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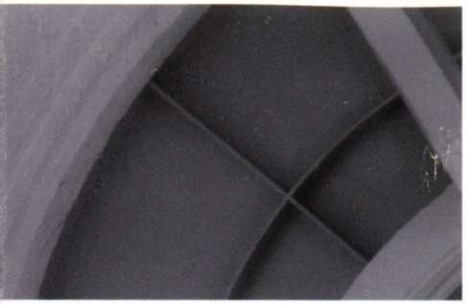
Checklists and illustrative financial statements for defined contribution pension plans, March 31, 2013

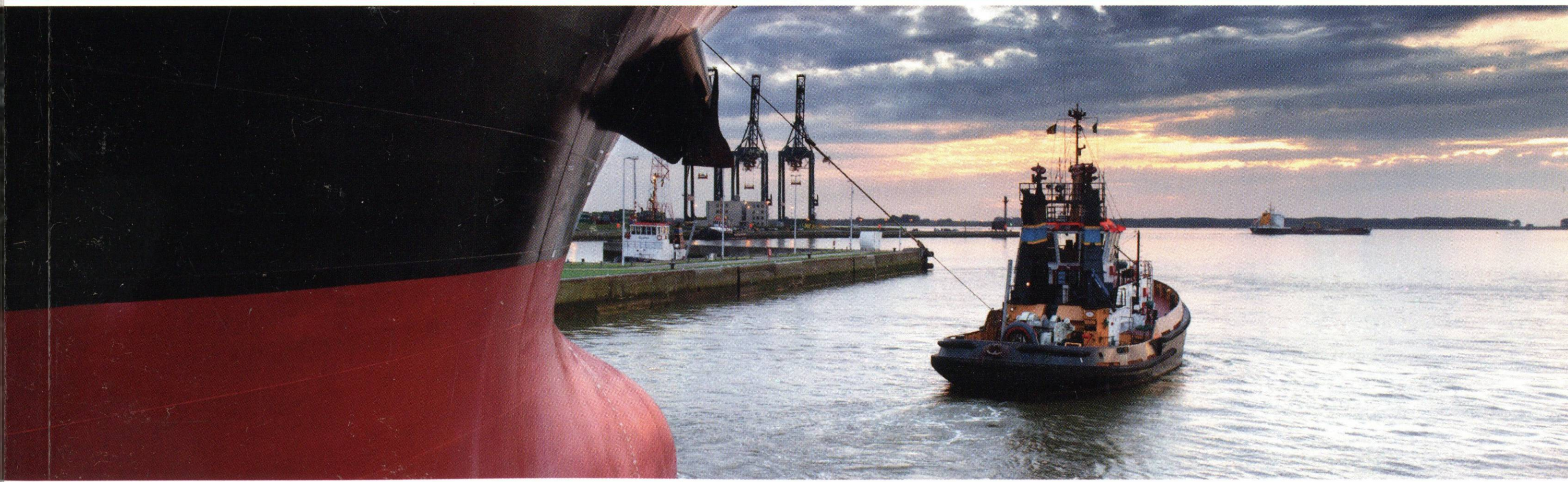
American Institute of Certified Public Accountants (AICPA)




CHECKLISTS & ILLUSTRATIVE FINANCIAL STATEMENTS

Defined Contribution Retirement Plans

MARCH 31, 2013



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Defined Contribution Retirement Plans

March 31, 2013

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Part 1
Introduction

General

.01 This publication includes the following parts:

- **Part 2, "Financial Statements and Notes Checklist."** For use by preparers of defined contribution retirement plan financial statements and by practitioners who audit them as they evaluate the adequacy of disclosures.
- **Part 3, "Auditor's Report Checklist."** For use by auditors in reporting on audited defined contribution retirement plan financial statements.
- **Part 4, "Illustrative Financial Statements and Auditor's Reports."** Illustrating full sets of defined contribution retirement 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 defined contribution (DC) 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 DC 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 DC 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 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 DC 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. Often this term is associated with guidance that has been supported by the Financial Reporting Executive Committee (the designated senior committee of the AICPA authorized to speak for the AICPA in the areas of financial accounting and reporting) on the accounting, reporting, or disclosure treatment of transactions or events that are not set forth in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC).

.05 In the context of this checklist, reference to DC plans refers to DC plans only and does not include health and welfare benefit plans (see the separate publication *Checklists and Illustrative Financial Statements for Health and Welfare Benefit Plans*, which includes both defined benefit and defined contribution health and welfare benefit plans).

.06 The AICPA Accounting and Auditing Publications staff has included guidance from FASB ASC as it existed on March 31, 2013. Questions are derived primarily from the content of the "Presentation" (section 45) and "Disclosure" (section 50) sections of FASB ASC. The AICPA Accounting and Auditing Publications staff has included presentation and disclosure items deemed most likely to be encountered when reporting on the financial statements of a DC plan prepared in conformity with GAAP. Thus, not all paragraphs of the "Presentation" and "Disclosure" sections of FASB ASC have been included. Users should evaluate whether circumstances exist for which the relevant presentation and disclosure guidance is not provided in these checklists and illustrative financial statements and refer directly to FASB ASC as appropriate. These checklists and illustrative financial statements note significant areas for which "Presentation" and "Disclosure" paragraphs were deemed too specific for this general publication and, where noted, users are urged to consult FASB ASC as necessary.

.07 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 (GAAS), and other relevant technical guidance.

.08 To address concerns over the clarity, length, and complexity of its standards, the Auditing Standards Board (ASB) has made a significant effort to clarify the Statements on Auditing Standards (SASs). The ASB established clarity drafting conventions and undertook to redraft all of its SASs in accordance with those conventions.

.09 In addition, as the ASB redrafted standards for clarity, it also converged the standards with the International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board. As part of redrafting the standards, they now specify more clearly the objectives of the auditor and the requirements which the auditor has to comply with when conducting an audit in accordance with GAAS.

.10 As part of the clarity project, current AU section numbers have been renumbered based on equivalent ISAs. Guidance is located in "AU-C" section numbers instead of "AU" section numbers. "AU-C" is a temporary identifier to avoid confusion with references to existing "AU" sections, which will remain in *Professional Standards* through 2013. The "AU-C" identifier will revert to "AU" in 2014, by which time substantially all engagements for which the extant standards were still effective are expected to be completed. Note that AU-C section numbers for clarified SASs with no equivalent ISAs have been assigned new numbers. The ASB believes that this recodification structure will aid firms and practitioners that use both ISAs and GAAS.

.11 This AICPA checklist has been fully conformed to reflect the new standards resulting from the Clarity Project. This year's edition of the checklist fully incorporates the clarified auditing standards into all content so that auditors can further their understanding of the clarified auditing standards, as well as begin updating their audit methodologies, resources, and tools. Additionally, this approach gives auditors the opportunity to review and understand the changes made by their third-party audit methodology and resource providers, if applicable. The clarified auditing standards are effective for audits of financial statements for periods ending on or after December 15, 2012 (calendar year 2012 audits).

.12 Relevant financial statement reporting and disclosure guidance issued through March 31, 2013, has been considered in the development of this edition of the checklist. This includes relevant guidance issued up to and including the following:

- FASB Accounting Standards Updates (ASUs) issued through March 31, 2013
- SAS No. 127, *Omnibus Statement on Auditing Standards—2013* (AICPA, *Professional Standards*)
- Interpretation Nos. 1–3 of AU-C section 265, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*, AU-C sec. 9265 par. .01–.10)
- Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 16, *Communications with Audit Committees* (AICPA, *PCAOB Standards and Related Rules*, Auditing Standards)
- AICPA Audit and Accounting Guide *Employee Benefit Plans* (as of January 1, 2013)

Any guidance issued subsequent to March 31, 2013, has not been included in this checklist; therefore, if your entity has a fiscal year-end after March 31, 2013, you need to consider the applicability of such guidance. In determining the applicability of newly issued guidance, its effective date should also be considered.

.13 In October 2012, FASB issued ASU No. 2012-04, *Technical Corrections and Improvements*. ASU No. 2012-04 contains amendments that affect a wide variety of topics in FASB ASC. The amendments are presented in two sections: "Technical Corrections and Improvements" and "Conforming Amendments Related to Fair Value Measurement." The majority of the amendments are not expected to change practice and, therefore, do not have transition guidance. Those amendments were effective upon issuance for both public and nonpublic entities. For public entities, the amendments that are subject to transition guidance will be effective for fiscal periods beginning after December 15, 2012. For nonpublic entities, the amendments that are subject to transition guidance will be effective for fiscal periods beginning after December 15, 2013. Readers are encouraged to consult the complete text of ASU No. 2012-04 for complete guidance. This checklist has been updated, as applicable, for the reporting and disclosure requirements of ASU No. 2012-04.

Instructions

.14 The checklists consist of a number of questions or statements that are accompanied by references to the applicable authoritative guidance.

.15 The checklists provide spaces for checking off or initialing each question or point to show that it has been considered. Carefully review the topics listed and consider whether they represent potential disclosure items for the DC plan for which you are preparing or auditing financial statements. Users should check or initial

- "Yes" if the disclosure is required and has been made appropriately.
- "No" if the disclosure is required but has not been made.
- "N/A" (not applicable) if the disclosure is not applicable to the plan.

.16 It is important that the effect of a "No" response be considered on the auditor or accountant's report. For audited financial statements, a "No" response that is material to the financial statements may warrant a departure from an unmodified opinion as discussed in AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report* (AICPA, *Professional Standards*). If a "No" response is indicated, the Accounting and Auditing Publications staff recommends that a notation be made to explain why the disclosure was not made (for example, because the item was not considered to be material to the financial statements).

.17 Users may find it helpful to use the right margin for certain other remarks or comments as appropriate, including the following:

a. For each disclosure for which a "Yes" is indicated, a notation regarding 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.

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

.18 These checklists and illustrative financial statements 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.

.19 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 may not include all disclosures and presentation items promulgated, nor do they represent minimum standards or requirements. Guidance deemed remote for DC plans is not included in this document. Additionally, users of the checklists and illustrative financial statements are encouraged to tailor them as required to meet specific circumstances of each particular engagement. As an additional resource, users may call the AICPA Technical Hotline at 877.242.7212.

Recognition

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

.21 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

Diana Krupica, CPA
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220 Leigh Farm Road
Durham, NC 27707-8110

Description

.22 As stated in the FASB ASC glossary, *defined contribution plans* provide an individual account for each participant and provide benefits that are based on (*a*) amounts contributed to the participant's account by the employer, employee, or both; (*b*) investment experience; and (*c*) any forfeitures allocated to the account, less any administrative expenses charged to the plan. These plans include (*a*) profit-sharing plans; (*b*) money purchase pension plans; (*c*) stock bonus and employee stock ownership plans (ESOPs); (*d*) thrift or savings plans including 401(k) and 403(b) arrangements; and (*e*) certain target benefit plans. Refer to chapter 5, "Defined Contribution Retirement Plans," of the AICPA Audit and Accounting Guide *Employee Benefit Plans*, 2013 edition (guide), for a detailed discussion of the types of DC plans.

.23 The term *defined contribution retirement plan* used in this checklist is intended to encompass all defined contribution plans (except health and welfare defined contribution plans; see *Checklists and Illustrative Financial Statements for Health and Welfare Benefit Plans*, which includes both defined benefit and defined contribution health and welfare benefit plans). FASB ASC uses the term *defined contribution pension plan*. This checklist has elected to use the term *defined contribution retirement plan* because it more accurately reflects all types of defined contribution plans.

AICPA Employee Benefit Plan Audit Quality Center

.24 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 Employee Retirement Income Security Act of 1974 (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/EBPAQC to see a list of EBPAQC member firms and to preview EBPAQC benefits. For more information, contact the EBPAQC at ebpaqc@aicpa.org.

Financial Accounting and Reporting

.25 FASB ASC 962, *Defined Contribution Pension Plans*, provides guidance on financial accounting and reporting for financial statements of DC plans. Other FASB ASC topics may also apply to DC plans.

.26 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 guide describes which plans are covered by ERISA and pertinent provisions of ERISA and related reporting and disclosure regulations issued by the DOL.

.27 Employee benefit plans that are subject to ERISA are required to report certain information annually to federal government agencies (for example, the DOL, the IRS, and the Pension Benefit Guaranty Corporation [PBGC]) and to provide summarized information to plan participants. For many plans, the information is reported to the DOL on Form 5500, which includes financial statements prepared in accordance with GAAP[1] and certain supplemental schedules. (See paragraphs .17–.22 for a discussion of Form 5500.)

AICPA *Technical Practice Aids*

.28 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.

.29 The AICPA recently issued TIS sections 8800.24–.39 (AICPA, *Technical Practice Aids*) to provide nonauthoritative guidance regarding the implementation of AU-C section 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* (AICPA, *Professional Standards*). The TIS sections are included in TIS section 8800, *Audits of Group Financial Statements and Work of Others* (AICPA, *Technical Practice Aids*). TIS sections 8800.37, "Employee Benefit Plan Using Investee Results to Calculate Fair Value," and 8800.38, "Using Net Asset Value to Calculate Fair Value," include issues relating to the calculation of fair value of employee benefit plan investments.

.30 For a listing of all recently issued questions and answers, see the website at www.aicpa.org/InterestAreas/FRC/Pages/RecentlyIssuedTechnicalQuestionsandAnswers.aspx.

Accounting and Reporting by DC Plans

.31 In accordance with FASB ASC 962-10-10-1, the primary objective of a DC plan's financial statements is to provide information that is useful in assessing the plan's present and future ability to pay benefits when they are due. FASB ASC 962-205-45-1 states that the financial statements of a DC plan prepared in accordance with GAAP should be prepared on the accrual basis of accounting and include both 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

.32 In accordance with FASB ASC 962-205-45-2, the statement of net assets available for benefits of the plan should present amounts for all of the following:

- Total assets
- Total liabilities
- Net assets reflecting all investments at fair value
- Net assets available for benefits

.33 In accordance with FASB ASC 962-205-45-3, the amount representing the difference between net assets reflecting all investments at fair value and net assets available for benefits should be presented on the face of the statement of net assets available for benefits as a single 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.

[1] For employee benefit plans, the applicable financial reporting framework is typically accounting principles generally accepted in the United States of America or certain special purpose frameworks (for example, modified cash basis), as defined in AU-C section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks* (AICPA, *Professional Standards*), and as permitted by the Employee Retirement Income Security Act of 1974 and Department of Labor regulations. See paragraphs 2.03–.04 and 11.27 of the AICPA Audit and Accounting Guide *Employee Benefit Plans*, 2013 edition, for further discussion about the use of special purpose frameworks in employee benefit plan financial statements.

.34 FASB ASC 962-325-35-5 stated that DC plans should report all investments (including derivative contracts) at fair value. As defined in the FASB ASC glossary, *fair value of plan investments* 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. However, FASB ASC 962-10-05-5 states that consistent with the objective of a DC plan's financial statements, net assets available for benefits of DC plans should be measured and reported at values that are meaningful to financial statement users. Therefore, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a DC 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. As defined by the FASB ASC glossary, the *contract value of a fully benefit-responsive investment contract* held by a plan is the amount a participant would receive if he or she were to initiate transactions under the terms of the ongoing plan.

.35 In accordance with FASB ASC 962-205-45-6, 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.

.36 See paragraph 5.38 of the guide for further guidance on fully benefit-responsive investment contracts. Also see the "Investment and Insurance Contracts" subsection of part 2, "Financial Statements and Notes Checklist," for required disclosures in connection with fully benefit-responsive investment contracts.

Loans to Participants

.37 Certain DC plans allow participants to borrow against their vested account balance. Such participant loans are an extension of credit to a plan participant by the plan, in accordance with the plan document or the plan's written loan policy. The loan is secured by the participant's vested account balance. In accordance with FASB ASC 962-310-45-2, for reporting purposes, participant loans should be classified as notes receivable from participants. Loans to participants should be measured at their unpaid principal balance plus any accrued but unpaid interest in accordance with FASB ASC 962-310-35-2. In addition, FASB ASC 962-310-50-1 states that the fair value disclosures prescribed in paragraphs 10–16 of FASB ASC 825-10-50 are not required for participant loans.

ERISA Reporting Requirements

.38 ERISA generally requires that the administrator of an employee benefit plan prepare and file various documents with the DOL, IRS, and PBGC. The annual report to be filed for employee benefit plans generally is Form 5500. The Form 5500 is a joint-agency form developed by the IRS, DOL, and PBGC that may be used to satisfy the annual reporting requirements of the Internal Revenue Code and Titles I and IV of ERISA.

.39 In general, the Form 5500 reporting requirements vary depending on whether 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 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 three approaches to small plan filings. The first is Form 5500 with all attachments but replacing Schedule H, "Financial Information," with Schedule I, "Small Plan Financial Information." 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 are filed with the Employee Benefits Security Administration (EBSA) in accordance with the instructions to the form.

.40 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.

.41 The DOL, IRS, and PBGC released the 2012 Form 5500 return and reports, schedules, and instructions to be used by employee benefit plans for plan year 2012 filings. The modifications to Form 5500 for plan year 2012 are described under "Changes to Note" in the 2012 instructions.

.42 All Form 5500, Form 5500-SF, and any required schedules and attachments must be completed and filed electronically using an ERISA Filing Acceptance System II (EFAST 2)-approved third-party software or using IFILE. For more information on completing and filing forms electronically through EFAST2, see the EFAST2 FAQs and publications. This guidance may be found on the EBSA website at www.dol.gov/ebsa.

.43 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. 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)[2]
- Schedule H, line 4i—Schedule of Assets (Acquired and Disposed of Within the Plan Year)
- Schedule H, line 4j—Schedule of Reportable Transactions

The following schedules are required to be reported on Schedule G, "Financial Transactions Schedule":

- 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

Securities and Exchange Commission Reporting Requirements

.44 In certain circumstances, interests in plans and related entities are subject to the requirements of the Securities Act of 1933 (the 1933 Act). These requirements mandate registration, typically utilizing Form S-8 for plan sponsor securities, and subject the plan to the requirements of annual reporting on Form 11-K under the 1934 Act. Section 3(a)(2) of the 1933 Act provides exemptions from registration requirements for defined benefit plans and DC plans not involving the purchase of employer securities with employee contributions. All other plans are subject to the 1933 Act, provided they are both voluntary and contributory.

.45 The Securities and Exchange Commission (SEC) requires employee stock purchase, savings, and similar plans with interests that constitute securities registered under the Securities Act of 1933 to file Form 11-K[3] pursuant to Section 15(d) of the Securities Exchange Act of 1934. Regulation S-X prescribes the form of the statements of financial position and statements of income and changes in plan equity that those plans must file with the SEC. In lieu of the requirements of the 1934 Act, plans subject to ERISA may file plan financial statements and schedules prepared in accordance with the financial reporting requirements of ERISA. To the extent required by ERISA, the plan financial statements should be audited by an independent auditor. However, a limited scope audit report (as permitted by Title 29 U.S. *Code of Federal Regulations* Part

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[2] **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 the Schedule H, line 4i—Schedule of Assets (Held at End of Year) for participant-directed investments. Also note that participant loans are still considered investments for purposes of the Form 5500 and are required to be included on this schedule.

[3] Or other applicable Securities and Exchange Commission filings, such as Form 10-K/A.

2520.103-8 of the DOL's Rules and Regulations for Reporting and Disclosure) or financial statements prepared in accordance with a special purpose framework, such as the modified cash basis, which are generally acceptable under ERISA regulations, are *not* considered acceptable by the SEC. See the instructions to Form 11-K and Rule 15d-21 of the 1934 Act for filing alternatives.

.46 Investments in most ESOPs are nonparticipant directed and, therefore, would not be subject to SEC reporting rules unless the ESOP has a 401(k) feature allowing the participants to direct their 401(k) investment elections and to move into or out of the employer securities held in the ESOP portion of the plan.

