurance contracts maintained by the plan. It is the present intention of the Sponsor and the plan to continue obtaining insurance coverage for benefits. As stated in note 1, the sponsor is not permitted under present tax law to deduct amounts for future benefits (beyond one year). Insurance premiums for future years in respect of the plan's postretirement benefit obligation will be funded by sponsor contributions to the plan in those later years.

The postretirement benefit obligation at December 31, 20X1 and 20X0, principally health benefits, relates to the following categories of participants (including their beneficiaries and dependents):

	20X1	*20X0*
Current retirees	$3,900,000	$3,500,000
Other participants fully eligible for benefits	2,100,000	2,000,000
Participants not yet fully eligible for benefits	5,000,000	4,165,000
	$11,000,000	$9,665,000

The health care cost-trend rate assumption (see note 2B) has a significant effect on the amounts reported. If the assumed rates increased by 1 percentage point in each year, that would increase the obligation as of December 31, 20X1 and 20X0, by $2,600,000 and $2,500,000, respectively.

NOTE 4: INVESTMENTS

The plan's investments are held by a bank-administered trust fund. During 20X1, the plan's investments (including investments bought, sold, and held during the year) appreciated in value by $300,000, as follows:[6]

	20X1		*20X0*
	Net Increase (Decrease) in Value During Year	*Fair Value at End of Year*	*Fair Value at End of Year*
U.S. government securities	$200,000	$5,000,000	$4,000,000
Corporate bonds	—	2,000,000	1,600,000
Common stocks	100,000	1,000,000	600,000
	$300,000	$8,000,000	$6,200,000

The fair value of individual investments that represent 5 percent or more of the plan's net assets are as follows:

	20X1	*20X0*
Commonwealth Power Co., 9.0% bonds due 2014 ($500,000 face amount)	$475,000	$450,000
ABC Company common stock (2,000 shares)	500,000	450,000
U.S. Treasury bond, 8.5% due 20X6 ($360,000 face amount)		350,000

NOTE 5: FAIR VALUE MEASUREMENTS

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	Inputs to the valuation methodology include • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; and • inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

[6] See note 5 for discussion of fair value measurements.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 20X1 and 20X0.

> ***Note***: Information contained herein for fair value disclosures is based upon information for the Illustration of Financial Statements: Classic Enterprises Benefit Plan previously presented. This illustrative disclosure is not representative of all types of investment securities and does not represent the classification for every instance of such investment securities. It should not be assumed that these methodologies are the only appropriate methodologies for these types of assets. As stated in "Pending Content" in FASB ASC 820-10-35-6A, "the principle (or most advantageous) market (and thus, market participants) should be considered from the perspective of the reporting entity, thereby allowing for differences between and among entities with different activities." Plan sponsors will have to evaluate the appropriate classification for each type of investment securities based upon the plan's portfolio and actual fair valuation techniques used.

U.S. Government securities and common stock: Valued at the closing price reported in the active market in which the individual security is traded.

Corporate bonds: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds traded in the over-the-counter market and listed securities for which no sale was reported on the last business day of the plan year are valued at the average of the last reported bid and asked prices. For certain corporate bonds that do not have an established fair value, the plan's board of trustees have established a fair value based on yields currently available on comparable securities of issuers with similar credit ratings.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of December 31, 20X1 and 20X0:

> **Practice Tip**
>
> The following table illustrates certain disclosure requirements of FASB ASC 820. The disclosures illustrated describe the nature and risks of securities as required by FASB ASC 820-10-50 and are included for illustrative purposes and are NOT intended to represent the ONLY way to disclose such information.
>
> These illustrative financial statements do not contain any transfers between fair value levels and therefore no disclosure has been made. See paragraph 4.38 of the guide for required disclosures.
>
> In addition, in May 2011, FASB issued ASU No. 2011-04. The objective of this update is to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRSs, by changing the wording used to describe many of the requirements in GAAP for measuring fair value and disclosing information about fair value measurements. The amendments include those that clarify FASB's intent about the application of existing fair value measurement and disclosure requirements and those that change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. This ASU, which is to be applied prospectively, is effective for public entities during interim and annual periods beginning after December 15, 2011 (early application is not permitted). For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Nonpublic entities may early implement during interim periods beginning after December 15, 2011. Some of the disclosures required by the amendments in this ASU are not required for nonpublic entities.
>
> The illustrative financial statements in this checklist will be amended for FASB ASU No. 2011-04 closer to its effective date.