Practice Tips

Applicable Auditing Standards

Although plans that are required to file Form 11-K are audited in accordance with PCAOB standards for filing with the SEC, they will also need to be audited in accordance with GAAS for filing with the DOL.

Performance and Reporting Requirements

Audits of plans that file Form 11-K need to be conducted in accordance with two sets of standards and prepare two separate audit reports: an audit report prepared in accordance with PCAOB standards for Form 11-K filings with the SEC and a separate audit report prepared in accordance with GAAS for DOL filings. The PCAOB and SEC staff believe that an opinion issued in accordance with PCAOB Auditing Standard No. 1, *References in Auditors' Reports to the Standards of the Public Company Accounting Oversight Board* (AICPA, *PCAOB Standards and Related Rules*, Auditing Standards), does not allow a reference to GAAS, therefore a *dual* standard report is not appropriate and will not be accepted by the SEC.

Any questions regarding performance and reporting requirements of audits of financial statements of Form 11-K filers should be directed to the SEC Division of Corporation Finance, Office of the Chief Accountant at 202.551.5300.

.47 Plans that are required to file Form 11-Ks are deemed to be *issuers* under the Sarbanes-Oxley Act of 2002 and must submit to the SEC an audit in accordance with the auditing and related professional practice standards promulgated by the PCAOB. These auditing standards and related conforming amendments can be found in the AICPA publication *PCAOB Standards and Related Rules* or on the PCAOB website at www.pcaobus.org.

Part 2
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, 2013)

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*™

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 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 "Accounting Changes and Error Corrections" 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.	Classification of Investments	________
	B.	Investment and Insurance Contracts	________
	C.	Property, Plant, and Equipment	________
	D.	Contributions Receivable and Uncollectible Amounts	________
	E.	Notes Receivable From Participants	________
	F.	Cash	________
	G.	Liabilities	________
III.	Statement of Changes in Net Assets Available for Benefits		
	A.	General	________
	B.	Contributions	________
	C.	Investment Earnings	________
	D.	Other	________

		Place ✓ by Applicable Sections
IV.	Summary of Significant Accounting Policies	
	A. Accounting Policies	________
	B. Risks and Uncertainties	________
V.	Other Financial Statement Disclosures	
	A. Description of Defined Contribution Plan	________
	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	________
VI.	ERISA Reporting Requirements	
	A. Form 5500 Report	________
	B. Financial Statement Disclosures Required Under the Alternative Method of Compliance for Pension Plans Pursuant to DOL Regulations Section CFR 2520.103 and Section 103 of ERISA (Statutory Method)	________
	C. Required Financial Statements and Supporting Schedules	________
VII.	SEC Reporting Requirements	
	A. Regulation S-X Rule 6A, Employee Stock Purchase, Savings and Similar Plans	________
	B. Rule 6A-03, Statement of Financial Condition	________
	C. Rule 6A-04, Statement of Income and Changes in Plan Equity	________
	D. Rule 6A-05, Schedules to Be Filed	________

I. General

	Yes	No	N/A
A. Titles and References[1]			
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 both of the following:			
a. A "Statement of Net Assets Available for Benefits" as of the end of plan year? (ERISA requires that this statement be presented in comparative form.) [Common Practice; FASB ASC 962-205-45-1; AAG 5.12]	____	____	____
b. A "Statement of Changes in Net Assets Available for Benefits" for the year then ended? [FASB ASC 962-205-45-1]	____	____	____
2. Is each financial statement suitably titled? [Common Practice]	____	____	____
3. Does each statement include a reference to the notes, which are an integral part of the financial statements? [Common Practice]	____	____	____
4. 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 962-205-45-9]	____	____	____
B. Comparative Financial Statements			
1. Are comparative statements presented, if appropriate?[2] [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]	____	____	____

[1] Some defined contribution retirement plans are required to register and report to the Securities Exchange Commission (SEC). The SEC has amended its rules on Form 11-K to permit plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) to file financial statements in accordance with ERISA rather than in accordance with Regulation S-X. Please refer to the instructions to Form 11-K for additional information.

[2] ERISA requires that the "Statement of Net Assets Available for Benefits" be presented in comparative form (paragraph 5.12 of AICPA Audit and Accounting Guide *Employee Benefit Plans*).

	Yes	No	N/A
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 financial statements are more meaningful than separate financial statements and that they are usually necessary for a fair presentation when one of the entities in the consolidated 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]

Consolidation Policy

	Yes	No	N/A
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:

	Yes	No	N/A
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?	_____	_____	_____

	Yes	No	N/A
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]	_____	_____	_____
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?	_____	_____	_____

	Yes	No	N/A
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

	Yes	No	N/A
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]	_____	_____	_____

Differing Fiscal Year-ends Between Parent and Subsidiary

	Yes	No	N/A
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

	Yes	No	N/A
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

	Yes	No	N/A
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]	_____	_____	_____

	Yes	No	N/A
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; "Pending Content" in FASB ASC 810-10-50-2AB; "Pending Content in FASB ASC 810-10-50-2AC]			
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.)			
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]			

	Yes	*No*	*N/A*
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?	____	____	____
e. If applicable, significant factors considered and judgments made in determining that the power to direct the activities of a VIE that most significantly impact 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.)			

	Yes	No	N/A
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; "Pending Content" in FASB ASC 810-10-50-5B]			
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)?	____	____	____

	Yes	No	N/A
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? (***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. Classification of Investments

1. Are participant-directed plan investments shown in the aggregate as a one-line item? [FASB ASC 962-325-45-3]	_____	_____	_____

Practice Tips

Defined contribution plans are not required to present participant-directed plan investments in the statement of net assets by general type.
[FASB ASC 962-325-45-2]

Original cost of investments is not required to be disclosed.
[FASB ASC 962-325-50-2]

2. Are nonparticipant directed investments detailed by general type in the "Statement of Net Assets Available for Benefits" or in the notes, as follows:

a. Registered investment companies (also known as *mutual funds*)?	_____	_____	_____
b. Government securities?	_____	_____	_____
c. Common-collective trusts?	_____	_____	_____
d. Pooled separate accounts?	_____	_____	_____
e. Short-term securities?	_____	_____	_____
f. Corporate bonds?	_____	_____	_____
g. Common stocks?	_____	_____	_____

	Yes	No	N/A
h. Mortgages?	_____	_____	_____
i. Real estate? [FASB ASC 962-325-45-5]	_____	_____	_____
3. Does the presentation of the plan's investments (participant-directed and nonparticipant-directed) indicate whether reported fair values have been measured by quoted prices in an active market or otherwise determined? [FASB ASC 962-325-45-4; FASB ASC 962-325-45-6]	_____	_____	_____
4. Do the financial statement disclosures also include the identification of investments that represent 5 percent or more of the net assets available for benefits as of the end of the year? [FASB ASC 962-325-50-1A]	_____	_____	_____

Practice Tip

Consideration should be 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 fair value adjustments.
[FASB ASC 962-325-50-1A]

	Yes	No	N/A
5. In addition to the requirement to identify those investments (including self-directed and participant directed) that represent 5 percent or more of net assets available for benefits (question 4), do the financial statement disclosures of the defined contribution plan specifically identify those investments that represent 5 percent or more of net assets available for benefits that are nonparticipant directed? [FASB ASC 962-325-45-7]	_____	_____	_____

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.

The 5 percent of net assets available for benefits relates to total net assets and is as of the end of the reporting period.
[AAG 5.76*k*]

	Yes	No	N/A
6. Do the notes to the financial statements include the investments of a master trust detailed by general type, such as government securities, short-term securities, corporate bonds, common stocks, mortgages, and real estate, as of the date of each "Statement of Net Assets Available for Benefits" presented? [FASB ASC 962-325-50-6]	_____	_____	_____

Practice Tip

TIS section 6931.11, "Fair Value Measurement Disclosures for Master Trusts" (AICPA, *Technical Practice Aids*), provides guidance on the required fair value measurement disclosures to be made when a plan holds investments in a master trust. This TIS section assists with the implementation of FASB ASC 820, *Fair Value Measurement*, for employee benefits plans that have investments in a master trust. This guidance states that the disclosure requirements of FASB ASC 820 should be made for each major class of master trust assets

(continued)

	Yes	No	N/A

and liabilities. In addition, consideration should be given to combining or reconciling, or both, the master trust FASB ASC 820 disclosures with the master trust disclosures as required by paragraphs 6–8 of FASB ASC 962-325-50.

7. Do the notes to the financial statements include a description of the basis used to allocate net assets, net investment income, gains and losses to participating plans, and the plan's percentage interest in a master trust as of the date of each "Statement of Net Assets Available for Benefits" presented? _____ _____ _____
[FASB ASC 962-325-50-8]

8. Do the notes to the financial statements disclose investments greater than 5 percent of master trust net assets, as recommended by the Financial Reporting Executive Committee (FinREC) (***Note***: Only recommended to disclose when the plan holds an individual interest in the master trust)? _____ _____ _____
[AAG 8.47; Common Practice]

9. To present the investment risk specific to each plan, have the following additional disclosures been made for plans with a specific interest (not an undivided interest) in master trust investments:

   a. The plan's percentage interest in each investment type? _____ _____ _____

   b. Investments in the master trust that represent greater than 5 percent of the plan's net assets? _____ _____ _____
   [AAG 8.48; Common Practice]

Practice Tip

A plan provides for participant-directed investment programs if it allows participants to choose among various investment alternatives. The available alternatives are usually pooled fund vehicles, such as registered investment companies or commingled funds of banks, that provide varying kinds of investments—for example, equity funds and fixed income funds. The participant may select among the various available alternatives and periodically change that selection.
[FASB ASC 962-325-05-4]

10. If the plan provides for participant-directed and nonparticipant-directed investment programs, is disclosure made, either in the financial statements or accompanying notes, about the net assets and significant components of the changes in net assets relating to the nonparticipant-directed program with such reasonable detail as is necessary to identify the types of investments and changes therein? _____ _____ _____
[FASB ASC 962-325-45-8]

Yes *No* *N/A*

Practice Tip

If a plan offers a program that is both participant and nonparticipant directed, and if the participant-directed and nonparticipant-directed amounts cannot be separately determined, the plan will be deemed to be nonparticipant-directed for purposes of the disclosure in question 10. For example, an employer-sponsored plan offers six investment fund options, one of which is a stock fund that includes only the employer's stock. Employees at their discretion may invest their contributions in any or all of the six options. However, the employer's contribution to the plan (for example, the company match) is automatically invested in the employer's stock fund. The stock fund is considered to be nonparticipant-directed for purposes of this disclosure if the employee and the employer amounts cannot be separately determined.
[FASB ASC 962-325-50-5]

B. Investment and Insurance Contracts

Practice Tip

The AICPA issued TIS sections 6931.08–.10 to provide nonauthoritative guidance on the reporting of fully benefit responsive investment contracts held by defined contribution plans, which clarifies the types of investments, financial statement presentation of such investments in common collective trust funds and master trusts, and related disclosure requirements.

1. Are fully benefit-responsive investment contracts reported at fair value? (***Note:*** Defined contribution plans should generally report investments [including derivative contracts] at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts. The contract value of a fully benefit-responsive investment contract held by a plan is the amount a participant would receive if he or she were to initiate transactions under the terms of the ongoing plan.) ____ ____ ____
[FASB ASC 962-325-35-5; FASB ASC glossary]
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 962-205-45-2]
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 962-205-45-3]

	Yes	*No*	*N/A*
4. Are *insurance contracts*, as defined by FASB ASC 944, *Financial Services—Insurance*, presented in the same manner required by ERISA annual reporting requirements of DOL Form 5500 or Form 5500 C/R, that is either at fair value or at amounts determined by the insurance enterprise (contract value)? [FASB ASC 962-325-35-6]	____	____	____
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.	____	____	____
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.	____	____	____

	Yes	No	N/A
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 450-20-25.)	____	____	____
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 962-325-50-3]	____	____	____

Practice Tip

As described in TIS section 6931.09, "Financial Statement Presentation When a Plan Invests in a Common Collective Trust Fund or in a Master Trust That Holds Fully Benefit- Responsive Investment Contracts" (AICPA, *Technical Practice Aids*), because the required disclosures in FASB ASC 946-210-45-18 and 946-210-50-14 are included in the financial statements of a common collective trust fund (CCT), plans that directly invest in CCTs or similar vehicles that hold fully benefit-responsive investment contracts do not need to include the disclosures detailed in FASB ASC 962-325-50-3 in the plan's financial statements, except for the preceding question 4, relating to events that limit the ability of the plan to transact at contract value (see "Pending Content" in FASB ASC 820-10-50-6A). For plans that invest in a master trust that holds fully benefit-responsive investment contracts, the notes to the financial statements should include the disclosures required in FASB ASC 962-325-50-3 related to the fully benefit-responsive investment contracts held by the master trust. These disclosures are necessary because, unlike a CCT (as discussed in TIS section 6931.09), master trust financial statements are not required, and the related disclosure information would not be readily available.

In accordance with FASB ASC 962-325-50-4, if a fully benefit-responsive investment contract does not qualify for contract-value reporting in the 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 the amounts reported in the financial statements and the be added to the financial statements.

The disclosure requirements in FASB ASC 820-10-35 are applicable to plans that invest in CCTs that hold fully benefit-responsive investment contracts and, therefore, should also be considered.
[AAG 5.76*u*]

	Yes	No	N/A
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 962-325-50-4]	____	____	____

	Yes	No	N/A

C. 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 962-205-45-5]

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 in FASB ASC 360, *Property, Plant and Equipment*?[3] ____ ____ ____
[FASB ASC 360-10-45; FASB ASC 360-10-50]

D. Contributions Receivable and Uncollectible Amounts

1. Are contributions receivable separately identified? ____ ____ ____
[FASB ASC 962-310-45-1]

2. Are the following contributions receivable separately identified:

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

b. Receivables from participants? ____ ____ ____

c. Other sources of funding? ____ ____ ____
[Common Practice]

3. Do contributions receivable include those pursuant to formal commitments as well as legal or contractual requirements, if applicable? ____ ____ ____
[FASB ASC 962-310-25-1]

4. Do contributions receivable include an allowance for uncollectible amounts? ____ ____ ____
[FASB ASC 962-310-35-1]

[3] 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 defined contribution retirement 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

E. Notes Receivable from Participants

Practice Tip

In September 2010, FASB issued ASU No. 2010-25, *Plan Accounting—Defined Contribution Pension Plans (Topic 962): Reporting Loans to Participants by Defined Contribution Pension Plans*, to clarify how loans to participants should be classified and measured. The amendments in ASU No. 2010-25 were effective for fiscal years ending after December 15, 2010. This checklist has been updated for the disclosure requirements of ASU No. 2010-25. ASU No. 2010-25 has been codified in FASB ASC 962, *Plan Accounting—Defined Contribution Pension Plans*.

1. Are participant loans classified as notes receivable from participants and measured at their unpaid principal balance plus any accrued but unpaid interest? ____ ____ ____
   [FASB ASC 962-310-45-2; FASB ASC 962-310-35-2]
2. Does the summary of significant accounting policies include the following:
   a. The basis for accounting for loans and trade receivables? ____ ____ ____
   b. The method used in determining the lower of cost or fair value of nonmortgage loans held for sale (that is, aggregate or individual asset basis)? ____ ____ ____
   c. The classification and method of accounting for interest-only strips, loans, other receivables, or retained interests in securitizations that can be contractually prepaid or otherwise settled in a way that the holder would not recover substantially all of its recorded investment (the amount of the investment in a loan, which is not net of a valuation allowance, but which does reflect any direct write-down of the investment)? ____ ____ ____
   d. The method for recognizing interest income on loan and trade receivables, including a statement about the entity's policy for treatment of related fees and costs, including the method of amortizing net deferred fees or costs? ____ ____ ____
   [FASB ASC 310-10-50-2]
3. If major categories of loans or trade receivables are not presented separately in the balance sheet are they presented in the notes to the financial statements? ____ ____ ____
   [FASB ASC 310-10-50-3]
4. Is the allowance for credit losses (also referred to as the *allowance for doubtful accounts*) and, as applicable, any unearned income, any unamortized premiums and discounts, and any net unamortized deferred fees and costs, disclosed in the financial statements? ____ ____ ____
   [FASB ASC 310-10-50-4]

	Yes	No	N/A
5. Are asset valuation allowance for losses such as those on receivables and investments, which are deducted from the assets or groups of assets to which those allowances relate, appropriately disclosed? [FASB ASC 210-10-45-13; FASB ASC 310-10-50-14]	____	____	____
6. For each class of financing receivable, are both of the following disclosed for loans that meet the definition of an *impaired loan* in paragraphs 16–17 of FASB ASC 310-10-35 (individually evaluated for impairment):			
a. The accounting for impaired loans?	____	____	____
b. The amount of impaired loans? [FASB ASC 310-10-50-14A]	____	____	____
7. Has the entity properly disclosed, by class of financing receivable, either in the body of the financial statements or in the accompanying notes all of the following information about loans that meet the definition of an *impaired loan* in paragraphs 16–17 of FASB ASC 310-10-35: (***Note:*** These disclosures are applicable to impaired loans that have been charged off partially. These disclosures do not pertain to loans that have been charged-off fully because both the recorded investment and the allowance for credit losses will equal zero.)			
a. As of the date of each statement of financial position presented			
i. the recorded investment in the impaired loans and both of the following:			
(1) The amount of that recorded investment for which there is a related allowance for credit losses determined in accordance with FASB ASC 310-10-35 and the amount of that allowance?	____	____	____
(2) The amount of that recorded investment for which there is no related allowance for credit losses determined in accordance with FASB ASC 310-10-35?	____	____	____
ii. the total unpaid principal balance of the impaired loans?	____	____	____
b. The entity's policy for recognizing interest income on impaired loans, including how cash receipts are recorded?	____	____	____
c. For each period for which results of operations are presented			
i. the average recorded investment in the impaired loans?	____	____	____
ii. the related amount of interest income recognized during the time within that period that the loans were impaired?	____	____	____

	Yes	No	N/A
iii. the amount of interest income recognized using a cash-basis method of accounting during the time within that period that the loans were impaired, if practicable?	_____	_____	_____
d. The entity's policy for determining which loans the plan assesses for impairment under FASB ASC 310-10-35?	_____	_____	_____
e. The factors considered in determining that the loan is impaired? [FASB ASC 310-10-50 par. 15–16]	_____	_____	_____

Practice Tip

The guidance in FASB ASC 310-10-50-15 does not specify how a creditor (a plan) should calculate the average recorded investment (see question 7*c*[i], preceding) in the impaired loans during the reporting period. A creditor should develop an appropriate method for that calculation. Averages based on month-end balances may be considered an appropriate method.
[FASB ASC 310-10-50-17]

	Yes	No	N/A
8. For plans that measure impairment based on the present value of expected future cash flows in accordance with paragraphs 5–6 of FASB ASC 310-10-45 and report the change in present value attributable to the passage of time as interest income, has the plan disclosed that amount of interest income? [FASB ASC 310-10-50-19]	_____	_____	_____

F. Cash

	Yes	No	N/A
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 Tips

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.

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FinREC recommends that interest-bearing cash be included with investments in the financial statements. Form 5500 also requires interest-bearing cash to be reported as an investment on Schedule H, line 4i—Schedule of Assets (Held At End of Year).
[AAG 5.17]

	Yes	No	N/A

G. Liabilities

1. Are liabilities other than for benefits (such as securities purchased, refund of excess contributions, income taxes payable by the plan, and other expenses-third party administrator fees) deducted in arriving at net assets available for benefits? [FASB ASC 962-205-45-4] _____ _____ _____

Practice Tip

The plan should not reflect as liabilities amounts allocated to accounts of persons who have elected to withdraw from the plan but have not yet been paid. Benefits payable are not accrued because all assets are available to pay benefits.
[AAG 5.65]

2. Consider stating separately:
   a. Excess contributions payable? _____ _____ _____
   b. Accrued expenses? _____ _____ _____
   [Common Practice; AAG exhibit C-1]
3. Do disclosures include guarantees by others of debt of the plan? _____ _____ _____
   [FASB ASC 962-205-50-1*h*]

III. Statement of Changes in Net Assets Available for Benefits

A. General

1. Does the "Statement of Changes in Net Assets Available for Benefits" (or the notes to the financial statements) present the change in fair value of each significant type of investment, including participant directed and self-directed investments held in brokerage accounts? (***Note:*** Gains and losses from investments sold need not be segregated from unrealized gains and losses relating to investments held at year-end.) _____ _____ _____
   [FASB ASC 962-205-45-7*a*]

Practice Tip

Self-directed investment accounts are not considered pooled investment programs and, therefore, the presentation in question 1, preceding, relates to the underlying investments in these accounts.
[AAG 5.68*a*]

2. Does the "Statement of Changes in Net Assets Available for Benefits" present the effects of significant changes in net assets during the year and present, at a minimum, all of the following:
   a. Investment income (exclusive of changes in fair value)? _____ _____ _____
   b. Contributions from employer(s), segregated between cash and noncash contributions with the nature of the noncash contributions described either parenthetically or in a note? _____ _____ _____

	Yes	No	N/A
c. Contributions from participants, including those transmitted by the sponsor?	_____	_____	_____
d. Contributions from other identified sources (for example, state subsidies or federal grants)?	_____	_____	_____
e. Benefits paid to participants?	_____	_____	_____
f. Payments to insurance entities to purchase contracts that are excluded from plan assets?	_____	_____	_____
g. Administrative expenses?	_____	_____	_____
h. Other changes in net assets available for benefits? (For example, transfers of assets to or from other plans, or proceeds from demutualizations if significant.) [FASB ASC 962-205-45-7*b*–*h*; FASB ASC 962-205-45-8]	_____	_____	_____

Practice Tip

The list of minimum disclosures is not intended to limit the amount of detail or the manner of presenting the information, and subclassifications or additional classifications may be useful.
[FASB ASC 962-205-45-8]

B. Contributions

	Yes	No	N/A
1. Are noncash contributions recorded at fair value?	_____	_____	_____
2. Is the nature of *noncash* contributions described, either parenthetically or in a note to the financial statements? [FASB ASC 962-205-45-7*c*]	_____	_____	_____
3. Are rollover contributions presented as a separate line item, as recommended by FinREC? [AAG 5.56; Common Practice]	_____	_____	_____
4. Are contributions shown net of forfeitures used to reduce contributions? [AAG 5.68*e*; Common Practice]	_____	_____	_____

C. Investment Earnings

	Yes	No	N/A
1. Does the net appreciation (depreciation) in the fair value of investments (see question 1 under the "General" heading) include realized gains and losses on investments that were both bought and sold during the year? [FASB ASC 962-205-45-7*a*]	_____	_____	_____
2. Is the net change in the fair value of each significant type of investment of a master trust and total investment income of the master trust by type (for example, interest and dividends) disclosed in the notes for each period for which a "Statement of Changes in Net Assets Available for Benefits" is presented? [FASB ASC 962-325-50-7]	_____	_____	_____
3. Is interest income earned and rebate interest paid as a result of securities lending activity recorded in the "Statement of Changes in Net Assets Available for Benefits?" [FASB ASC 962-325-45-9]	_____	_____	_____

Yes | No | N/A

4. Are dividends paid by registered investment companies or other investment funds considered investment income and shown separately from changes in fair value, as recommended by FinREC? [AAG 5.68*c*; Common Practice] ____ ____ ____

5. Are capital gain distributions paid by registered investment companies or other investment funds considered investment income and shown separately from changes in fair value or included as part of the net change in fair value, as recommended by FinREC? [AAG 5.68*c*; Common Practice] ____ ____ ____

D. Other

1. Are the following items presented separately on the statement of changes in net assets available for benefits, if significant, as recommended by FinREC:

   a. Other income, including fee income from securities loaned and from miscellaneous sources, such as reimbursements for lost income or operational defects? ____ ____ ____

   b. Interest earned on notes receivable from participants? ____ ____ ____

   c. Income tax expense (for example, unrelated business income tax)? ____ ____ ____

   d. Other expenses, such as interest expense on debt or short sales, bank borrowings, margin accounts, and reverse repurchase agreements? ____ ____ ____
   [AAG 5.70; Common Practice]

2. For plan mergers or spin-offs, have the net assets transferred into or out of the plan been recorded on the statement of changes in net assets available for benefits, after the net increase or decrease for the period, as recommended by FinREC? [AAG 5.104; Common Practice] ____ ____ ____

IV. Summary of Significant Accounting Policies

A. Accounting Policies

1. Has 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 an initial note? [FASB ASC 235-10-50 par. 1 and 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? ____ ____ ____

	Yes	No	N/A
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 the defined contribution plan's accounting policies include a description of the valuation techniques and inputs used to measure the fair value less costs to sell, if significant, of investments (as required by FASB ASC 820-10-50) and a description of the methods and significant assumptions used to measure the reported value of insurance contracts (if any)? [FASB ASC 962-325-50-1]	____	____	____
5. Does the disclosure of the significant accounting policies include the policy regarding the purchase of contracts with insurance entities that are excluded from plan assets? [FASB ASC 962-205-50-1*f*]	____	____	____
B. Risks and Uncertainties			
1. Has the entity properly disclosed a description of the major products or services the entity sells or provides and its 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]	____	____	____

	Yes	No	N/A
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 but not required*)? [FASB ASC 275-10-50 par. 8–9]	____	____	____

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]

	Yes	No	N/A
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 plan 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]	____	____	____

	Yes	No	N/A
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]	____	____	____

V. Other Financial Statement Disclosures

A. Description of Defined Contribution Plan

1. Do disclosures include a brief, general description of the plan agreement, including, but not limited to, vesting and allocation provisions and the disposition of forfeitures? [FASB ASC 962-205-50-1*a*]	____	____	____

Practice Tip

If a plan agreement or a description providing this information is otherwise published and made available, this description may be omitted from the financial statements provided that a reference to the other source is made.
[FASB ASC 962-205-50-1*a*]

2. Do disclosures include the amount of unallocated assets, as well as the basis used to allocate asset values to participants' accounts if that basis differs from the one used to record assets in the financial statements? [FASB ASC 962-205-50-1*c*]	____	____	____

B. Description of Plan Amendments

1. Do disclosures include a description of significant plan amendments adopted during the period, and the effects of such amendments on net assets if significant either individually or in the aggregate? [FASB ASC 962-205-50-1*b*]	____	____	____

	Yes	No	N/A

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. ____ ____ ____

   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]

	Yes	No	N/A
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 postchange interim periods? [FASB ASC 250-10-50-3]	_____	_____	_____
Change in Accounting Estimate			
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 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 and 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]	_____	_____	_____

Practice Tip

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 when the resulting measurement is fair value in accordance in FASB ASC 820.

	Yes	No	N/A
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?	_____	_____	_____

	Yes	No	N/A
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]	_____	_____	_____

Practice Tip

Financial statements of subsequent periods need not repeat the disclosures required by this paragraph. [FASB ASC 250-10-50-6]

	Yes	No	N/A
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]	_____	_____	_____

Practice Tip

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.

Correction of an Error in Previously Issued Financial Statements

	Yes	No	N/A
10. When financial statements are restated to correct an error, does the plan disclose that its previously issued financial statements have been restated, along with a description of the nature of the error? Does the plan 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 plan 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?	_____	_____	_____

	Yes	No	N/A
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]	____	____	____

Practice Tips

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

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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

	Yes	No	N/A
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]	____	____	____
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]	____	____	____

	Yes	No	N/A
5. If necessary to keep the financial statements from being misleading, are the amounts of contingencies accrued as described in question 4 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

FASB ASC 450-20-50-2A notes that the information required in question 6, following, does not apply to loss contingencies arising from an entity's recurring estimation of its allowance for credit losses under the provisions of FASB ASC 310, *Receivables*.

	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 reasonable possibility that a loss or an additional loss may have been incurred and either of the following conditions exists:			
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]

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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:

(continued)

	Yes	No	N/A

- 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]

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]

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 likelihood of realization? _____ _____ _____
   [FASB ASC 450-30-50-1]

Guarantees

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]

Practice Tip

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 par. 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*
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:			
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, which should not be reduced by the effect of any amounts that may possibly be recovered under recourse or collateralization provisions in the guarantee (which are addressed under item *f*)?	____	____	____
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?	____	____	____

	Yes	No	N/A
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)?	_____	_____	_____
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 of changes in the guarantor's aggregate product liability 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]	_____	_____	_____

	Yes	No	N/A
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, *Guarantees*? [FASB ASC 460-10-55 par. 30–34]	_____	_____	_____

E. Derivatives and Hedging

Notes: In December 2011, FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*, which contains amendments to FASB ASC 210, *Balance Sheet*, that 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. This ASU is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by the amendments in this ASU retrospectively for all comparative periods presented. This checklist has not been updated to include the disclosure and presentation requirements of ASU No. 2011-11 and will be updated closer to its effective date.

	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 FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66), that enable the users of the financial statements to understand the following:			
a. How and why an entity uses derivative instruments (or such nonderivative instruments)?	_____	_____	_____
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 plan 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 FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66):			
a. Its objectives for holding or issuing those instruments?	_____	_____	_____
b. The context needed to understand those objectives?	_____	_____	_____
c. Its strategies for achieving those objectives?	_____	_____	_____

	Yes	No	N/A
d. Information that would enable users of its financial statements to understand the volume of its activity in those instruments? (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 described 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 FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66) 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:			
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]	_____	_____	_____

Yes No N/A

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]

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 plan 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? _____ _____ _____

   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:

	Yes	*No*	*N/A*
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 recorded in accumulated other comprehensive 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 accumulated other comprehensive income during the term of the hedging relationship and reclassified into earnings during the current period?	_____	_____	_____
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 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 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]	_____	_____	_____

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]

	Yes	No	N/A
12. If the plan'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 plan 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 plan manages those risks? [FASB ASC 815-10-50-4F]	____	____	____
13. Does the plan 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 (i) the aggregate fair value of additional assets that would be required to be posted as collateral, (ii) the aggregate fair value of assets needed to settle the instrument immediately, or both (i) and (ii), 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 non-derivative 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 note to the financial statements, does each derivative note cross-reference the other notes in which derivative-related information is disclosed? [FASB ASC 815-10-50-4I]	____	____	____

Credit Derivatives

15. If the plan 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: (***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.)

Practice Tip

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
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 which 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?	____	____	____

	Yes	No	N/A
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?	____	____	____
e. Is the fair value of the credit derivative as of the date of the statement of financial position disclosed?	____	____	____
f. The nature of			
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 plan, 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 par. 4J–4K]	____	____	____

Practice Tip

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)?	____	____	____
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 paragraphs 58 and 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			
19. Has the entity properly disclosed the information required by FASB ASC 440 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			
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.[4]
[FASB ASC 815-10-45-6]

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[4] In December 2011, 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 (1) offset in accordance with either FASB ASC 210-20-45 or FASB ASC 815-10-45 or (2) 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. In January 2013, FASB issued ASU No. 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, to clarify that the scope of ASU No. 2011-11 applies to derivatives accounted for in accordance with FASB ASC 815, *Derivatives and Hedging*, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with FASB ASC 210-20-45 or FASB ASC 815-10-45 or subject to an enforceable master netting arrangement or similar agreement.

The amendments in ASU No. 2011-11 and ASU No. 2013-01 will be effective for annual reporting periods beginning on or after January 1, 2013. An entity should provide the required disclosures retrospectively for all comparative periods presented. This checklist has not been updated to include the presentation and disclosure requirements of ASU No. 2011-11 and ASU No. 2013-01 and will be updated closer to the effective date.

For discussion of the main provisions of these ASU's, readers are encouraged to refer to the full text of the ASU's on the FASB website at www.fasb.org.

	Yes	No	N/A
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:			
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]	_____	_____	_____

	Yes	No	N/A
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]	____	____	____
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 815-30-50-1; "Pending Content" in FASB ASC 815-30-50-2]	____	____	____

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

Note: 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. 2011-04 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 (that is, January 1, 2012, for calendar year plans). 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 (that is, January 1, 2012, for calendar year plans). This checklist has been updated to include the presentation and disclosure requirements of ASU No. 2011-04.

This guidance is located in FASB ASC 820-10-50 and is labeled as “Pending Content” due to the transition and open effective date information contained in FASB ASC 820-10-65-8.

	Yes	No	N/A

Practice Tip

A reporting entity should present the quantitative disclosures required by FASB ASC 820-10-50 in a tabular format.
["Pending Content" in FASB ASC 820-10-50-8]

1. Has the reporting entity disclosed information that enables users of its financial statements to assess the following: _____ _____ _____

   a. For assets and liabilities that are measured at fair value on a recurring or nonrecurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements? _____ _____ _____

   b. For recurring fair value measurements using significant unobservable inputs (level 3), the effect of the measurements on earnings (or changes in net assets) or other comprehensive income for the period? _____ _____ _____
   ["Pending Content" in FASB ASC 820-10-50-1]

Practice Tip

To meet the objectives in "Pending Content" in FASB ASC 820-10-50-1, a reporting entity should consider all of the following:

- The level of detail necessary to satisfy the disclosure requirements
- How much emphasis to place on each of the various requirements
- How much aggregation or disaggregation to undertake
- Whether users of financial statements need additional information to evaluate the quantitative information disclosed

If the disclosures provided are insufficient to meet the objectives in the preceding paragraph, a reporting entity should disclose additional information necessary to meet those objectives.
["Pending Content" in FASB ASC 820-10-50-1A]

   c. For recurring and nonrecurring fair value measurements, the fair value measurement at the end of the reporting period and for nonrecurring fair value measurements, the reasons for the measurement? _____ _____ _____

   d. For recurring and nonrecurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (level 1, 2, or 3)? _____ _____ _____

   e. For assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, the amounts of any transfers between level 1 and level 2 of the fair value hierarchy, the reasons for the transfers, and the reporting entity's policy for determining when transfers between levels are deemed to have occurred? (Transfers into each level should be disclosed and discussed separately from transfers out of each level.) _____ _____ _____

	Yes	No	N/A

f. For recurring and nonrecurring fair value measurements categorized within level 2 and level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement? ____ ____ ____

g. If there has been a change in valuation technique (for example, changing from a market approach to an income approach or the use of an additional valuation technique), the reporting entity should disclose that change and the reason(s) for making it? ____ ____ ____

h. For fair value measurements categorized within level 3 of the fair value hierarchy, a reporting entity should provide quantitative information about the significant unobservable inputs used in the fair value measurement? (A reporting entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the reporting entity when measuring fair value. However, when providing this disclosure, a reporting entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the reporting entity.) ____ ____ ____

i. For recurring fair value measurements categorized within level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances disclosing separately changes during the period attributable to the following:

i. Total gains or losses for the period recognized in earnings (or changes in net assets), and the line item(s) in which those gains or losses are recognized? ____ ____ ____

(1) Total gains and losses for the period recognized in other comprehensive income, and the line item(s) in other comprehensive income in which those gains and losses are recognized? ____ ____ ____

ii. Purchases, sales, issues, and settlements (each of those types of changes disclosed separately)? ____ ____ ____

iii. The amounts of any transfers in and out of level 3 of the fair value hierarchy, the reasons for those transfers, and the reporting entity's policy for determining when transfers between levels are deemed to have occurred? (Transfers into level 3 should be disclosed and discussed separately from transfers out of level 3.) ____ ____ ____

		Yes	No	N/A
j.	For recurring fair value measurements categorized within level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in question 1*i*(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 held at the end of the reporting period, and the line items in the statement of income (or activities) in which those unrealized gains or losses are recognized?	____	____	____
k.	For recurring and nonrecurring fair value measurements categorized within level 3 of the fair value hierarchy, a description of the valuation processes used by the reporting entity (including, for example, how an entity decides its valuation policies and procedures and analyzes changes in fair value measurements from period to period)?	____	____	____
l.	For recurring fair value measurements categorized within level 3 of the fair value hierarchy, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement? If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, a reporting entity should also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement. (To comply with this disclosure requirement, the narrative description of the sensitivity to changes in unobservable inputs should include, at a minimum, the unobservable inputs disclosed when complying with FASB ASC 820-10-50-2[bbb].)	____	____	____
m.	For recurring and nonrecurring fair value measurements, if the highest and best use of a nonfinancial asset differs from its current use, a reporting entity should disclose that fact and why the nonfinancial asset is being used in a manner that differs from its highest and best use.	____	____	____
	["Pending Content" in FASB ASC 820-10-50 par. 2]			

Practice Tip

A reporting entity should determine appropriate classes of assets and liabilities in the basis of the following:

- The nature, characteristics, and risks of the asset or liability
- The level of the fair value hierarchy within which the fair value measurement is categorized

The number of classes may need to be greater for fair value measurement categorized within level 3 of the fair value hierarchy because those measurements have a greater degree uncertainty and subjectivity. Determining appropriate classes of assets and liabilities for which disclosures about fair measurements should be provided requires judgment. A class of assets and liabilities will often require greater disaggregation than the line items presented in the statement of financial position. However, a reporting entity should provide

(continued)

	Yes	No	N/A

information sufficient to permit reconciliation to the line items presented in the statement of financial position.
["Pending Content" in FASB ASC 820-10-50-2B]

2. Has the entity properly disclosed its policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred in accordance with FASB ASC 820-10-50-2(bb) and FASB ASC 820-10-50-2(c)(3) (questions 1*e* and 1*i*(iii), preceding)? ____ ____ ____
["Pending Content" in FASB ASC 820-10-50-2C]

Practice Tip

The policy about the timing of recognizing transfers should be the same for transfers into the levels as for transfers out of the levels. Examples of policies for determining the timing of transfers include the following:

- The date of the event or change in circumstances that caused the transfer
- The beginning of the reporting period
- The end of the reporting period

["Pending Content" in FASB ASC 820-10-50-2C]

3. Has the entity properly disclosed, if applicable, if it has made an accounting policy decision to use the exception in FASB ASC 820-10-35-18D (Application to Financial Assets and Financial Liabilities With Offsetting Positions in Market Risks or Counterparty Credit Risk)? ____ ____ ____
["Pending Content" in FASB ASC 820-10-50-2D]

4. Has the entity properly disclosed for each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, the information required by paragraphs 2(b), 2(bbb), and (h) of FASB ASC 820-10-50 (questions 1*d*, 1*f*–*h*, and 1*m*, preceding)? ____ ____ ____
["Pending Content" in FASB ASC 820-10-50-2E]

5. 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*c*–*e*, preceding)? ____ ____ ____

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

6. Has the entity properly disclosed, for a liability measured at fair value and issued with an inseparable third-party credit enhancement, the existence of that credit enhancement? ____ ____ ____
["Pending Content" in FASB ASC 820-10-50-4A]

	Yes	No	N/A

Fair Value Measurements of Investments in Certain Entities That Calculate Net Assets Value per Share (or Its Equivalent)

7. 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 helps 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)? ____ ____ ____

8. To meet the disclosure requirements in question 7, to the extent applicable, has the reporting entity disclosed, at a minimum, the following information for each class of investment:

   a. The fair value measurement (as determined by applying paragraphs 59–62 of FASB ASC 820-10-35) of the investments in the class at the reporting date, 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? ____ ____ ____

   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? ____ ____ ____

	Yes	No	N/A
g. If a reporting entity has determined that it is probably that it will sell an investment(s) for an amount different from NAV 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]	_____	_____	_____

G. Financial Instruments

	Yes	No	N/A
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, if 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]

The fair value disclosures prescribed in paragraphs 10–16 of FASB ASC 825-10-50 are not required for participant loans.
[FASB ASC 962-310-50-1]

Disclosures About Concentrations of Credit Risk of All Financial Instruments

	Yes	No	N/A
2. Except as indicated in FASB ASC 825-10-50-22, has the entity disclosed all significant concentrations of credit risk arising from all financial instruments, whether from an individual counterparty or groups of counter-parties (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]	_____	_____	_____

	Yes	No	N/A
3. Has all of the following information been disclosed 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 entity 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 entity?	_____	_____	_____
c. The entity's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the entity's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments?	_____	_____	_____
d. The entity's policy of entering into master netting arrangements to mitigate the credit risk of financial instruments, information about the arrangements to which the entity is a party, and a brief description of the terms of those arrangements, including the extent to which they would reduce the entity's maximum amount of loss due to credit risk? [FASB ASC 825-10-50-21]	_____	_____	_____
4. Has quantitative information[5] about the market risks of financial instruments that is consistent with the way it manages or adjusts those risks been disclosed (*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?	_____	_____	_____

[5] Appropriate ways of reporting the quantitative information encouraged will differ for different entities 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 entity'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 an entity is encouraged to develop other ways of reporting quantitative information. [FASB ASC 825-10-50-23]

	Yes	No	N/A
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

Except as noted in the following paragraph, for annual reporting periods, the disclosure guidance related to fair value of financial instruments in paragraphs 10–19 of FASB ASC 825-10-50 applies to all entities but is optional for an entity that meets all of the following criteria:

- The entity is a *nonpublic entity* (as defined in the FASB ASC glossary).
- The entity has total assets of less than $100 million on the date of the financial statements.
- The entity has 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.