	Fair Value Measurements at December 31, 20X1			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Total*
U.S. government securities	$5,000,000	—	—	$5,000,000
Corporate bonds:				
Aaa credit rating	250,000	—	—	250,000
Aa credit rating	—	$1,750,000	—	1,750,000
Total corporate bonds	250,000	1,750,000	—	2,000,000
Common stocks:				
Consumer goods	450,000	—	—	450,000
Energy	350,000	—	—	350,000
Other	200,000	—	—	200,000
Total common stocks	1,000,000	—	—	1,000,000
Total assets at fair value	$6,250,000	$1,750,000	$—	$8,000,000

	Fair Value Measurements at December 31, 20X0			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Total*
U.S. government securities	$4,000,000	—	—	$4,000,000
Corporate bonds:				
Aaa credit rating	225,000	—	—	225,000
Aa credit rating	—	$1,375,000	—	1,375,000
Total corporate bonds	225,000	1,375,000	—	1,600,000
Common stocks:				
Consumer goods	270,000	—	—	270,000
Energy	210,000	—	—	210,000
Other	120,000	—	—	120,000
Total common stocks	600,000	—	—	600,000
Total assets at fair value	$4,825,000	$1,375,000	$—	$6,200,000

NOTE 6: TAX STATUS

The trust established under the plan to hold the plan's net assets is qualified pursuant to Section 501(c)9 of the IRC, and, accordingly, the trust's net investment income is exempt from income taxes. The sponsor has obtained a favorable tax determination letter from the IRS and the sponsor believes that the trust, as amended, continues to qualify and to operate as designed.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the [*identify the taxing authorities*]. The plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 20XX.

NOTE 7: RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	December 31,	
	20X1	*20X0*
Net assets available for benefits per the financial statements	$8,515,000	$6,600,000
Amounts due to insurance companies	1,200,000	1,000,000
Net assets available for benefits per the Form 5500	$7,315,000	$5,600,000

The following is a reconciliation of insurance premiums paid for participants per the financial statements to the Form 5500:

	Year ended December 31, 20X1
Insurance premiums paid per the financial statements	$16,815,000
Add: Amounts due insurance companies at December 31, 20X1	1,200,000
Less: Amounts due insurance companies at December 31, 20X0	(1,000,000)
Insurance premiums paid to participants per the Form 5500	$17,015,000

NOTE 8: RISKS AND UNCERTAINTIES

The plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

The actuarial present value of benefit obligations is reported based on certain assumptions pertaining to interest rates, health care inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

.18 The following are illustrative financial statements for a hypothetical health and welfare benefit plan that is funded in part through a 401(h) feature of a defined benefit pension plan and are from FASB ASC 965. Note that the following illustrative health and welfare benefit plan financial statements are not representative of a complete set of financial statements and notes thereto.