A nonpublic entity is not required to provide the disclosure in FASB ASC 825-10-50-10(d) for items disclosed at fair value but not measured at fair value in the statement of financial position.

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.
[Paragraphs 3–4 of FASB ASC 825-10-50]

	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			

	Yes	No	N/A
i. loans and long-term receivables (other than securities subject to FASB ASC 320, *Investments—Debt and Equity Securities*) 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?	_____	_____	_____
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? (FASB ASC 825-10 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? (FASB ASC 825-10 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.)	_____	_____	_____

	Yes	No	N/A
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]	____	____	____

Practice Tip

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

	Yes	No	N/A
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

	Yes	No	N/A
1. If a favorable letter of determination has not been obtained or maintained, is the federal income tax status of the plan disclosed? [FASB ASC 962-205-50-1(f)]	____	____	____

Yes *No* *N/A*

Practice Tip

ERISA requires that financial statements filed with the Form 500 include disclosure of "information concerning whether or not a tax ruling or determination letter has been obtained," which is more than is required by FASB ASC 960.
[AAG 5.76*i*]

I. Uncertainty in Income Tax

1. Does a plan 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 a plan disclose the following at the end of each annual reporting period presented:

a. **(Audits of issuers [11-K filings with the Securities and Exchange Commission (SEC) only])** A tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the period, which should include at a minimum

i. the gross amounts of the increases and decreases in unrecognized tax benefits as a result of tax positions taken during a prior period? _____ _____ _____

ii. the gross amounts of increases and decreases in unrecognized tax benefits as a result of tax positions taken during the current period? _____ _____ _____

iii. the amounts of decreases in the unrecognized tax benefits relating to settlements with taxing authorities? _____ _____ _____

iv. reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations? _____ _____ _____

b. **(Audits of issuers [11-K filings with the SEC only])** The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate? _____ _____ _____

c. The total amounts of interest and penalties recognized in the statement of operations and the total amounts of interest and penalties recognized in the statement of financial position? _____ _____ _____

d. 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? _____ _____ _____

	Yes	No	N/A
iii. an estimate of the range of the reasonably possible change or a statement that an estimate of the range cannot be made?	_____	_____	_____
e. A description of tax years that remain subject to examination by major tax jurisdictions? [FASB ASC 740-10-50 par. 15 and 15A]	_____	_____	_____

Practice Tip

A plan's tax exempt status is a position that may be subject to uncertainty. The sections of FASB ASC 740, *Income Taxes*, relating to accounting for uncertain tax positions are applicable to all entities. TIS section 5250.15, "Application of Certain FASB Interpretation No. 48 (codified in FASB ASC 740-10) Disclosure Requirements to Nonpublic Entities That Do Not Have Uncertain Tax Positions" (AICPA, *Technical Practice Aids*), clarifies that the description of open tax years that remain subject to examination is a required disclosure for a nonpublic entity even if the entity has no uncertain tax positions.
[AAG 5.76*i*]

	Yes	No	N/A
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]	_____	_____	_____
J. Plan Terminations			
1. If the decision has been made to terminate a plan, or when a *wasting trust* (that is, a plan under which participants no longer accrue benefits but that will remain in existence as long as necessary to pay already accrued benefits) exists, are all relevant circumstances disclosed? [FASB ASC 962-40-50-1]	_____	_____	_____
2. If the decision to terminate a plan is made before the end of the plan year, are the plan's year-end financial statements prepared on the liquidation basis of accounting as described in FASB ASC 962-40-35-1? [FASB ASC 962-40-25-1]	_____	_____	_____

Practice Tip

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

- Operating assets
- Insurance and certain investment contracts carried at contract value

[FASB ASC 962-40-35-1]

	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 962-40-25-2]	_____	_____	_____

K. Related-Party Transactions

	Yes	No	N/A
1. For related-party transactions, do disclosures include			
a. the nature of the relationship(s) 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]	_____	_____	_____
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 plan 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 plan being significantly different from those that would have been obtained if the plans were autonomous? [FASB ASC 850-10-50-6]	_____	_____	_____
5. Do the notes to the financial statements include a description of any agreements and transactions with persons known to be parties in interest as required by ERISA? [AAG 5.76*n* and A.52*c*]	_____	_____	_____

	Yes	No	N/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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Section 3(14) of ERISA defines a *party in interest* to include, among others, 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 organization, or relatives of such persons just mentioned. ERISA defines parties in interest in much the same way as FASB ASC 850, *Related Party Disclosures*, defines the term *related parties*, except that ERISA's definition is broader and includes all entities and individuals that provide services to the plan; however, these entities may not necessarily be related parties.
[AAG 2.89 and A.91 fn 25]

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 plan does not file a Form 11-K with the SEC, has the plan 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 par. 1 and 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]

	Yes	No	N/A
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]	___	___	___

N. Transfers and Servicing of Financial Assets and Securitizations

Sales of Financial Assets

1. Has the entity properly disclosed the following, for each income statement period presented, the following:

	Yes	No	N/A
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?	___	___	___
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:

		Yes	No	N/A
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?	____	____	____
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.)	____	____	____

	Yes	No	N/A

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]

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]

	Yes	No	N/A
8. As of the latest 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]	____	____	____
11. Has the entity properly presented the information, in order to accomplish the separate reporting in FASB ASC 860-50-45-1, 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?	____	____	____

	Yes	No	N/A
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?	_____	_____	_____
e. 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? [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:			
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			
(1) changes in valuation inputs or assumptions used in the valuation model?	_____	_____	_____
(2) other changes in fair value and a description of those changes?	_____	_____	_____
v. Other changes that affect the balance and a description of those changes? [FASB ASC 860-50-50-3]	_____	_____	_____

	Yes	No	N/A
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?	_____	_____	_____
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 changed, 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]	_____	_____	_____

	Yes	No	N/A
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

	Yes	No	N/A
1. Do disclosures include the basis for determining contributions by employers?	____	____	____
a. For a contributory plan, does the disclosure state the method of determining the participants' contributions?	____	____	____
b. For plans subject to the minimum funding requirements of ERISA, such as money purchase pension plans, is disclosure made of whether those requirements have been met?	____	____	____
c. If a minimum funding waiver has been granted by the IRS, or if a request for waiver is pending before the IRS, is that fact disclosed? [FASB ASC 962-205-50-1*d*]	____	____	____
2. If significant costs of plan administration are being absorbed by the employer, is this fact disclosed? [FASB ASC 962-205-50-1*e*]	____	____	____
3. Do disclosures include the amount and disposition of forfeited nonvested accounts, specifically, identification of those amounts that will be used to reduce future employer contributions, expenses, or reallocated to participant accounts, in accordance with plan documents? [FASB ASC 962-205-50-1*j*]	____	____	____
4. Do disclosures include amounts allocated to accounts of persons who have elected to withdraw from the plan but have not yet been paid? [FASB ASC 962-205-50-1*i*]	____	____	____

Practice Tip

These amounts should not be reported as a liability on the statement of net assets available for benefits, in financial statements prepared in conformity with GAAP. A note to reconcile the audited financial statements to the Form 5500 may be necessary to comply with ERISA.
[FASB ASC 962-205-50-1*i*]

	Yes	No	N/A
5. Do disclosures include the accounting policy for corrective distributions as recommended by FinREC? [Common Practice]	____	____	____
6. Do disclosures include the amount of employer contributions relating to the correction of operational defects or other nonrecurring items as recommended by FinREC? [Common Practice]	____	____	____

	Yes	No	N/A
7. Along with the disclosures relating to forfeitures in question 3, preceding, do disclosures include the amount of forfeitures available as of the end of the year and the amount of forfeitures used or allocated during the year as recommended by FinREC? [Common Practice]	_____	_____	_____
8. Do disclosures include the significant terms of expense offset arrangements with third parties whereby expenses are netted against income as recommended by FinREC (expense offset arrangements generally consist of fees being paid to a third-party service provider [for example, recordkeeper] directly through the use of investment fee rebates made available by the plan's separate third-party investment manager)? [AAG 5.77; Common Practice]	_____	_____	_____
9. For leveraged employee stock ownership plans (ESOPs), does the financial statement presentation reflect allocated and unallocated amounts as separate columns on both the statement of net assets available for benefits and the statement of changes in net assets available for benefits, as recommended by FinREC? [Common Practice]	_____	_____	_____
10. For nonleveraged ESOPs, does the financial statement presentation reflect only the total column without the segregation between allocated and unallocated, as recommended by FinREC? [AAG 5.98; Common Practice]	_____	_____	_____
11. As required by ERISA, do disclosures include an explanation of the differences, if any, between the information contained in the financial statements and the amounts reported on the Form 5500, Schedule H? [AAG 5.76*o*]	_____	_____	_____
12. For master trusts, do the notes to the financial statements include the following (FinREC recommends that because audited financial statements are not required for the master trusts):			
a. A statement of net assets of the master trust?	_____	_____	_____
b. A statement of changes in net assets of the master trust? [AAG 8.47; Common Practice]	_____	_____	_____

VI. ERISA Reporting Requirements

A. Form 5500 Report

	Yes	No	N/A
1. Did plans with 100 or more participants at the beginning of the plan year file an annual report (Form 5500) following the requirements for a *large plan* (as defined by ERISA) including financial statements prepared in accordance with GAAP, or a basis of accounting other than U.S. GAAP (for example, a special purpose framework), such as a modified cash basis of accounting)? [AAG 11.26 and A.19]	_____	_____	_____

Yes No N/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. 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 are filed with EBSA in accordance with the instructions to the form. (See paragraphs .17–.22 of the "Letters to Customers" part of this checklist.)
[AAG A.19]

B. Financial Statement Disclosures Required Under the Alternative Method of Compliance for Pension Plans Pursuant to DOL Regulations Section CFR 2520.103 and Section 103 of ERISA (Statutory Method)[6]

1. If the financial statements of the plan are filed under the statutory method, do the notes to the financial statements include
   a. a description of the plan, including significant changes in the plan, and the effect of the changes on benefits? _____ _____ _____
   b. the funding policy and changes in the funding policy from the prior year (including policy with respect to prior service cost) and any changes in such policies during the year? _____ _____ _____
   c. a description of material lease commitments, and other commitments and contingent liabilities? _____ _____ _____
   d. a description of any agreements and transactions with persons known to be parties in interest? _____ _____ _____
   e. a general description of priorities in the event of plan termination? _____ _____ _____
   f. whether a tax ruling or determination letter has been obtained? _____ _____ _____
   g. Any other information required for a fair presentation? _____ _____ _____
   h. An explanation of differences, if any, 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 the Form 5500, Schedule H? _____ _____ _____
   [AAG 5.75*o*; AAG A.51*a* and A.52*c*]

C. Required Financial Statements and Supporting Schedules

1. For plans filing under either method (statute or regulations), is the following financial information included:

[6] Plan administrators may, for purposes of Title I of ERISA, file an annual report containing all of the information required by ERISA Section 103 (that is, the statute) or the information required by the regulations. However, a filing in accordance with ERISA Section 103 will not satisfy an administrator's annual reporting obligations under the IRC or Title IV of ERISA; the Form 5500 must be filed to comply with those requirements.

	Yes	No	N/A
a. Plan assets and liabilities aggregated by categories and valued at their current value with the same data displayed in comparative form using the end of the current plan year at either (i) the end of the previous plan year (statute) or (ii) beginning of the current plan year (regulations)?	_____	_____	_____
b. Information concerning plan income, expenses, and changes in net assets during the plan year? [AAG A.52*a*]	_____	_____	_____
2. Have certain supplemental schedules as required by Form 5500 been attached to th-e annual Form 5500 filing (using the Form 5500 series and not Form-SF or 5500-EZ):			

Practice Tip

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

Nonstandardized Schedules (Not Permitted If Filing By the Statutory Method)

	Yes	No	N/A
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 Participant Loan Repayments Are Included	Contributions Not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	

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. See Advisory Opinion No. 2002-2A at www.dol.gov/ebsa.
[AAG exhibit A-1]

For further guidance regarding the reporting of delinquent participant contributions see the instructions to the Form 5500 and the EBSA website frequently asked questions at www.dol.gov/ebsa/faqs/faq_compliance_5500.html.

	Yes	No	N/A
b. The Schedule H, line 4i—Schedule of Assets (Held at End of Year)? Does the schedule use the format shown as follows or a similar format and the same prize paper as the Form 5500 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 end of year) and a schedule of certain assets held (acquired and disposed of within year) are required.	_____	_____	_____

(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[7]	(e) Current value[8]

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. Any assets held for investment purposes in the 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.

	Yes	No	N/A
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, or similar format and the same size paper as the Form 5500?	_____	_____	_____

(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.

[7] *Cost* or *cost of asset* refers to the original or acquisition cost of the asset. The Department of Labor generally will accept any clearly defined and consistently applied method of determining historical cost that is based on the initial acquisition cost of the asset (for example, first in-first out or average cost). The use of revalued cost (the fair value of the asset at the beginning of the current plan year) for these schedules is not acceptable.

[8] *Current value* means fair market value where available. Otherwise, it means the fair value as determined in good faith under the terms of the plan by a trustee or a named fiduciary, assuming an orderly liquidation at the time of the determination.

		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? [AAG exhibit A-1]	_____	_____	_____

(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)[9]Cost of asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)

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 5 percent figure for all other transactions. Any assets held for investment purposes in the 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.
[AAG exhibit A-1]

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Plans filing their annual reports under the statutory method are required to report transactions that exceed 3 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 5 percent of the fair value of plan assets at the beginning of the year.
[AAG A.52b fn 18]

Standardized Schedules

		Yes	*No*	*N/A*
e.	Are the following schedules reported on Schedule G, *Financial Transactions Schedule*, Part I 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 exhibit A-1]	_____	_____	_____

Practice Tip

Certain plan transactions with parties in interest are prohibited under Section 406 and 407 of ERISA and are required, without regard to their materiality, to be disclosed to the DOL in the plan's annual report, Form 5500.
[AAG 2.91]

[9] See footnote 7.

Yes	No	N/A

VII. SEC Reporting Requirements

Practice Tip

The SEC requires employee stock purchase, savings, and similar plans with interests that constitute securities registered under the Securities Act of 1933 to file Form 11-k pursuant to Section 15(d) of the Securities Exchange Act of 1934. When Form 11-k is filed separately, it must be filed with the SEC within 90 days after the end of the plan's fiscal year-end. For those plans that do NOT file financial statements and schedules prepared in accordance with ERISA, Regulation S-X, Rule 6A contains special rules applicable to employee stock purchase, savings and similar plans. ***Note***: Such financial statements should be prepared in accordance with the special rules in Regulation S-X, Rule 6A in addition to the general rules in Regulation S-X, Section 210.1-01 to 210.4-10. Where the requirements of a special rule differ from those prescribed in a general rule, the requirements of the special rule should be met. This checklist contains the special rules where they differ from or are in addition to the financial reporting requirements of ERISA. For further guidance, see FASB ASC 962-205-S99.

A. Regulation S-X Rule 6A, Employee Stock Purchase, Savings and Similar Plans

1. If the participating employees have an option as to the manner in which their deposits and contributions may be invested, do the financial statements or notes include a description of each investment program and the number of employees under each investment program? ____ ____ ____
2. Do the financial statements or notes disclose the number of units and the NAV per unit, where appropriate? ____ ____ ____
3. If the plan is not subject to federal income taxes, is there disclosure in the notes to the financial statements stating that fact and indicating briefly the principal assumptions on which the plan relied in not making provision for such taxes? ____ ____ ____
4. Do the financial statements and notes thereto, state the federal income tax status of the employee with respect to the plan? ____ ____ ____
5. Does the statement of financial condition reflect all investments at value, showing cost parenthetically? (***Note:*** For purposes of this rule, the term *value* should mean (*a*) market value for those securities having readily available market quotations and (*b*) fair value as determined in good faith by the trustee(s) for the plan (or by the person or persons who exercise similar responsibilities) with respect to other securities and assets.) ____ ____ ____

B. Rule 6A-03, Statement of Financial Condition

1. Are plan assets stated including the following:
   - *a.* Investments in securities of participating employers stating separately each class of securities for investments in securities in participating employer(s)? ____ ____ ____
   - *b.* United States government bonds and other obligations (including only direct obligations of the United States government)? ____ ____ ____

	Yes	No	N/A
c. Other securities, stating separately marketable securities and other securities?			
d. Investments, other than securities stating separately each major class?			
e. Dividends and interest receivable?			
f. Cash?			
g. Other assets stating separately total amounts due from participating employers or any of their directors, officers and principal holders of equity securities; total amounts due from trustees or managers of the plan; and any other significant amounts?			
2. Are the plan's liabilities and plan equity stated including the following:			
a. Total amounts payable to participating employers?			
b. Total amounts payable to participating employees?			
c. Any other significant amounts?			
d. Reserves and other credits, stating separately each significant item and describe each such item by using an appropriate caption or note referred to in the caption?			
e. Plan equity at close of period?			
C. Rule 6A-04, Statement of Income and Changes in Plan Equity			
1. Does the net investment income of the plan in the statement of income and changes in plan equity include the following:			
a. Income from cash dividends?			
b. Interest income?			
c. Income from other sources?			
d. Expenses stating separately any significant amounts?			
e. Net investment income?			
2. Is income from investments in or indebtedness of participating employers segregated under the appropriate subcaption?			
3. Are realized gains and losses on investments disclosed in the statement of income and changes in plan equity stating separately the net of gains or losses arising from transactions in investments in securities of the participating employer or employers, other investments in securities, and other investments?			
4. Is the amount of the increase or decrease in the unrealized appreciation or depreciation of investments during the period disclosed?			
5. Do the notes to the financial statements disclose the amount of unrealized appreciation or depreciation of investments at the beginning of the period of report, at the end of the period of report, and the increase or decrease during the period?			
6. For contributions and deposits, is the following disclosed in the financial statements or notes thereto:			

	Yes	No	N/A
a. The total amounts deposited by participating employees?	_____	_____	_____
b. The total amounts contributed by the participating employer(s)?	_____	_____	_____
7. If employees of more than one employer participate in the plan, are contributions and deposits stated in tabular form in a note to the financial statements or otherwise including the amount contributed by each employer and the deposits of the employees of each such employer?	_____	_____	_____
8. Are withdrawals, lapses, and forfeitures disclosed, stating separately			
a. the balances of employees accounts withdrawn, lapsed or forfeited during the period?	_____	_____	_____
b. amounts disbursed in settlement of such accounts?	_____	_____	_____
c. dispositions of balances remaining after settlement specified in item *b*?	_____	_____	_____
9. Does the statement of income and changes in plan equity disclose			
a. plan equity at the beginning of the period?	_____	_____	_____
b. plan equity at the end of the period?	_____	_____	_____

D. Rule 6A-05, Schedules to Be Filed

Schedule I—Investments

	Yes	No	N/A
1. Is Schedule I—Investments in the form prescribed by Section 210.12-12 in support of the required plan assets disclosures contained in question 1*a*–*c* filed as of the most recent audited statement of financial condition and any subsequent unaudited statement of financial condition being filed? (***Note:*** Schedule I—Investments is required unless substantially all of the information is given in the statement of financial condition, by note to the financial statements or otherwise.)	_____	_____	_____

Schedule II—Allocation of Plan Assets and Liabilities to Investment Programs

	Yes	No	N/A
2. Has the plan submitted Schedule II—Allocation of Plan Assets and Liabilities to Investment Programs if the plan provides for separate investment programs with separate funds, and if the allocation of assets and liabilities to the several funds is not shown in the statement of financial condition in columnar form or by the submission of separate statements for each fund?	_____	_____	_____
3. If the plan is submitting Schedule II, does it show the allocation of each caption of each statements of financial condition filed to the applicable fund?	_____	_____	_____

	Yes	No	N/A
Schedule III—Allocation of Plan Income and Changes in Plan Equity to Investment Programs			
4. If the plan provides for separate investment programs with separate funds, and if the allocation of income and changes in plan equity to the several funds is not shown in the statement of income and changes in plan equity in columnar form, has the plan submitted Schedule III—Allocation of Plan Income and Changes in Plan Equity to Investment Programs?	____	____	____
5. If the plan is submitting Schedule III, does it show the allocation of each caption of each statement of income and changes in plan equity files to the applicable fund?	____	____	____

Part 3
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, 2013)

AU-C = Reference to clarified auditing 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

PCAOB = Public Company Accounting Oversight Board

TIS = Technical Question and Answer in AICPA *Technical Practice Aids*

.03 The auditing guidance in this section of the checklist has been conformed to Statement on Auditing Standards (SAS) Nos. 122–127 (referred to as clarified SASs), which were issued as part of the Auditing Standards Board's (ASB's) Clarity Project. These clarified SASs are effective for audits of financial statements for periods ending on or after December 15, 2012. Although extensive, the revisions to GAAS resulting from these clarified SASs do not change many of the requirements found in the auditing standards that they supersede.

.04 Part 1, "Instructions," of this checklist and the Financial Reporting Center on the AICPA's website provide more information on the Clarity Project. Also visit www.aicpa.org/sasclarity.

.05 The PCAOB establishes standards for audits of *issuers*, as that term is defined by the Sarbanes-Oxley Act of 2002, or whose audit is prescribed by the rules of the Securities and Exchange Commission (SEC). Other entities are referred to as *nonissuers*.

.06 Guidance specifically relating to reporting on audits of issuers is presented in a separate section titled, "Audits of Issuers, Such as 11-K Audits." Note that in most cases this guidance is in addition to the auditing guidance described previously and is in addition to other relevant reporting guidance.

Practice Tip—11-K Filers

As noted in paragraph .47 of in part 1, "Introduction," of this checklist, plans that are required to file Form 11-Ks are deemed to be *issuers* under the Sarbanes-Oxley Act and must submit to the SEC an audit in accordance with the auditing and related professional practice standards promulgated by the PCAOB. These plans may also be subject to the Employee Retirement Income Security Act (ERISA) and must submit to the DOL an audit in accordance with GAAS promulgated by the AICPA's ASB. It is our understanding that the Securities and Exchange Commission (SEC) will not accept an audit report that references GAAS, and the DOL will not accept an audit report that does *not* reference GAAS.

Audits of plans that file Form 11-K must be conducted in accordance with two sets of standards and prepare two separate audit reports; an audit report referencing PCAOB standards for Form 11-K filings with the SEC and a separate audit report referencing GAAS for DOL filings. The PCAOB and SEC staff believe that an opinion issued in accordance with PCAOB Auditing Standard No. 1, *References in Auditors' Reports to the*

(continued)

Standards of the Public Company Accounting Oversight Board (AICPA, *PCAOB Standards and Related Rules*, Auditing Standards), does not allow a reference to GAAS, hence a *dual* standard report is not appropriate and will not be accepted by the SEC.

Any questions regarding performance and reporting requirements of audits of financial statements of Form 11-K filers should be directed to the SEC Division of Corporation Finance, Office of the Chief Accountant at 202.942.2960.

Practice Tip—Auditor's Report for Audits Conducted in Accordance With Both GAAS and Another Set of Auditing Standards

Paragraphs .42–.43 of AU-C section 700, *Forming an Opinion and Reporting on Financial Statements* (AICPA, *Professional Standards*), provides guidance regarding how the auditor may report if engaged to also follow PCAOB auditing standards in the audit of a nonissuer.

.07 Checklist Questionnaire:

	Yes	*No*	*N/A*
Auditor's Report			
Title			
1. Does the report have a title that includes the word *independent* to clearly indicate that it is the report of an independent auditor? [AU-C 700.23 and .A18]	____	____	____
Addressee			
2. Is the report addressed to the entity whose financial statement are being audited or to its board of directors or stockholders as required by the engagement? [AU-C 700.24 and .A19]	____	____	____
Introductory Paragraph			
3. Does the introductory paragraph of the auditor's report			
a. identify the entity whose financial statements have been audited?	____	____	____
b. state that the financial statements have been audited?	____	____	____
c. identify the title of each statement that the financial statements comprise?	____	____	____
d. state the date or period covered by each financial statement that the financial statements comprise? [AU-C 700.25 and .A20–.A23]	____	____	____
Management's Responsibility for the Financial Statements			
4. Does the auditor's report include a section with the heading "Management's Responsibility for the Financial Statements"? [AU-C 700.26]	____	____	____
5. Does the auditor's report describe management's responsibility for the preparation and fair presentation of the financial statements, including			
a. an explanation that management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework?	____	____	____

	Yes	No	N/A
b. the responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error? [AU-C 700.27 and .A24]	_____	_____	_____
6. Does the description about management's responsibility appropriately not refer to a separate statement prepared by management? [AU-C 700.28]	_____	_____	_____
Auditor's Responsibility			
7. Does the report include a section with the heading "Auditor's Responsibility"? [AU-C 700.29]	_____	_____	_____
8. Does the auditor's report state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit? [AU-C 700.30 and .A26]	_____	_____	_____
9. Does the auditor's report state that the audit was conducted in accordance with GAAS and identify the United States of America as the country of origin of those standards and that those standards require the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement? [AU-C 700.31 and .A27–.A28]	_____	_____	_____
10. If applicable, when the auditor's report refers to both GAAS and another set of auditing standards, does the auditor's report identify the other set of auditing standards as well as their origin? [AU-C 700.43]	_____	_____	_____
11. Does the auditor's report describe an audit by stating			
a. that an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements?	_____	_____	_____

	Yes	No	N/A
b. that procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error and that in making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, and accordingly, no such opinion is expressed? (***Note***: If the auditor has the responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor should omit the phrase "that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control, and accordingly, no such opinion is expressed".)	_____	_____	_____
c. that and audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements? [AU-C 700.32]	_____	_____	_____
12. Does the auditor's report state whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion? [AU-C 700.33]	_____	_____	_____
Auditor's Opinion			
13. Does the auditor's report include a section with the heading "Opinion"? [AU-C 700.34]	_____	_____	_____
14. Does the auditor's opinion state that the financial statements present fairly, in all material respect, the financial position of the entity as of the balance sheet date and the results of its operations and its cash flows for the period then ended, in accordance with the applicable financial reporting framework if an unmodified opinion is being expresses on the financial statements? [AU-C 700.35 and .A29]	_____	_____	_____
15. Does the auditor's opinion identify the applicable reporting framework and its origin? [AU-C 700.36 and .A31]	_____	_____	_____

	Yes	No	N/A

Other Reporting Responsibilities

16. Does the auditor's report contain a separate section subtitled "Report on Other Legal and Regulatory Requirements" if the auditor addresses other reporting responsibilities in addition to the auditor's responsibility under GAAS to report on the financial statements? ____ ____ ____
[AU-C 700.37 and .A32–.A34]

Practice Tip

If the auditor's report contains a separate section on other reporting responsibilities, the headings, statements, and explanations referred to in questions 3–15 should be under the subtitle "Report on the Financial Statements." The "Report on Other Legal and Regulatory Requirements" should follow the "Report on the Financial Statements."
[AU-C 700.38]

Signature of the Auditor

17. Does the auditor's report include the manual or printer signature of the auditor's firm? ____ ____ ____
[AU-C 700.39 and .A35]

Auditor's Address

18. Does the auditor's report name the city and state where the auditor practices? (***Note***: The city and state may be named in the firm's letterhead on which the report is presented.) ____ ____ ____
[AU-C 700.40 and .A37, TIS 9100.07]

Date of the Auditor's Report

19. Is the auditor's report dated no earlier than the date on which the auditor obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements including evidence that
    a. the audit documentation has been reviewed? ____ ____ ____
    b. all statements that the financial statements comprise, including the related notes, have been prepared? ____ ____ ____
    c. management has asserted that they have taken responsibility for those financial statements? ____ ____ ____
    [AU-C 700.41 and .A38–.A40]

Comparative Financial Statements and Comparative Information

20. Does the auditor's report refer to each period for which financial statements are presented and on which an audit opinion is expressed if comparative financial statements are presented? ____ ____ ____
[AU-C 700.44]

21. Does the report include appropriate language for when different opinions are expressed on comparative financial statements? ____ ____ ____
[AU-C 700.A44]

	Yes	No	N/A
22. Is the auditor's report appropriately dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to support the opinion for the most recent audit? [AU-C 700.45]	_____	_____	_____
23. Does the auditor's report clearly indicate the character of the auditor's work and degree of responsibility the auditor is taking if comparative information is presented but not covered by the auditor's opinion? [AU-C 700.46]	_____	_____	_____
24. When reporting on prior period financial statements in connection with the current period's audit, if the auditor's opinion on such prior period financial statements differs from the opinion the auditor expressed, does the auditor disclose in an emphasis-of-matter or other-matter paragraph, in accordance with AU-C section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report* (AICPA, *Professional Standards*),			
a. the date of the auditor's previous report?	_____	_____	_____
b. the type of opinion previously expressed?	_____	_____	_____
c. the substantive reasons for the different opinion?	_____	_____	_____
d. that the auditor's opinion on the amended financial statements is different from the auditor's previous opinion? [AU-C 700.53 and .A51]	_____	_____	_____

Practice Tip

DOL regulations prescribe that the annual report include a statement of net assets available for benefits on a comparative basis; the statement of changes in net assets available for benefits is required for the current year only.
[AAG 11.65]

Prior Period Financial Statements Audited by a Predecessor Auditor

	Yes	No	N/A
25. If the financial statements of the prior period were audited by a predecessor auditor and the predecessor auditor's report on the prior period's financial statements is not reissued, in addition to expressing an opinion on the current period's financial statements, does the auditor's report include an other-matter paragraph that includes the following:			
a. The financial statements of the prior period were audited by a predecessor auditor?	_____	_____	_____
b. The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reason for the modification?	_____	_____	_____

	Yes	No	N/A
c. The nature of an emphasis-of-matter paragraph or other-matter paragraph included in the predecessor auditor's report, if applicable?	_____	_____	_____
d. The date of that report? [AU-C 700.54]	_____	_____	_____

Practice Tip

Paragraphs 11.69–.71 and 11.91 of the guide contain a discussion and examples of reporting when the prior period financial statements are audited by a predecessor auditor.

Prior Period Financial Statements Not Audited

	Yes	No	N/A
26. When the current period financial statements are audited and presented in comparative form with compiled or reviewed financial statements for the prior period, and the report on the prior period is not reissued, has the auditor included an other-matter paragraph in the current period auditor's report that includes the following:			
a. The services performed in the prior period?	_____	_____	_____
b. The date of the report on that service?	_____	_____	_____
c. A description of any material modifications noted in that report?	_____	_____	_____
d. A statement that the service was less in scope than an audit and does not provide the basis for the expression of an opinion on the financial statements? [AU-C 700.56 and .A53–.A54]	_____	_____	_____
27. If the prior period financial statements were not audited, reviewed, or compiled, does the auditor's report include an other-matter paragraph to indicate that the auditor has not audited, reviewed, or compiled the prior period financial statements and that the auditor assumes no responsibility for them? [AU-C 700.57 and .A55]	_____	_____	_____

Practice Tip

Paragraphs 11.89–.90 of the guide contain a discussion and examples of reporting when the prior period financial statements have not been audited.

Modifications to the Opinion in the Independent Auditor's Report

Practice Tip

A *modified opinion* is a qualified opinion, an adverse opinion, or a disclaimer of opinion.
[AU-C 705.06]

	Yes	No	N/A
28. If applicable, has the auditor modified the opinion in the auditor's report when either the auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are materially misstated or the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement? [AU-C 705.07]	____	____	____
29. If applicable, has the auditor expressed a qualified opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material but not pervasive to the financial statements or the auditor is unable to obtain sufficient audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive? [AU-C 705.08]	____	____	____
30. If applicable, has the auditor expressed an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements? [AU-C 705.09]	____	____	____
31. If applicable, has the auditor disclaimed an opinion when the auditor has been unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive? [AU-C 705.10]	____	____	____

Practice Tip

Question 31 does not apply to limited-scope audits pursuant to Title 29 CFR Part 2520.103-8. In these situations, see question 71 and paragraph 11.64 of the guide.

	Yes	No	N/A
32. If the auditor considers it necessary to express an adverse opinion or disclaim an opinion on the financial statements as a whole, does the auditor's report appropriately not also include an unmodified opinion with respect to the same financial reporting framework on a single statement or one or more specific elements, accounts, or items of a financial statement? [AU-C 705.15]	____	____	____

	Yes	*No*	*N/A*
33. If the auditor is not independent but is required by law or regulation to report on the financial statements, has he or she disclaimed the opinion with respect to the financial statements and specifically stating that he or she is not independent? [AU-C 705.16]	_____	_____	_____
34. If the auditor concludes that noncompliance with laws and regulations 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 as a whole)? [AU-C 250.24]	_____	_____	_____
35. If the auditor is precluded by management or those charged with governance from obtaining sufficient appropriate audit evidence to evaluate whether noncompliance with laws and regulations that may be material to the financial statements has, or is likely to have, occurred, has the auditor expressed a qualified opinion or disclaim an opinion on the financial statements on the basis of a limitation on the scope of the audit, in accordance with AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report* (AICPA, *Professional Standards*)? [AU-C 250.25]	_____	_____	_____
36. If the auditor is unable to determine whether noncompliance has occurred because of limitations imposed by the circumstances rather than by management or those charged with governance, has the auditor evaluated the effect on the auditor's opinion, in accordance with AU-C section 705? [AU-C 250.26]	_____	_____	_____
37. If, in the auditor's judgment, the two-way communication between the auditor and those charged with governance as described in AU-C section 260, *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?	_____	_____	_____
c. Communicating with an appropriate third party (for example, a regulator)?	_____	_____	_____
d. Withdrawing from the engagement? [AU-C 260.A46]	_____	_____	_____

	Yes	No	N/A
38. Is a qualified opinion or disclaimer of opinion expressed when the auditor's understanding of internal control raises doubts about the auditability of an entity's financial statements, such as concerns about			
a. 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. 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 unmodified opinion on the financial statements? [AU-C 315.A110]	_____	_____	_____
39. If the user auditor is unable to obtain sufficient appropriate audit evidence regarding the services provided by the service organization relevant to the audit of the user entity's financial statements, has the user auditor modified the opinion in the user auditor's report in accordance with AU-C section 705? [AU-C 402.20]	_____	_____	_____
40. If the auditor has concluded that the entity's disclosures with respect to the entity's ability to continue as a going concern for a reasonable period of time are inadequate, has the auditor modified the opinion in accordance with AU-C section 705? [AU-C 570.17]	_____	_____	_____
Basis for Modification Paragraph			
41. If the auditor has modified the opinion on the financial statements, has the auditor included a paragraph in the auditor's report that			
a. provides a description of the matter giving rise to the modification?	_____	_____	_____
b. immediately precedes the opinion paragraph?	_____	_____	_____
c. has a heading that includes "Basis for Qualified Opinion," "Basis for Adverse Opinion," or "Basis for Disclaimer of Opinion?" [AU-C 705.17]	_____	_____	_____
42. If there is a material misstatement of the financial statements that relates to specific amounts in the financial statements (including quantitative disclosure), has the auditor included in the basis for modification paragraph a description and quantification of the financial effects of the misstatement, unless impracticable? If it is not practical to quantify the financial effects, has the auditor stated that in the basis for modification paragraph? [AU-C 705.18, .A21, and .A24–.A25]	_____	_____	_____

	Yes	No	N/A
43. If there is a material misstatement of the financial statements that relates to narrative disclosures, has the auditor included an explanation of how the disclosures are misstated in the modification paragraph? [AU-C 705.19 and .A22]	_____	_____	_____
44. If there is a material misstatement of the financial statements that relates to the omission of information required to be presented or disclose, has the auditor described in the basis for modification paragraph the nature of the omitted information? [AU-C 705.20]	_____	_____	_____
45. If the modification results from the inability to obtain sufficient appropriate audit evidence, has the auditor included the reasons for that inability in the basis for modification paragraph? [AU-C 705.21 and .A26]	_____	_____	_____
46. If the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements, has the auditor described in the basis for modification paragraph any other matters of which the auditor is aware that would have required a modification to the opinion and the effects thereof? [AU-C 705.22]	_____	_____	_____
47. If the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements, has the auditor considered the need to describe in an emphasis-of-matter or other-matter paragraph(s) any other matters of which the auditor is aware that would have resulted in additional communications in the auditor's report on the financial statements that are not modifications of the auditor's opinion? [AU-C 705.22]	_____	_____	_____
Opinion Paragraph			
48. If the auditor has modified the opinion, has the auditor used a heading that includes "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion?" [AU-C 705.23 and .A28]	_____	_____	_____
49. If the auditor has expressed a qualified opinion due to material misstatement in the financial statements, has the auditor stated in the opinion paragraph that, in the auditor's opinion, except for the effects of the matter(s) described in the basis for qualified opinion paragraph, the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework? [AU-C 705.24 and .A30]	_____	_____	_____
50. If the auditor expressed a qualified opinion due to an inability to obtain sufficient appropriate audit evidence, has the auditor used the corresponding phrase "except for the possible effects of the matter(s) ... " for the modified opinion? [AU-C 705.24]	_____	_____	_____

	Yes	No	N/A
51. If the auditor has expressed an adverse opinion, has the auditor stated in the opinion paragraph that, in the auditor's opinion, because of the significance of the matter(s) described in the basis for modification paragraph, the financial statements are not presented fairly in accordance with the applicable financial reporting framework? [AU-C 705.25]	_____	_____	_____
52. If the auditor has disclaimed an opinion due to an inability to obtain sufficient appropriate audit evidence, has the auditor stated in the opinion paragraph that			
a. because of the significance of the matter(s) described in the basis for disclaimer of opinion paragraph, the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for and audit opinion?	_____	_____	_____
b. the auditor does not express an opinion on the financial statements? [AU-C 705.26]	_____	_____	_____
Description of the Auditor's Responsibility When the Auditor Expresses a Modified Opinion			
53. If the auditor expressed a qualified or adverse opinion, has the auditor amended the description of the auditor's responsibility to state that the auditor believes that the audit evidence the auditor obtained is sufficient and appropriate to provide a basis for the auditor's modified opinion? [AU-C 705.27]	_____	_____	_____
54. If the auditor has disclaimed an opinion due to an inability to obtain sufficient appropriate audit evidence, has the auditor amended			
a. the introductory paragraph to state that the auditor was engaged to audit the financial statements?	_____	_____	_____
b. The description of the auditor's responsibility and scope of services of the audit to state the following? Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter(s) described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. [AU-C 705.28]	_____	_____	_____

Practice Tip

Consult the AU-C topical index in AICPA *Professional Standards* under "Modification to the Opinion in the Independent Auditor's Report" for additional references to specific types of scope limitations that could result in either a qualified or disclaimer of opinion.