C&H COMPANY WELFARE BENEFIT PLAN

Statement of Net Assets Available for Plan Benefits

	December 31,	
	20X1	*20X0*
Assets		
Investments, at fair value:		
U.S. government securities	$5,000,000	$4,000,000
Corporate bonds	2,000,000	1,600,000
Common stocks	1,000,000	600,000
Total investments	8,000,000	6,200,000
Net assets held in C&H Company defined benefit plan—restricted for 401(h) account (notes A and E)	1,072,000	966,000
Receivables		
Employer contribution	500,000	430,000
Employee contributions	100,000	80,000
Accrued interest and dividends	50,000	40,000
Total receivables	650,000	550,000
Cash	110,000	115,000
Total assets	9,832,000	7,831,000
Liabilities		
Due to broker for securities purchased	250,000	240,000
Accounts payable for administrative expenses	25,000	25,000
Total liabilities	275,000	265,000
Net assets available for plan benefits	$9,557,000	$7,566,000

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

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C&H COMPANY WELFARE BENEFIT PLAN

C&H Company Welfare Benefit Plan
Statement of Changes in Net Assets Available for Plan Benefits

	For the Year Ended December 31, 20X1
Additions	
Contributions	
Employer contributions	$15,000,000
Employee contributions	3,000,000
Total contributions	18,000,000
Investment income	
Net appreciation in fair value of investments	300,000
Interest	500,000
Dividends	50,000
Total investment income	850,000
Less investment expense	15,000
Net investment income	835,000
Net increase in 401(h) account (note E)	106,000
Total additions	18,941,000
Deductions	
Benefits paid directly to participants:	
Health care	16,000,000
Disability and death	770,000
Total benefits paid	16,770,000
Administrative expenses	180,000
Total deductions	16,950,000
Net increase during the year	1,991,000
Net assets available for benefits:	
Beginning of year	7,566,000
End of year	$ 9,557,000

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

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C&H COMPANY WELFARE BENEFIT PLAN

C&H Welfare Benefit Plan
Statement of Benefit Obligations

	For the Year Ended December 31,	
	20X1	*20X0*
Amounts currently payable to or for participants, beneficiaries, and dependents		
Health claims payable	$ 1,100,000	$ 975,000
Death and disability benefits payable	100,000	75,000
Total amounts currently payable	1,200,000	1,050,000
Other obligations for current benefit coverage, at present value of estimated amounts		
Claims incurred but not reported	425,000	390,000
Long-term disability benefits	925,000	610,000
Total other obligations for current benefit coverage	1,350,000	1,000,000
Total obligations other than postretirement benefit obligations	2,550,000	2,050,000
Postretirement benefit obligations		
Current retirees	3,900,000	3,500,000
Other participants fully eligible for benefits	2,100,000	2,000,000
Other participants not yet fully eligible for benefits	5,000,000	4,165,000
Total postretirement benefit obligations	11,000,000	9,665,000
Total benefit obligations	$13,550,000	$11,715,000

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

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C&H COMPANY WELFARE BENEFIT PLAN

Statement of Changes in Benefit Obligations

	For the Year Ended December 31, 20X1
Amounts currently payable to or for participants, beneficiaries, and dependents	
Balance, beginning of year	$ 1,050,000
Claims reported and approved for payment	16,930,000
Claims paid (including disability)	(16,770,000)
Claims paid through 401(h) account (note E)	(10,000)
Balance, end of year	1,200,000
Other obligations for current benefit coverage, at present value of estimated amounts	
Balance, beginning of year	1,000,000
Net change during year:	
Long-term disability benefits	315,000
Other	35,000
Balance, end of year	1,350,000
Total obligations other than postretirement benefit obligations	2,550,000
Postretirement benefit obligations	
Balance, beginning of year	9,665,000
Increase (decrease) during the year attributable to:	
Benefits earned and other changes	1,250,000
Plan amendment	(175,000)
Changes in actuarial assumptions	260,000
Balance, end of year	11,000,000
Total benefit obligations, end of year	$ 13,550,000

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

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C&H COMPANY WELFARE BENEFIT PLAN

Notes to Financial Statements

Note A: 401(h) Account

Effective January 1, 20X0, the [*company's defined benefit pension plan*] was amended to include a medical-benefit component in addition to normal retirement benefits to fund a portion of the postretirement obligations for retirees and their beneficiaries in accordance with Section 401(h) of the IRC. A separate account has been established and maintained in the [*defined benefit pension plan*] for such contributions. In accordance with IRC Section 401(h), the plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees and their beneficiaries. The related obligations for health benefits are not included in the [*defined benefit pension plan's*] obligations in the statement of accumulated plan benefits but are reported as obligations in the financial statements of the [*health and welfare benefit plan*].

Note E: 401(h) Account

A portion of the plan's obligations are funded through contributions to the company's [*defined benefit pension plan*] in accordance with IRC Section 401(h). The following table presents the components of the net assets available for such obligations and the related changes in net assets available.

Net Assets Available for Postretirement

Health and Welfare Benefits in 401(h) Account

	December 31,	
	20X1	*20X0*
Investments:		
U.S. government securities	$ 140,000	$ 150,000
Money market fund	900,000	800,000
	1,040,000	950,000
Cash	20,000	10,000
Employer's contribution receivable[7]	20,000	15,000
Accrued interest	7,000	6,000
Total assets	1,087,000	981,000
Accrued administrative expenses	(15,000)	(15,000)
Net assets available	$1,072,000	$ 966,000

Changes in Net Assets in 401(h) Account

	For the Year Ended December 31, 20X1
Net appreciation in fair value of investments:	
U.S. government securities	$10,800
Interest	80,200
	91,000
Employer contributions	40,000
Health and welfare benefits paid to retirees	(10,000)
Administrative expenses	(15,000)
Net increase in net assets available	$106,000

[7] A receivable from the employer must meet the requirements of FASB ASC 960-310-25-2.

Note H: Reconciliation of Financial Statements to Form 5500[8]

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

Net assets available for benefits per the financial statements	$9,557,000
Claims payable	(1,200,000)
Net assets held in defined benefit plan-401(h) account	(1,072,000)
Net assets available for benefits per Form 5500	$7,285,000

The following is a reconciliation of claims paid per the financial statements to the Form 5500:

Claims paid per the financial statements	$16,770,000
Add: Amounts payable at December 31, 20X1	1,200,000
Less: Amounts payable at December 31, 20X0	(1,050,000)
Claims paid per Form 5500	$16,920,000

The following is a reconciliation of total additions per the financial statements to the Form 5500:

Total additions per financial statements	$18,941,000
Less: Net increase in 401(h) net assets available	(106,000)
Net additions per Form 5500	$18,835,000

[8] The reconciliation of amounts reported in plan financial statements to amounts reported in Form 5500 is required by ERISA.

.23 The following is an illustration of the financial statements of a multiemployer health and welfare benefit plan that provides postemployment benefits to covered employees. These illustrative financial statements are from FASB ASC 965.

SUPPLEMENTAL UNEMPLOYMENT BENEFIT PLAN FOR EMPLOYEES OF ABC COMPANY ESTABLISHED PURSUANT TO AGREEMENT WITH UNITED WORKERS OF AMERICA

Statements of Net Assets Available for Benefits

December 31, 20X1 and 20X0

	20X1	*20X0*
Assets		
Investments	$10,605	$ 80,750
Cash	1,025	19,400
Accrued interest receivable	100	125
TOTAL ASSETS	11,730	100,275
Liability		
Accrued investment trustee fees	265	265
NET ASSETS AVAILABLE FOR BENEFITS	$11,465	$100,010

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

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SUPPLEMENTAL UNEMPLOYMENT BENEFIT PLAN FOR EMPLOYEES OF ABC COMPANY ESTABLISHED PURSUANT TO AGREEMENT WITH UNITED WORKERS OF AMERICA

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 20X1

Additions:	
Contributions	$1,366,065
Interest income	1,960
TOTAL ADDITIONS	1,368,025
Deductions:	
Benefit payments	1,455,460
Investment trustee fees	1,110
TOTAL DEDUCTIONS	1,456,570
NET DECREASE DURING THE YEAR	(88,545)
Net assets available for benefits	
Beginning of year	100,010
End of year	$ 11,465