(continued)

	Yes	No	N/A

See also paragraphs 11.56 and 11.80 of the guide for examples of situations in which the auditor has expressed a modified opinion on the financial statements of various employee benefit plans.

Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report

55. Has an emphasis-of-matter paragraph been added to the standard report when the auditor considers it necessary to draw users' attention to a matter appropriately presented or disclosed in the financial statements that, in the auditor's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements? (***Note***: Such a paragraph should refer only to information presented or disclosed in the financial statements.) ____ ____ ____
[AU-C 706.06]

56. Has an emphasis-of-matter paragraph been added to the auditor's report in any of the following circumstances:

   a. 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? In such circumstances, does the report include, in a separate paragraph or paragraphs, the information required by the rule? ____ ____ ____
   [AU-C 700.A15]

   b. An uncertainty relating to the future outcome of unusually important litigation or regulatory action? ____ ____ ____
   [AU-C 706.A2]

   c. A major catastrophe that has had, or continues to have, a significant effect on the entity's financial position? ____ ____ ____
   [AU-C 706.A2]

   d. Significant transactions with related parties? ____ ____ ____
   [AU-C 706.A2]

   e. Unusually important subsequent events? ____ ____ ____
   [AU-C 706.A2]

   f. The auditor's opinion on the revised financial statements differs from the opinion the auditor previously expressed? ____ ____ ____
   [AU-C 706.A14; AU-C 560.16*c*]

   g. There has been a change in accounting principle that has a material effect on the financial statements? ____ ____ ____
   [AU-C 706.A14; AU-C 708.08]

	Yes	No	N/A

Practice Tips

The auditor should include an emphasis-of-matter paragraph relating to a change in accounting principle in reports on financial statements in the period of the change, and in subsequent periods, until the new accounting principle is applied in all periods presented. If the change in accounting principle is accounted for by retrospective application to the financial statements of all prior periods presented, the emphasis-of-matter paragraph is needed only in the period of such change.
[AU-C 708.09]

******

The auditor should evaluate and report on a change in accounting estimate that is inseparable from the effect of a related change in accounting principle like other changes in accounting principle.
[AU-C 708.10 and .A10]

	Yes	No	N/A
h. A change in the reporting entity that results in financial statements that, in effect, are those of a different reporting entity? [AU-C 706.A14; AU-C 708.11]	_____	_____	_____
i. If an entity's financial statements contain an investment accounted for by the equity method and the investee makes a change in accounting principle that is material to the investing entity's financial statements? [AU-C 706.A14; AU-C 708.12]	_____	_____	_____
j. Unless the financial statements with the auditor's report are intended for general use, when the financial statements are prepared in accordance with a special purpose framework and indicate that the financial statements are prepared in accordance with the applicable special purpose framework, refers to the note to the financial statements that describes that framework, and states that the special purpose framework is a basis of accounting other than GAAP? [AU-C 706.A14; AU-C 800.19 and .21]	_____	_____	_____

Practice Tip

AU-C section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* (AICPA, *Professional Standards*), provides guidance on financial statements prepared in accordance with a special purpose framework. Paragraph .07 of AU-C section 800 states that a special purpose framework is a financial reporting framework other than GAAP that is one of the following bases of accounting: cash basis, tax basis, regulatory basis, contractual basis, or other basis of accounting that uses a definite set of logical, reasonable criteria that is applied to all material items appearing in the financial statements (commonly referred to as other comprehensive bases of accounting).

Paragraphs 11.26–.33 of the guide contain discussion of reporting considerations for employee benefit plan financial statements prepared in accordance with special purpose framework. Also, paragraph 11.34 contains an illustration of an auditor's report on a 401(k) plan prepared on the modified cash basis of accounting.

	Yes	No	N/A
k. There is substantial doubt about the entity'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, and if so, is that conclusion expressed through the use of the phrase "substantial doubt about its (the entity's) ability to continue as a going concern" or similar wording that includes the terms substantial doubt and going concern?[1] [AU-C 706.A14; AU-C 570.15–.16]	_____	_____	_____
l. There has been a material change between periods in accounting principles or in the method of their application and the auditor's report identifies the nature of the change and refer the reader to the note in the financial statements that discusses the change in detail? (***Note***: The auditor's concurrence with a change is implicit unless he or she takes exception to the changes in expressing his or her opinion as to the fair presentation of the financial statements in conformity with GAAP.) [AU-C 706.A14; AU-C 708.08 and .A7–.A8]	_____	_____	_____
m. When there are adjustments to correct a material misstatement in previously issued financial statements and the financial statements are restated to correct the prior material misstatement? [AU-C 708.13 and .A14]	_____	_____	_____
57. If an emphasis-of-matter of paragraph has been included in the auditor's report			
a. is it immediately after the opinion paragraph?	_____	_____	_____
b. does it have a heading "Emphasis of Matter?"	_____	_____	_____
c. does it include clear reference to the matter being emphasized and, where relevant, to disclosures that fully describe the matter can be found in the financial statements?	_____	_____	_____
d. does it indicate that the auditor's opinion is not modified with respect to the matter emphasized? [AU-C 706.07 and .A5]	_____	_____	_____
58. Has an other-matter paragraph been included in the auditor's report when the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor's professional judgment, is relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report, in a paragraph in the auditor's report with the heading "Other Matter" or other appropriate heading? [AU-C 706.08]	_____	_____	_____

[1] In a going concern emphasis-of-matter 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 paragraphs .A6–.A8 of AU-C section 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* (AICPA, *Professional Standards*), for examples.

	Yes	No	N/A
59. If included, does the content of an other-matter paragraph reflects clearly that such other matter is not required to be presented and disclosed in the financial statements? [AU-C 706.A10]	_____	_____	_____
60. If included, does the other-matter paragraph appropriately not include information that the auditor is prohibited from providing by law, regulation, or other professional standards (for example, ethical standards relating to the confidentiality of information) or information that is required to be provided by management? [AU-C 706.A10]	_____	_____	_____
61. Is the other-matter paragraph properly placed in the auditor's report based on the following:			
a. The other-matter paragraph draws users' attention to a matter relevant to their understanding of the audit of the financial statements, the paragraph is included immediately after the opinion paragraph and any emphasis-of-matter paragraph?	_____	_____	_____
b. The other-matter paragraph draws users' attention to a matter relating to other reporting responsibilities addressed in the auditor's report, the paragraph is included in the section subtitled "Report on Other Legal and Regulatory Requirements"?	_____	_____	_____
c. When relevant to all the auditor's responsibilities or users' understanding of the auditor's report, the other-matter paragraph is included as a separate section following the "Report on the Financial Statements" and the "Report on Other Legal and Regulatory Requirements?" [AU-C 706.A11]	_____	_____	_____
62. Has an other-matter paragraph been added to the auditor's report in any of the following conditions:			
a. The auditor's opinion on the revised financial statements differs from the opinion the auditor previously expressed? [AU-C 706.A15; AU-C 560.16*c*]	_____	_____	_____
b. The auditor's opinion on prior financial statements has changed or he prior periods were audited by a predecessor auditor as required by questions 24–26? [AU-C 706.A15; AU-C 700.53–.54]	_____	_____	_____
c. The prior period financial statements were not audited as required by questions 26–27? [AU-C 706.A15; AU-C 700.56–.57]	_____	_____	_____

		Yes	No	N/A
d.	The auditor identifies a material inconsistency prior to the report release date that requires revision of the other information and management refuses to make the revision? [AU-C 706.A15; AU-C 720.12]	____	____	____
e.	The entity presents supplementary information with the financial statements? [AU-C 706.A15; AU-C 725.09; AU-C 730.07]	____	____	____
f.	The auditor is expressing an opinion on special purpose financial statements? [AU-C 706.A15; AU-C 800.20]	____	____	____
g.	A report on compliance is included in the auditor's report on the financial statements? [AU-C 706.A15; AU-C 806.13]	____	____	____
h.	The auditor's report should contain an alert that restricts the use of the auditor's written communication? [AU-C 706.A15; AU-C 905.07]	____	____	____

Practice Tip

See paragraph 11.22 of the guide for an illustration of an other-matter paragraph that has been added to the auditor's report on the financial statements of an employee benefit plan (full-scope audit in accordance with GAAS) when reporting on supplementary information required by ERISA and DOL regulations.

Reporting on Financial Statements Prepared on a Liquidation Basis of Accounting

Practice Tip

A liquidation basis of accounting may be considered GAAP for entities in liquidation or for which liquidation appears imminent. Therefore, the auditor is permitted to issue an unmodified opinion on such financial statements, provided that the liquidation basis of accounting has been properly applied and that adequate disclosures are made in the financial statements.
[AU-C 9700.02]

		Yes	No	N/A
63.	For financial statements that have been prepared on the liquidation basis of accounting, does the auditor's report include an emphasis-of-matter paragraph that states that the entity has changed the basis of accounting used to determine the amounts at which assets and liabilities are carried from the going concern basis to a liquidation basis? [AU-C 9700.03]	____	____	____

Practice Tip

See paragraph 11.85 of the guide for an illustration of an emphasis-of-matter paragraph that may be added to the auditor's report to emphasize that a defined benefit plan is being terminated.

	Yes	No	N/A

Consideration of Subsequent Events

64. 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 following two 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-C 560.A11]

Consideration of Other Information Presented In a Document Containing Audited Financial Statements

Practice Tips

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-C 720.05]

******

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 FASB, PCAOB, Government Accounting Standards Board, Federal Accounting Standards Advisory Board, and the International Accounting Standards Board.
[AU-C 730.04]

******

The information required by ERISA and the regulations is described in appendix A, "ERISA and Related Regulations" of the guide. Because the supplemental schedules are required by ERISA and DOL regulations, not a designated accounting standard setter, the supplemental schedules are not considered *required supplementary information*, as defined in AU-C section 730, *Required Supplementary Information* (AICPA, *Professional Standards*); therefore, AU-C section 730 does not apply.
[AAG 11.18]

	Yes	No	N/A
65. If other information in a document containing audited financial statements is materially inconsistent with information appearing in the audited financial statements has it been determined whether the financial statements, the auditor's report, or both require revision? [AU-C 720; AU-C 730]	_____	_____	_____
66. Although the auditor is not required to reference the other information in the auditor's report on the financial statements, has the auditor considered including an other-matter paragraph disclaiming an opinion on the other information (***Note***: An example of such an other-matter paragraph can be found in paragraph .A13 of AU-C 720)? [AU-C 720.A2]	_____	_____	_____

Supplementary Information in Relation to the Financial Statements as a Whole

Practice Tip

Supplementary information is 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.
[AU-C 725.04]

	Yes	No	N/A
67. When the entity presents the supplementary information with the financial statements, the auditor should report on the supplementary information in either (*a*) an other-matter paragraph in accordance with AU-C section 706, or (*b*) in a separate report on the supplementary information. Does the other-matter paragraph or separate report include the following elements:			
a. A statement that the audit is conducted for the purpose of forming an opinion on the basic financial statements as a whole?	_____	_____	_____
b. A statement that the supplementary information is presented for purposes of additional analysis and is not part of the basic financial statements?	_____	_____	_____
c. A statement that the supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements?	_____	_____	_____
d. A statement 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 auditing standards generally accepted in the United States of America?	_____	_____	_____

	Yes	No	N/A
e. 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, if the auditor issues an unmodified opinion on the financial statements and the auditor has concluded that the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole?	_____	_____	_____
f. If the auditor issues a qualified opinion on the financial statements and the qualification has an effect on the supplementary information, 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-C 725.09 and .A17 illustration 1]	_____	_____	_____
g. A statement that the auditor does not express an opinion on the supplementary information if the auditor's report on the audited financial statements contains an adverse opinion or a disclaimer of opinion? [AU-C 725.11 and .A17 illustration 1]	_____	_____	_____
h. Do the statements required in items *a–f* appear in a separate report when the audited financial statements are not presented with the supplementary information? [2] [AU-C 725.10 and .A3]	_____	_____	_____
68. If the auditor concludes, on the basis of the procedures performed, that the supplementary information is materially misstated in relation to the financial statements as a whole and management does not revise the supplementary information, has			
a. the auditor's opinion on the supplementary information been modified describing the misstatement in the auditor's report?	_____	_____	_____
b. the auditor's report on the supplementary information been withheld if a separate report has been issued on the supplementary information? [AU-C 725.13]	_____	_____	_____

[2] Consult AU-C section 9725, *Supplementary Information in Relation to the Financial Statements as a Whole: Auditing Interpretations of Section 725* (AICPA, *Professional Standards*), for guidance when reporting on supplementary information (either in a separate report or in an other-matter paragraph within the auditor's report on the financial statements) after the date of the auditor's report on the financial statements.

	Yes	No	N/A

Communicating Internal Control Related Matters Identified in an Audit

69. Is the reporting form, content, and timing of paragraphs .11–.16 of AU-C section 265, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*), followed when communicating matters related to an organization's internal control over financial reporting identified in an audit of financial statements? ____ ____ ____
[AU-C 265.11–.16]

Auditor's Report Requirements Under DOL Regulations

70. 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 (without necessarily enumerating) the statements and schedules covered? ____ ____ ____
    [AAG A.51 fn 15]

    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 [3] of the application of the accounting principles between the current year and the preceding year or regarding any changes in such principles which have a material effect on the financial statements? ____ ____ ____
    [AAG A.51*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? ____ ____ ____
    [AAG A.51*a*; 29 CFR 2520.103-1(iv)]

        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*; 29 CFR 2520.103-1(iv)]

[3] An accountant's report prepared in accordance with AU-C section 708, *Consistency of Financial Statements* (AICPA, *Professional Standards*), which prescribes that no reference be made to the consistent application of accounting principles generally accepted in the United States in those cases in which there has been no accounting change, will be viewed as consistent with the requirements of ERISA and regulations issued thereunder with regard to the required submission of an accountant's report.

	Yes	No	N/A
71. If, the plan administrator has elected to comply with the statute and has satisfied all the requirements of ERISA Section 103 not relied on regulatory exemptions and simplified methods of reporting or alternative methods of compliance prescribed with respect to the Form 5500, has the accountant expressed an opinion on (*a*) whether the financial statements and ERISA Section 103(b) schedules conform with U.S. GAAP on a basis consistent with that of the preceding year and (*b*) current value, comparing the end of the previous plan year and the end of the plan year being reported? [AAG A.51*b*]	_____	_____	_____
72. If a limited-scope audit is performed pursuant to 29 CFR 2520.103-8, does the auditor's report contain wording in accordance with the standard limited-scope audit report as established by agreement between the Auditing Standards Board and the DOL? [AAG 11.58 and .64]	_____	_____	_____
73. If a limited-scope audit is performed, has the auditor disclaimed an opinion on the financial statements and supplemental schedules due to the limitation on the scope of the audit in accordance with GAAS? [AAG 11.58]	_____	_____	_____
74. If a limited-scope audit is performed, does the auditor's report provide an opinion regarding whether the form and content of the information included in the financial statements and schedules, other than that derived from the information certified by the qualifying institution, have been audited by the auditor and are presented in compliance with DOL rules and regulations under ERISA? [AAG 11.58]	_____	_____	_____

Practice Tips

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 precluded from issuing an opinion on the supplemental schedules in relation to the financial statements under AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole* (AICPA, *Professional Standards*). Therefore, unless the auditor is specifically engaged to perform the procedures required in AU-C section 725, the auditor is not required to follow such AU-C section. However, because the DOL requires supplemental schedules to be presented with the financial statements, the auditor is required to follow the guidance in AU-C section 720, *Other Information in Documents Containing Audited Financial Statements* (AICPA, *Professional Standards*). AU-C section 720 requires the auditor to read the other information in order to identify material inconsistencies, if any, with the audited financial statements. AU-C section 720 also addresses if, on reading the other information, the auditor becomes aware of an apparent material misstatement of fact. (See AU-C section 720 for specific guidance.)
[AAG 11.61]

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Generally, the DOL will reject Form 5500, *Annual Return/Report of Employee Benefit Plan*, filings that contain modified opinions, other than the disclaimer of opinion issued in connection with a limited-scope audit

(continued)

	Yes	No	N/A

pursuant to Title 29 U.S. *Code of Federal Regulations* (CFR) Part 2520.103-8 or -12. If the employee benefit plan financial statements are materially misstated, or the auditor is unable to obtain sufficient appropriate audit evidence on which to form an opinion, then the guidance in AU-C section 705 applies.
[AAG 11.77]

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See paragraphs 11.64–.79 for illustrations of the standard limited-scope audit report as well as limited-scope audit reports with modifications to the report on supplemental schedules.

****

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. For guidance regarding reporting on financial statements prepared on a basis of accounting other that GAAP refer to question 56*j*. In addition, AU-C section 800 provides guidance on financial statements prepared in accordance with a special purpose framework. Paragraph .07 of AU-C section 800 states that a special purpose framework is a financial reporting framework other than GAAP that is one of the following bases of accounting: cash basis, tax basis, regulatory basis, contractual basis, or other basis of accounting that uses a definite set of logical, reasonable criteria that is applied to all material items appearing in the financial statements (commonly referred to as other comprehensive bases of accounting).

****

AU-C section 905, *Alert That Restricts the Use of the Auditor's Written Communication* (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.

For Audits of Issuers (Such as 11-K Filings With the SEC)

Practice Tip

Plans that are required to file Form 11-K are deemed to be issuers and must submit to the SEC an audit performed in accordance with the auditing and related professional practice standards promulgated by the PCAOB. Accordingly, when reporting on supplementary information for filing with the SEC, the PCAOB interim AU section 551, *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents* (AICPA, *PCAOB Standards and Related Rules*, Interim Standards), applies. See paragraph 11.40 of the guide for a discussion and illustration when reporting on a Form 11-K audit.

	Yes	No	N/A
75. Does the auditor's report include a statement that the audit was conducted in accordance with the standards of the PCAOB (United States)? [PCAOB Auditing Standard No. 1 par. 3]	_____	_____	_____
76. Prior to the report release date, among other matters, has the auditor obtained sufficient evidence to support the representations in the auditor's reports? [PCAOB Auditing Standard No. 3 par. 15]	_____	_____	_____
77. Is the report dated no earlier than the date on which the auditor has obtained sufficient competent evidence to support the auditor's opinion on the financial statements? [PCAOB Auditing Standard No. 5 par. 89]	_____	_____	_____

	Yes	No	N/A

Practice Tip

Certain circumstances, although not affecting the auditor's unqualified opinion, may require that the auditor add explanatory language to the standard report as described in paragraphs .11–.19 of AU section 508, *Reports on Audited Financial Statements* (AICPA, *PCAOB Standards and Related Rules*, Interim Standards).

Other circumstances may require a departure from an unqualified opinion, either in the form of a qualified opinion, an adverse opinion, or a disclaimed opinion as described in paragraphs .20–.63 of AU section 508 (AICPA, *PCAOB Standards and Related Rules*, Interim Standards).