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

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SUPPLEMENTAL UNEMPLOYMENT BENEFIT PLAN FOR EMPLOYEES OF ABC COMPANY ESTABLISHED PURSUANT TO AGREEMENT WITH UNITED WORKERS OF AMERICA

Notes to Financial Statements

NOTE 1: DESCRIPTION OF PLAN

In connection with a negotiated contract, the Supplemental Unemployment Benefit Plan for Employees of ABC Company Established Pursuant to Agreement With United Workers of America (the plan) provides for payment of supplemental unemployment benefits to covered employees who have completed 2 years of continuous service. Payments are made to (*a*) employees on layoff and (*b*) certain employees who work less than 32 hours in any week. The following description is provided for general information purposes. The plan document should be referred to for specific information regarding benefits and other plan matters.

NOTE 2: SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting. The financial statements of the plan are prepared on the accrual basis of accounting.

Investment Valuation and Income Recognition. Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

Use of Estimates. The preparation of financial statements in conformity with GAAP 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.

Benefit Obligations. The plan's obligation for accumulated eligibility credits is discounted using a weighted-average assumed rate of 7.5 percent.

Subsequent Events. The plan has evaluated subsequent events through [*insert date*], the date the financial statements were available to be issued.

NOTE 3: FUNDING AND OPERATION OF THE PLAN

Funding of the Plan. Contributions funded by ABC Company, the plan's sponsor, pursuant to the plan are invested in assets held in a trust fund (the fund). General Bank, the trustee of the fund (the trustee), invests the fund's money as set forth in the plan document. Investments consist of money market funds and are reported in the accompanying financial statements at fair value. Interest income from investments is recognized when earned.

Administration. The ABC Company Benefit Plan Administrative Committee has responsibility for administering the plan. The ABC Company Benefit Plan Asset Review Committee has responsibility for the management and control of the assets of the trust.

Benefits Under the Plan. The plan provides for the payment of weekly and short-week supplemental unemployment benefits. The benefits payable are reduced by any state unemployment benefits or any other compensation received. Also, a "waiting-week" benefit of $100 will be payable if a participant fails to receive a state unemployment benefit solely because of the state's waiting-week requirement. Benefits paid for any week for which the employee received state unemployment benefits are limited to $180. Benefits paid for all other weeks are limited to $235. The plan provides for a possible reduction of weekly benefits for employees with less than 20 years of service based upon a percentage determined generally by dividing the net assets of the plan, as defined in the plan document, by the "maximum financing" (see "ABC's Obligations Under the Plan"). Employees earn a 1/2 credit unit for each week in which hours are worked or, in some situations, in which hours are not worked (vacation, disability, serving on grievance committee, and so on) up to a maximum of 52 credit units for employees with less than 20 years of service and 104 credit units for employees with 20 or more years of service. Generally, 1 credit unit is canceled for each weekly benefit paid and a 1/2 credit unit is canceled for each short-week benefit paid.

ABC's Obligations Under the Plan. The "maximum financing" of the plan at any month end is the lesser of (*a*) the product of $.40 and the number of hours worked by covered employees during the first 12 of the 14 months next preceding the first day of the month and (*b*) 100 times the sum of the monthly benefits paid for the 60 of the preceding 62 months divided by sixty. ABC's monthly contribution to the plan is computed as the lesser of (*a*) the product of $.175 and the number of hours worked by covered employees in the month and (*b*) the amount that, when added to the net assets of the plan, as defined by the plan document, as of the end of the preceding month, will equal the "maximum financing." In addition, ABC contributes an income security contribution of $.25 per hour worked by covered employees in the month. In the event of a plan deficit, ABC intends to make sufficient contributions to fund benefits as they become payable.

The following tables present the components of the plan's benefit obligations and the related changes in the plan's benefit obligations.