78. If there has been a change in accounting principle that has a material effect on the financial statements, including a change in the method of applying an accounting principle, a change in estimate effected by a change in accounting principle, and a change in classification that represents a change in accounting principle, and meets the four criteria established in paragraph 7 of PCAOB Auditing Standard No. 6, *Evaluating Consistency of Financial Statements* (AICPA, *PCAOB Standards and Related Rules*, Auditing Standards)

    a. does the report include an explanatory paragraph, following the opinion paragraph, in the year of the change and in subsequent years until the new accounting principle is applied in all periods presented? _____ _____ _____

    b. does the explanatory paragraph identify the nature of the change and include a reference to the note disclosure describing the change? _____ _____ _____

    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 _____ _____ _____
    [PCAOB Auditing Standard No. 6 par. 4–8 and par. 9–11]

79. If there has been a correction of a material misstatement in previously issued financial statements, including a change from an accounting principle that is not generally accepted to one that is generally accepted and a change in classification that represents the correction of a material misstatement, does the auditor's report contain an explanatory paragraph, following the opinion paragraph, that includes

    a. a statement that the previously issued financial statements have been restated for the correction of a misstatement in the respective period? _____ _____ _____

    b. a reference to the entity's disclosure of the correction of the misstatement? _____ _____ _____
    [PCAOB Auditing Standard No. 6 par. 5 and par. 9–11]

Yes *No* *N/A*

Practice Tip

As noted in paragraph 11.42 of the guide, when performing an audit for a plan that files Form 11-K, the form of the report filed with the SEC would comply with PCAOB standards; however, the form of report filed with the DOL would comply with GAAS. See the illustration in paragraph 11.25 of the guide.

Part 4

Illustrative Financial Statements and Auditor's Reports

.01 This checklist illustrates certain applications of the provisions of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 962, *Plan Accounting—Defined Contribution Pension Plans*, that apply for the annual financial statements of hypothetical defined contribution plans:

- The XYZ Company 401(k) Plan
- Sponsor Company Employee Stock Ownership Plan (ESOP)

.02 Circumstances include the following:

XYZ Company 401(k) Plan

a. XYZ Company 401(k) plan is a single employer defined contribution retirement plan.

b. The auditor of these financial statements was engaged to perform a full-scope audit and therefore these financial statements do not include additional illustrative disclosures that might be applicable for a Department of Labor (DOL) limited-scope audit relating to certified investment information (see paragraph C.07 in appendix C, "Illustrations of Financial Statements: Defined Contribution Retirement Plans," of the Audit and Accounting Guide *Employee Benefit Plans*, 2013 edition [guide]).

c. The financial statements are prepared using accounting principles generally accepted in the United States of America (GAAP) as promulgated by FASB.

d. The plan holds participant-directed and nonparticipant-directed investments.

e. The matching company contribution is invested directly in XYZ Company stock.

f. Participants may borrow from their fund accounts. These participant loans are classified as notes receivable from participants on the statement of net assets available for benefits.

g. The plan holds fully benefit responsive investment contracts. The statement of net assets available for benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared using the contract value basis for fully benefit responsive investment contracts.

h. There were no significant transfers between level 1 and level 2 investments during the year ended December 31, 20X1.

i. Neither the plan nor its plan sponsor is a Securities and Exchange Commission (SEC) registrant or filer.

Sponsor Company ESOP

a. Sponsor Company ESOP is a defined contribution plan and separate individual accounts are established for each participant.

b. The auditor of these financial statements was engaged to perform a full scope audit and therefore these financial statements do not include additional illustrative disclosures that might be applicable for a DOL limited-scope audit relating to certified investment information.

c. Neither the plan nor its plan sponsor is an SEC registrant or filer.

d. The plan sponsor is a C corporation.

e. The plan purchased company stock using the proceeds of a bank borrowing.

f. The borrowing is collateralized by the unallocated shares of common stock and is guaranteed by the company.

g. The common stock is held in a trust established under the plan.

h. Distributions to participants were made during the year and were made in cash or company common stock.

i. The plan sponsor repurchased shares from participants during the year.

j. Disclosure requirement of those investments over 5 percent of net assets was not disclosed separately because all investments are in Sponsor Company stock on the face of the statement of net assets available for benefits.

.03 The examples do not illustrate other provisions of FASB ASC 962 as well as other FASB ASC topics that might apply in circumstances other than those assumed in these examples. The formats and the wording of the accompanying notes are only illustrative and are not necessarily the only possible presentations. The illustrative financial statements in this part are derived from illustrative financial statements in appendix C of the guide.

Fair Value Disclosures

.04 The fair value disclosures for both XYZ Company 401(k) Plan and the Sponsor Company ESOP are not representative of all types of investment securities and do not represent the classification for every instance of such investment securities. It should not be assumed that the methodologies stated in these illustrations are the only appropriate methodologies for these types of assets. As stated in FASB ASC 820-10-35-5, 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 security based upon the plan's portfolio and actual fair valuation techniques used.

Practice Tip

Illustrative descriptions of the valuation techniques and inputs used by the plan to estimate fair value are specific to this example. For fair value measurements using significant other observable inputs (level 2) and significant unobservable inputs (level 3), FASB ASC 820, *Fair Value Measurement*, requires a description of the valuation technique (or multiple 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. If there has been a change in the valuation technique(s), FASB ASC 820 requires disclosure of that change and the reason for making it. These disclosures should be specific to the particular valuation techniques and inputs used by the entity for each major class of assets held. The use of valuation techniques may differ by entity, but all valuation techniques should maximize the use of relevant observable inputs and minimize the use of unobservable inputs in estimating an exit price in the current market. For illustrations of fair value disclosures for various types of financial instruments, it is recommended that users consult the illustrative financial statements within appendixes C, D, "Illustrations of Financial Statements: Defined Benefit Pension Plans," and E, "Illustrations of Financial Statements: Health and Welfare Benefit Plans," of the guide and the illustrations in FASB ASC 820. Also see the table in paragraph .10 for other resources.

Comparative Financial Statements and Supplemental Information

.05 Although GAAP do 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.

.06 ERISA and 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, "ERISA and Related Regulations," of the guide for further discussion of the ERISA and DOL requirements. These illustrative financial statements do not include example supplemental schedules.

Limited Scope Audit—Disclosure of Certification

.07 As discussed in paragraphs 2.18–.22 of the guide, the plan administrator may elect to restrict the audit with respect to assets held and transactions executed by certain qualifying institutions, as permitted by Title 29 U.S. *Code of Federal Regulations* (CFR) Part 2520.103-8 of the DOL's Rules and Regulations for Reporting and Disclosure under ERISA. The following is an illustration of a disclosure that would generally be included in the notes to the financial statements, when the limited scope audit exemption is elected. Such disclosure would be modified for the specifics of the plan and the certification received.

> **M. Certified Investments**
>
> Other than the fair value of the guaranteed investment contract and the related adjustment from fair value to contract value for fully benefit-responsive in-vestment contracts, certain information related to investments and notes receivable from participants disclosed in the accompanying financial statements and supplemental schedule, including investments and notes receivable from participants held at December 31, 20X1 and 20X0, and net appreciation in fair value of investments, interest and dividends for the year ended December 31, 20X1, was obtained or derived from information supplied to the plan administrator and certified as complete and accurate by DEF Trust Company (the trustee of the Plan). The contract value of the guaranteed investment contract was certified by the trustee.

403(b) Plans

.08 403(b) plans are considered a type of defined contribution plan. Therefore, the financial statements and disclosures would be similar to those described in this section. However, it is important to consider which disclosures may need to be modified or added. For example, the general description of the plan, eligibility requirements, funding, and tax status (see paragraph .09 for illustrative tax status note) should reflect the requirements of the 403(b) plan document. Additional or modified disclosures of the accounting policies surrounding the accounting treatment of certain contracts may also be necessary.

.09 Currently, there is no tax determination letter program for a 403(b) plan. The tax exempt status of a 403(b) plan is different from that of a 401(k) plan because the tax exempt status of a 403(b) plan relates to an exclusion from income for the participant rather than an exemption of tax for the plan. The following is an example of a tax status disclosure for a 403(b) plan.

> *The Plan has been designed to qualify under Section 403(b) of the Internal Revenue Code (Code). The terms of the Plan have been prepared to conform with the sample language provided by the Internal Revenue Service (IRS) in Revenue Procedure 2007-71 [*or the draft Listing of Required Modifications issued April 4, 2009*]. The plan administrator intends to apply for a determination letter on the Plan once the IRS opens such a program. The Plan is required to operate in conformity with the Code to maintain the tax-exempt status for plan participants under Section 403(b).*

Other Resources

.10 The following table contains other sources of investment related illustrations and disclosures that may provide additional guidance.

Source	*Comments*
FASB ASC 815, *Derivatives and Hedging*	FASB ASC 815 contains implementation guidance and illustrations relating to derivatives and hedging.
FASB ASC 820	FASB ASC 820-10-55 contains implementation guidance and illustrations relating to fair value measurements.
AICPA Audit and Accounting Guide *Investment Companies*	The AICPA Audit and Accounting Guide *Investment Companies* contains illustrations with disclosures relating to unique investments, such as short sales, credit default swaps, futures, forwards, and derivatives.

.11 In addition, *Accounting Trends & Techniques: Employee Benefit Plans, 4th Edition*, is intended to provide preparers and auditors of employee benefit plan financial statements with a compilation of illustrative financial statements disclosures based on actual examples.[1]

.12 This section also includes the following illustrative auditor's reports:

- 401(k) plan prepared in accordance with GAAP (paragraph .13)
- 401(k) plan prepared in accordance with a special purpose framework (modified cash basis) (paragraph .14)
- Standard limited-scope audit report under DOL Regulations (paragraph .15)
- Form 11-K audit filing with the SEC (paragraph .16)

Although the illustrations are for single employer plans, the reporting elements are the same for all plans; therefore, these illustrations may be adapted for multiemployer or multiple employer plans, as appropriate.

For additional illustrative auditor's reports, see chapter 11, "The Auditor's Report," of the guide which includes the following:

- Unmodified Opinions on the Financial Statements With Modifications to the Report on Supplementary Information
- Modified Opinions on the Financial Statements
- Additional limited-scope audit reports under DOL Regulations for the following:
    - — Limited-scope audit in prior year; full-scope audit in current year
    - — Limited-scope audit in current year; full-scope audit in prior year
    - — Limited-scope audit in current year; prior year limited-scope audit performed by other auditors
    - — Change in Trustee
- Standard Limited-Scope Audit Report With Modifications to the Report on Supplemental Schedules

[1] Additional resources that contain actual plan financial statements include the Employee Retirement Income Security Act Filing Acceptance System II, or EFAST2, located at www.dol.gov.

Practice Tip—11-K Filers

Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 1, *Reference in Auditors' Reports to the Standards of the Public Company Accounting Oversight Board* (AICPA, *PCAOB Standards and Related Rules*, Auditing Standards), requires that auditor's reports on engagements conducted in accordance with the PCAOB standards include a reference that the engagement was performed in accordance with the standards of the PCAOB. This would replace the previously required references to generally accepted auditing standards (GAAS). Plans that are required to file Form 11-Ks are deemed to be *issuers* under the Sarbanes-Oxley Act of 2002 and must submit to the SEC an audit in accordance with the auditing and related professional practice standards promulgated by the PCAOB. These plans may also be subject to ERISA and must submit to the U.S. DOL an audit in accordance with GAAS promulgated by the AICPA's Auditing Standards Board. It is our understanding that the SEC will not accept an audit report that references GAAS, and the DOL will not accept an audit report that does not reference GAAS. *Audits of plans that file Form 11-K must be conducted in accordance with two sets of standards and prepare two separate audit reports; an audit report referencing PCAOB standards for Form 11-K filings with the SEC and a separate audit report referencing GAAS for DOL filings.* The PCAOB and SEC staff believe that an opinion issued in accordance with PCAOB Auditing Standard No. 1 does not allow a reference to GAAS, hence a *dual* standard report is not appropriate and will not be accepted by the SEC.

Any questions regarding performance and reporting requirements of audits of financial statements of Form 11-K filers should be directed to the SEC Division of Corporation Finance, Office of the Chief Accountant at 202.942.2960.

.13

The following is an illustration of a 401(k) plan with an unmodified opinion.

Circumstances include the following:

- *The report contains an unmodified opinion on the financial statements of a 401(k) plan prepared in accordance with U. S. GAAP (full-scope audit).*
- *The auditor has been engaged to report on the ERISA supplemental schedules, in accordance with AU-C section 725,* Supplementary Information in Relation to the Financial Statements as a Whole *(AICPA,* Professional Standards*), and the auditor concludes that the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.*
- *The auditor reports on the supplemental schedules in an other-matter paragraph included in the auditor's report, in accordance with paragraph .09 of AU-C section 725 and AU-C section 706,* Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report *(AICPA,* Professional Standards*).*

Independent Auditor's Report

[*Appropriate Addressee*]

Report on the Financial Statements[2]

We have audited the accompanying financial statements of ABC 401(k) Plan, which comprise the statements of net assets available for benefits as of December 31, 20X2 and 20X1, and the related statement of changes in net assets available for benefits for the year ended December 31, 20X2, and the related notes to the financial statements.

[2] The subtitle "Report on the Financial Statements" is unnecessary when the second subtitle, "Report on Other Legal and Regulatory Requirements," is not applicable. In this illustration, the heading "Report on the Financial Statements" has been included even though there is no report on other legal and regulatory requirements included in this report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.[3] Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 20X2 and 20X1, and the changes in net assets available for benefits for the year ended December 31, 20X2, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information[4]

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.

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[3] In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In addition, the next sentence, "Accordingly, we express no such opinion." would not be included.

[4] The auditor is reporting on the supplemental schedules in an other-matter paragraph, as required by AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole* (AICPA, *Professional Standards*). In accordance with paragraph .08 of AU-C section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report* (AICPA, *Professional Standards*), the heading "Other Matter" or other appropriate heading should be used when including an other-matter paragraph in the auditor's report. In this illustration the heading "Report on Supplementary Information" is used rather than "Other Matter."

[*Auditor's signature*]

[*Auditor's city and state*]

[*Date of the auditor's report*]

.14

The following is an illustration of an auditor's report on a 401(k) plan prepared on the modified cash basis of accounting.

Circumstances include the following:

- *The report contains an unmodified opinion on the financial statements of a 401(k) plan prepared on the modified cash basis of accounting (full-scope audit).*
- *The auditor has been engaged to report on the ERISA supplemental schedules, in accordance with AU-C section 725, and the auditor concludes that the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.*
- *The auditor reports on the supplemental schedules in an other-matter paragraph included in the auditor's report, in accordance with paragraph .09 of AU-C section 725 and AU-C section 706.*

Independent Auditor's Report

[*Addressee*]

Report on the Financial Statements[5]

We have audited the accompanying financial statements of XYZ 401(k) Plan, which comprise the statements of net assets available for benefits (modified cash basis) as of December 31, 20X2 and 20X1, and the related statement of changes in net assets available for benefits (modified cash basis) for the year ended December 31, 20X2, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note X; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.[6] Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of

[5] See footnote 2.

[6] See footnote 3.

accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan (modified cash basis) as of December 31, 20X2 and 20X1, and the changes in net assets available for benefits (modified cash basis) for the year ended December 31, 20X2, in accordance with the modified cash basis of accounting described in Note X.

Basis of Accounting

We draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Supplementary Information[7]

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules (modified cash basis) of [*identify titles 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.

[*Auditor's signature*]

[*Auditor's city and state*]

[*Date of the auditor's report*]

.15

The following is an illustration of a standard limited-scope audit report.

Circumstances include the following:

- *A standard limited-scope auditor's report for a 401(k) plan financial statements prepared in accordance with U.S. GAAP.*
- *The plan presents comparative statements of net assets available for benefits and a single-year statement of changes in net assets available for benefits.*
- *The plan administrator limits the scope of the audit, as permitted by 29 CFR 2520.103-8 of the DOL's rules and regulations for reporting and disclosure under the ERISA.*
- *The auditor follows AU-C section 720,* Other Information in Documents Containing Audited Financial Statements *(AICPA,* Professional Standards*), relating to the supplemental schedules and chooses to disclaim an opinion on the supplemental schedules.*

[7] See footnote 4.

Independent Auditor's Report

[*Appropriate Addressee*]

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of XYZ 401(k) Plan, which comprise the statements of net assets available for benefits as of December 31, 20X2 and 20X1, and the related statement of changes in net assets available for benefits for the year ended December 31, 20X2, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

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)[8] of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee (or custodian)[9] holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee (or custodian)[10] 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)[11] is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental schedules [*identify schedules*] as of or for the year ended December 31, 20X2 are required by the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and are presented for the purpose of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on these supplemental schedules.

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[8] The words in this sentence may be modified when the assets are certified by an insurance entity.

[9] See footnote 8.

[10] See footnote 8.

[11] See footnote 8.

Report on Form and Content in Compliance With DOL Rules and Regulations

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),[12] 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.

[*Auditor's signature*]

[*Auditor's city and state*]

[*Date of the auditor's report*]

.16

The following is an illustrative audit report for an employee benefit plan that is filing Form 11-K with the SEC.

Circumstances include the following:

- *The report contains an unmodified opinion for a plan that files Form 11-K with the SEC.*
- *The plan presents comparative statements of net assets available for benefits and a single-year statement of changes in net assets available for benefits.*
- *The report is prepared in accordance with AU section 508,* Reports on Audited Financial Statements *(AICPA,* PCAOB Standards and Related Rules, *Interim Standards), as amended by subsequent PCAOB auditing standards.*
- *The report includes an opinion that the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole, in conformity with AU section 551,* Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents *(AICPA,* PCAOB Standards and Related Rules, *Interim Standards).*

Report of Independent Registered Public Accounting Firm

[*Addressee*]

We have audited the accompanying statements of net assets available for benefits of the ABC 401(k) plan (the Plan) as of December 31, 20X2 and 20X1, and the related statement of changes in net assets available for benefits 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.[13] 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,

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[12] See footnote 8.

[13] The following optional language may be added to the auditor's report to replace the rest of this paragraph to clarify that the audit performed did 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) is applicable. This wording has been adapted from an AICPA Center for Public Company Audit Firms Alert issued on March 22, 2005.

> *The plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included 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 plan's control over financial reporting. Accordingly, we express no such opinion.* An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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 net assets available for benefits of the Plan as of December 31, 20X2 and 20X1, and the changes in net assets available for benefits for the year ended December 31, 20X2, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken 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 basic 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. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

[*Signature of Firm*]

[*City and State*]

[*Date*]

.17

Illustrative Financial Statements and Disclosures of a Defined Contribution Retirement Plan With Participant-Directed and Nonparticipant-Directed Investment Programs

XYZ Company 401(k) Plan
Statements of Net Assets Available for Benefits

	December 31,	
	20X1	*20X0*
Assets		
Investments at fair value (notes C, D, E, and F)	$8,892,000	$7,655,000
Receivables:		
Employer contribution	14,000	10,000
Participant contributions	52,000	50,000
Notes receivable from participants	300,000	350,000
Total receivables	366,000	410,000
Total assets	9,258,000	8,065,000
Liabilities:		
Accrued expenses	10,000	20,000
Excess contributions payable	15,000	—
Total liabilities	25,000	20,000
Net assets reflecting investments at fair value	9,233,000	8,045,000
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(15,000)	(10,000)
Net assets available for benefits	$9,218,000	$8,035,000

See accompanying notes to the financial statements.

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XYZ Company 401(k) Plan
Statement of Changes in Net Assets Available for Benefits

	Year Ended December 31, 20X1
Additions:	
Investment income:	
Net appreciation in fair value of investments (note C)	$ 279,000
Interest	369,000
Dividends	165,000
	813,000
Interest income on notes receivable from participants	20,000
Contributions:	
Employer (see note A)	599,000
Participants	800,000
Rollovers (see note G)	200,000
	1,599,000
Total additions	2,432,000
Deductions:	
Benefits paid to participants	526,000
Administrative expenses	10,000
Total deductions	536,000
Net increase	1,896,000
Transfer to GHI plan (see note A)	713,000
Net assets available for benefits:	
Beginning of year	8,035,000
End of year	$9,218,000

See accompanying notes to the financial statements.