Benefit Obligations
December 31, 20X1 and 20X0

	20X1	*20X0*
Accumulated eligibility credits and total benefit obligations	$ 1,107,777	$ 1,095,620

Changes in Benefit Obligations
Year Ended December 31, 20X1

Benefit obligations, beginning of year	$1,095,620
Benefits earned	1,390,330
Interest	77,287
Claims paid	(1,455,460)
Benefit obligations, end of year	$1,107,777

Plan Expenses. ABC bears all administrative costs, except trustee fees, that are paid by the plan.

NOTE 4: FAIR VALUE MEASUREMENTS

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	Inputs to the valuation methodology include • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; and • inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 20X1 and 20X0.

> ***Note***: Information contained herein for fair value disclosures is based upon information for the Illustration of Financial Statements: Supplemental Unemployment Benefit Plan for Employees of ABC Company previously presented. This illustrative disclosure is not representative of all types of investment securities and does not represent the classification for every instance of such investment securities. It should not be assumed that these methodologies are the only appropriate methodologies for these types of assets. As stated in "Pending Content" in FASB ASC 820-10-35-6A, "the principle (or most advantageous) market (and thus, market participants) should be considered from the perspective of the reporting entity, thereby allowing for differences between and among entities with different activities." Plan sponsors will have to evaluate the appropriate classification for each type of investment securities based upon the plan's portfolio and actual fair valuation techniques used.

The plan's investments consist of shares of a money market portfolio which is valued using amortized cost which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the plan's fair value measurements at December 31, 20X1 and 20X0:

Practice Tip

The following table illustrates certain disclosure requirements of FASB ASC 820. The disclosures illustrated describe the nature and risks of securities as required by FASB ASC 820-10-50 and are included for illustrative purposes and are NOT intended to represent the ONLY way to disclose such information.

These illustrative financial statements do not contain any transfers between fair value levels and therefore no disclosure has been made.

In addition, in May 2011, FASB issued ASU No. 2011-04. The objective of this update is to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRSs, by changing the wording used to describe many of the requirements in GAAP for measuring fair value and disclosing information about fair value measurements. The amendments include those that clarify FASB's intent about the application of existing fair value measurement and disclosure requirements and those that change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. This ASU, which is to be applied prospectively, is effective for public entities during interim and annual periods beginning after December 15, 2011 (early application is not permitted). For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Nonpublic entities may early implement during interim periods beginning after December 15, 2011. Some of the disclosures required by the amendments in this ASU are not required for nonpublic entities.

The illustrative financial statements in this checklist will be amended for FASB ASU No. 2011-04 closer to its effective date.

Fair Value Measurements at December 31, 20X1

	Quoted Prices in Active Markets for Identical Assets (Level 1)	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Total*
Money market portfolio	$10,605	—	—	$10,605
Total assets at fair value	$10,605	—	—	**$10,605**

Fair Value Measurements at December 31, 20X0

	Quoted Prices in Active Markets for Identical Assets (Level 1)	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Total*
Money market portfolio	$80,750	—	—	$80,750
Total assets at fair value	$80,750	—	—	**$80,750**

NOTE 5: TAX STATUS

The plan obtained its latest determination letter in 1990, in which the IRS stated that the plan, as then designed, was in compliance with the applicable requirements of the IRC. The plan has been amended since receiving the determination letter. Plan management and plan's tax counsel believe that the plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the plan's financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the [*identify the taxing authorities*]. The plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 20XX.

NOTE 6: TRANSACTIONS WITH PARTIES IN INTEREST

ABC provides to the plan certain accounting and administrative services for which no fees are charged.

NOTE 7: TERMINATION OF THE PLAN

Under certain conditions, the plan may be terminated. Upon termination, the assets then remaining should be subject to the applicable provisions of the plan then in effect and should be used until exhausted to pay benefits to employees in the order of their entitlement.

NOTE 8: RISKS AND UNCERTAINTIES

The plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

The actuarial present value of benefit obligations is reported based on certain assumptions pertaining to interest rates, health care inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

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