Practice Tip

FASB ASC 230-10-15-4 states that a statement of cash flows is not required to be provided by a defined benefit pension plan that presents financial information in accordance with FASB ASC 960, *Plan Accounting—Defined Benefit Pension Plans.* That paragraph also states that other employee benefit plans that present financial information similar to that required by FASB ASC 960 (including the presentation of plan investments at fair value) are not required to provide a statement of cash flows. That paragraph also states that employee benefit plans are encouraged to include a statement of cash flows with their annual financial statements 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).
[FASB ASC 962-205-45-9]

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XYZ Company 401(k) Plan
Notes to Financial Statements

A. Description of Plan

The following description of the XYZ Company (Company) 401(k) Plan (Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the plan's provisions:

1. *General.* The plan is a defined contribution plan covering all full-time employees of the Company and its wholly owned subsidiaries who have one year of service and are age 21 or older. The Plan is subject to the provisions of ERISA. In November 20X1, the Company sold its wholly owned subsidiary, Sub Company. As a result of its sale, on December 1, 20X1, the accounts of all Sub Company employees were transferred out of the Plan to GHI Plan (an existing plan controlled by the acquiring company). The Board of Trustees is responsible for oversight of the Plan. The Investment Committee determines the appropriateness of the Plan's investment offerings, monitors investment performance and reports to the Plan's Board of Trustees.

2. *Contributions*. Each year, participants may contribute up to XX percent of pretax annual compensation, as defined in the Plan. Participants who have attained age 50 before the end of the plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans (rollover). Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan includes an auto-enrollment provision whereby all newly eligible employees are automatically enrolled in the Plan unless they affirmatively elect not to participate in the Plan. Automatically enrolled participants have their deferral rate set at 2 percent of eligible compensation and their contributions invested in a designated balanced fund until changed by the participant. The Company contributes 25 percent of the first 6 percent of base compensation that a participant contributes to the Plan. The matching Company contribution is invested directly in XYZ Company common stock. Additional profit sharing amounts may be contributed at the option of the Company's board of directors and are invested in a portfolio of investments as directed by the Company. During the year ended December 31, 20X1, the Company made a $450,000 profit sharing contribution to the Plan. Contributions are subject to certain IRS limitations.

3. *Participant Accounts*. Each participant's account is credited with the participant's contribution and Company matching contributions, as well as allocations of the Company's profit sharing contribution and Plan earnings. Participant accounts are charged with an allocation of administrative expenses that are paid by the Plan. Allocations are based on participant earnings, account balances, or specific participant transactions, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

4. *Vesting.* Participants are vested immediately in their contributions plus actual earnings thereon. Vesting in the Company's contribution portion of their accounts is based on years of continuous service. A participant is 100 percent vested after 3 years of credited service.

5. *Notes Receivable from Participants.* Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50 percent of their account balance. The loans are secured by the balance in the participant's account. The loan interest rate, determined quarterly, is set at 2 percent above the prime rate, as defined. Principal and interest is paid ratably through monthly payroll deductions.

6. *Payment of Benefits.* On termination of service due to death, disability, or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or annual installments over a 10 year period. For termination of

service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

7. *Forfeited Accounts.* At December 31, 20X1 and 20X0, forfeited nonvested accounts totaled $7,500 and $5,000, respectively. These accounts will be used to reduce future employer contributions. Also, in 20X1, employer contributions were reduced by $5,000 from forfeited nonvested accounts.

B. Summary of Accounting Policies

Basis of Accounting

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

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared using the contract value basis for fully benefit-responsive investment contracts.

Use of Estimates

The preparation of financial statements in accordance 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 and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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. The Plan's Investment Committee determines the Plan's valuation policies utilizing information provided by the investment advisers, custodians, and insurance company. See note E 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.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 20X1, or 20X0. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

Excess Contributions Payable

Amounts payable to participants for contributions in excess of amounts allowed by the IRS are recorded as a liability with a corresponding reduction to contributions. The Plan distributed the 20X1 excess contributions to the applicable participants prior to March 15, 20X2.

Payment of Benefits

Benefits are recorded when paid.

Expenses

Certain expenses of maintaining the Plan are paid directly by the Company and are excluded from these financial statements. Fees related to the administration of notes receivable from participants are charged directly to the participant's account and are included in administrative expenses. Investment related expenses are included in net appreciation of fair value of investments.

Subsequent Events

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

C. Investments

The following presents investments that represent 5 percent or more of the Plan's net assets.

	December 31,	
	20X1	*20X0*
Prosperity Investments Common Stock Fund	$ 2,262,500*	$ 2,000,000*
XYZ Company common stock	470,000*	420,000*
ABC Corporation common stock	490,000*	450,000*
Prosperity Investments S&P 500 Collective Trust Fund	1,422,000	2,100,000
Guaranteed investment contract with National Insurance Company, at contract value #2012A, matures 12/31/X5 (fair value $1,515,000 and $660,000, respectively) (note F)	1,500,000	650,000

* Nonparticipant-directed

During 20X1, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value by $279,000 as follows:

Mutual funds	$ 187,000
Common stocks	30,000
Collective trust fund	42,000
Corporate bonds	30,000
U.S. government securities	(10,000)
	$ 279,000

D. Nonparticipant-Directed Investments

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	December 31,	
	20X1	*20X0*
Net Assets:		
Mutual funds	$ 2,262,500	$ 2,000,000
Common stocks	960,000	870,000
Corporate bonds	307,500	255,000
U.S. government securities	225,000	120,000
	$3,755,000	$3,245,000

	Year Ended December 31, 20X1
Changes in Net Assets:	
Contributions	$ 599,000
Dividends	165,000
Net appreciation	60,000
Benefits paid to participants	(280,000)
Transfers to participant-directed investments	(34,000)
	$ 510,000

E. Fair Value Measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). 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 maximize the use of relevant 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.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Collective trust fund: Valued at the NAV of units of a bank collective trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Participant transactions (purchased and sales) may occur daily. Were the Plan to initiate a full redemption of the collective trust, the investment adviser reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner.

U.S. government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

Guaranteed investment contract: Guaranteed investment contracts are valued at fair value by the insurance company by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer (see note F). Because the participants transact at contract value, fair value is determined annually for financial statement reporting purposes only. In determining the reasonableness of the methodology, the Investment Committee evaluates a variety of factors including review of existing contracts, economic conditions, industry and market developments, and overall credit ratings. Certain unobservable inputs are assessed through review of contract terms (for example, duration or payout date) whereas others are substantiated utilizing available market data (for example, swap curve rate).

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:

	Assets at Fair Value as of December 31, 20X1			
	Level 1	*Level 2*	*Level 3*	*Total*
Mutual funds:				
Index funds	$2,262,500	—	—	$2,262,500
Balanced funds	1,375,000	—	—	1,375,000
Fixed income funds	800,000	—	—	800,000
Other funds	25,000	—	—	25,000
Total mutual funds	4,462,500	—	—	4,462,500
Common stocks:				
Industrials	490,000	—	—	490,000
Telecommunication	470,000	—	—	470,000
Total common stocks	960,000	—	—	960,000
Collective trust fund—S&P 500	—	1,422,000	—	1,422,000
Corporate bonds (Aaa credit rating)	—	307,500	—	307,500
U.S. government securities	—	225,000	—	225,000
Guaranteed investment contract	—	—	$1,515,000	1,515,000
Total assets at fair value	$5,422,500	$1,954,500	$1,515,000	$8,892,000

	Assets at Fair Value as of December 31, 20X0			
	Level 1	*Level 2*	*Level 3*	*Total*
Mutual funds:				
Index funds	$2,000,000	—	—	$2,000,000
Balanced funds	1,150,000	—	—	1,150,000
Fixed Income	400,000	—	—	400,000
Other funds	100,000	—	—	100,000
Total mutual funds	3,650,000	—	—	3,650,000
Common stocks:				
Industrials	450,000	—	—	450,000
Telecommunication	420,000	—	—	420,000
Total common stocks	870,000	—	—	870,000
Collective trust fund—S&P 500	—	2,100,000	—	2,100,000
Corporate bonds	—	255,000	—	255,000
U.S. government securities	—	120,000	—	120,000
Guaranteed investment contract	—	—	$660,000	660,000
Total assets at fair value	$4,520,000	$2,475,000	$660,000	$7,655,000

The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 20X1.

	Level 3 Year Ended December 31, 20X1 *Guaranteed Investment Contract*
Balance, beginning of year	$660,000
Realized gains/(losses)	5,000
Unrealized gains/(losses) relating to instruments still held at the reporting date	40,000
Purchases	835,000
Sales	(25,000)
Transfers in and/or out of level 3	—
Balance, end of year	$1,515,000
The amount of total gains or losses for the period attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$40,000

Unrealized gains/(losses) from the guaranteed investment contract are not included in the statement of changes in net assets available for benefits as the contract is recorded at contract value for purposes of the net assets available for benefits.

Quantitative Information About Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents the Plan's level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	*Fair Value*	*Principal Valuation Technique*	*Unobservable Inputs*	*Range of Significant Input Values*	*Weighted Average*
Guaranteed investment contract	$1,515,000	Discounted Cash Flow	Swap Yield Rates Duration Payout Date Payout Percentage	1.749–2.707 2.3–2.7 6/28/13–12/31/13 33%–100%	Y%

Fair Value of Investments in Entities That Use NAV

The following tables summarize investments measured at fair value based on NAV per share as of December 31, 20X1 and 20X0, respectively.

December 31, 20X1	*Fair Value*	*Unfunded Commitments*	*Redemption Frequency (If Currently Eligible)*	*Redemption Notice Period*
Collective trust fund—S&P 500[14]	$1,422,000	N/A	Daily	30 days

December 31, 20X0	*Fair Value*	*Unfunded Commitments*	*Redemption Frequency (If Currently Eligible)*	*Redemption Notice Period*
Collective trust fund—S&P 500[15]	$2,100,000	N/A	Daily	30 days

F. Guaranteed Investment Contract With National Insurance Company

In 20X0, the Plan entered into a benefit-responsive guaranteed investment contract with National Insurance Company (National). National maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

Because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. The guaranteed investment contract is presented on the face of the statement of net assets available for benefits at fair value with an adjustment to contract value in arriving at net assets available for benefits. Contract value, as reported to the Plan by National, represents contributions made under the con-

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[14] Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820-10-50-6A requires disclosure of a description of the significant investment strategies. This illustration assumes that the title of the investment, that is S&P 500, clearly shows the investment strategy for this investment. If the investment strategy is not clearly recognizable through the title of the investment then further disclosure would be required.

[15] See footnote 14.

tract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The fair value of the investment contract at December 31, 20X1 and 20X0 was $1,515,000 and $660,000, respectively. The crediting interest rate is based on a formula agreed upon with the issuer, but it may not be less than 4 percent. Such interest rates are reviewed on a quarterly basis for resetting.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include (1) amendments to the Plan documents (including complete or partial Plan termination or merger with another Plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Plan sponsor or other Plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, or (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Plan administrator believes that any events that would limit the Plan's ability to transact at contract value with participants are probable of not occurring.

The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

The average yields earned by the guaranteed investment contract are as follows:

Average yields:	*20X1*	*20X0*
Based on actual earnings	4.68%	4.90%
Based on interest rate credited to participants	3.97%	4.16%

G. Rollover Contributions

On January 20, 20X1, XYZ Company acquired ABC Company and approved an amendment to terminate the ABC 401(k) Plan effective November 1, 20X1. All participants in the ABC 401(k) Plan became 100 percent vested in that Plan upon termination and were provided the option to have their account balance rolled into any qualified plan (including the Plan) or IRA, receive a lump sum distribution, or be paid through an annuity contract. An aggregate of $XXX,000 was rolled into the Plan during the year ended December 31, 20X1, and is included in rollovers on the statement of changes in net assets available for benefits.

H. Related-Party Transactions and Party In Interest Transactions

Certain Plan investments are shares of mutual funds managed by Prosperity Investments. Prosperity Investments is the trustee as defined by the Plan and, therefore, these transactions qualify as party in interest transactions. Fees incurred by the Plan for the investment management services are included in net appreciation in fair value of investments because they are paid through revenue sharing rather than a direct payment. As described in note B, the Plan made a direct payment to the third party administrator of $10,000, which was not covered by revenue sharing. The Plan Sponsor pays directly any other fees related to the Plan's operations.

I. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100 percent vested in their employer contributions.

J. Tax Status

The IRS has determined and informed the Company by a letter dated August 30, 20XX, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is qualified, and the related trust is tax-exempt.

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 if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the [*identify applicable 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.

K. 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 participants' account balances and the amounts reported in the statement of net assets available for benefits.

L. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 20X1 and 20X0 to Form 5500:

	20X1	*20X0*
Net assets available for benefits per the financial statements	$9,218,000	$8,035,000
Amounts allocated to withdrawing participants	(50,000)	(35,000)
Net assets available for benefits per the Form 5500	$9,168,000	$8,000,000

The following is a reconciliation of benefits paid to participants per the financial statements for the year ended December 31, 20X1, to Form 5500:

Benefits paid to participants per the financial statements	$526,000
Add: Amounts allocated to withdrawing participants at December 31, 20X1	50,000
Less: Amounts allocated to withdrawing participants at December 31, 20X0	(35,000)
Benefits paid to participants per Form 5500	$541,000

Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to year-end, but not yet paid as of that date.

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Illustrations of Financial Statements: Employee Stock Ownership Plan

Employee Stock Ownership Plan
Sponsor Company Stock Ownership Plan
Statements of Net Assets (Deficit) Available for Benefits[16]

	December 31,					
	20X2			*20X1*		
	Allocated	*Unallocated*	*Total*	*Allocated*	*Unallocated*	*Total*
Assets:						
Investment in Sponsor Company common stock, at fair value	$34,890,000	$57,430,000	$92,320,000	$25,842,000	$45,741,000	$71,583,000
Receivables:						
Employer contributions	—	8,607,000	8,607,000	—	7,062,000	7,062,000
Dividends and interest	570,000	459,000	1,029,000	280,000	3,000	283,000
Cash	156,000	863,000	1,019,000	101,000	448,000	549,000
Total assets	$35,616,000	$67,359,000	$102,975,000	$26,223,000	$53,254,000	$79,477,000
Liabilities:						
Interest payable	—	1,396,000	1,396,000	—	1,033,000	1,033,000
Loan payable	—	73,970,000	73,970,000	—	80,000,000	80,000,000
Total liabilities	—	75,366,000	75,366,000	—	81,033,000	81,033,000
Net assets (deficit) available for Plan benefits	$35,616,000	$(8,007,000)	$27,609,000	$26,223,000	$(27,779,000)	$(1,556,000)

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

[16] The columns reflected in the example are appropriate for the presentation of a leveraged employee stock ownership plan (ESOP). For a nonleveraged ESOP, the presentation would reflect only the total column without the segregation between allocated and unallocated.

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Sponsor Company Stock Ownership Plan
Statement of Changes in Net Assets (Deficit) Available for Benefits

	December 31, 20X2		
	Allocated	*Unallocated*	*Total*
Investment income:			
Net appreciation in the fair value of investments	$9,172,000	$15,092,000	$24,264,000
Interest	64,000	18,000	82,000
Dividends	1,347,000	2,217,000	3,564,000
Employer contributions	—	11,524,000	11,524,000
Allocation of 142,000 shares of common stock of Sponsor Company, at fair value	4,636,000	—	4,636,000
	15,219,000	28,851,000	44,070,000
Interest expense	—	4,443,000	4,443,000
Distributions to participants	5,826,000	—	5,826,000
Allocation of 142,000 shares of common stock of Sponsor Company, at fair value	—	4,636,000	4,636,000
Total deductions	5,826,000	9,079,000	14,905,000
Net increase	9,393,000	19,772,000	29,165,000
Net assets (deficit) available for benefits:			
Beginning of year	26,223,000	(27,779,000)	(1,556,000)
End of year	$35,616,000	$(8,007,000)	$27,609,000

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

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Sponsor Company Stock Ownership Plan
Notes to Financial Statements
December 31, 20X2

A. Plan Description and Basis of Presentation

The following brief description of the Sponsor Company Stock Ownership Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for complete information.

The Sponsor Company (Company) established the Sponsor Company Stock Ownership Plan (Plan) effective as of January 1, 20XX. As of January 1, 20XY, the Plan was amended and operates, in relevant part, as a leveraged ESOP, and is designed to comply with Section 4975(e)(7) and the regulations thereunder of the IRC of 1986, as amended, and is subject to the applicable provisions of ERISA. The Plan is administered by an Employee Benefits Administration Committee comprising up to three persons appointed by the Sponsor Company's board of directors. The trust department of an independent third-party bank is the Plan's trustee.

The Plan purchased Company common stock using the proceeds of a bank borrowing (see note G) and holds the common stock in a trust established under the Plan. As the Plan makes debt payments, an appropriate percentage of stock will be allocated to eligible employees' accounts in accordance with applicable regulations under the IRC.

The borrowing is collateralized by the unallocated shares of common stock and is guaranteed by the Company. The lender has no rights against shares of common stock once they are allocated to participants in accordance with the terms of the ESOP. Accordingly, the financial statements of the Plan as of December 31, 20X2 and 20X1, and for the years ended December 31, 20X2, present separately the assets and liabilities and changes therein pertaining to

a. the accounts of employees with vested rights in allocated common stock (allocated), and

b. common stock not yet allocated to employees (unallocated).

Eligibility

Employees of the Company and its participating subsidiaries are generally eligible to participate in the Plan after 1 year of service providing they worked at least 1,000 hours during such Plan year. Participants who do not have at least 1,000 hours of service during such Plan year or are not employed on the last working day of a Plan year are generally not eligible for an allocation of Company contributions for such year.

Employer Contributions

The Company is obligated to make contributions in cash to the Plan which, when aggregated with the Plan's dividends and interest earnings, equal the amount necessary to enable the Plan to make its regularly scheduled payments of principal and interest due on its term loan.

Payment of Benefits

Distributions on account of death, disability, or retirement are made in a lump sum in the Plan year following the event. Distributions for other separations from service commence in the fifth Plan year following the separation from service and are made in five annual installments. The amount to be distributed is based upon the account valuation date immediately preceding the distribution. Distributions are made in cash or, if a participant elects, in the form of Company common stock plus cash for any fractional share of common stock.

Under the provisions of the Plan, the Company is obligated to repurchase participant shares which have been distributed under the terms of the Plan if the shares are not publicly traded or if the shares are subject to trading limitations. During 20X2, the Company repurchased from participants XXXX shares at prices determined from the independent appraisal.

Administrative Expenses

As provided in the Plan agreement, administrative expenses may be paid either by the Plan or by the Company. The Company has historically paid the operating expenses for the Plan.

Voting Rights

Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the Trustee prior to the time that such rights are to be exercised. The Trustee is not permitted to vote any allocated share for which instructions have not been given by a participant. The Trustee is required, however, to vote any unallocated shares on behalf of the collective best interest of Plan participants and beneficiaries.

Plan Termination

The Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon such termination of the Plan, the interest of each participant in the trust fund will be distributed to such participant or his or her beneficiary at the time prescribed by the Plan terms and the IRC. Upon termination of the Plan, the Employee Benefits Administration Committee should direct the trustee to pay all liabilities and expenses of the trust fund and to sell shares of financed common stock held in the loan suspense account to the extent it determines such sale to be necessary in order to repay the loan.

Participant Accounts

The Plan is a defined contribution Plan under which a separate individual account is established for each participant. Each participant's account is credited as of the last day of each Plan year with an allocation of shares of the Company's common stock released by the trustee from the unallocated account and forfeitures of terminated participants' nonvested accounts. Only those participants who are eligible employees of the Company as of the last day of the Plan year will receive an allocation. Allocations are based on a participant's eligible compensation, relative to total eligible compensation. Plan earnings are allocated to each participant's account based on the ratio of the participant's account balance.

Vesting

If a participant's employment with the Company ends for any reason other than retirement, permanent disability or death, he or she will vest in the balances in his or her account based on total years of service with the Company. Participants vest 33 1/3 percent per year of service and are 100 percent vested after 3 years of service.

Put Option

Under Federal income tax regulations, the employer stock that is held by the Plan and its participants and is not readily tradable on an established market, or is subject to trading limitations includes a put option. The put option is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the current value of the stock. The Company can pay for the purchase with interest over a period of five years. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

Diversification

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company common stock into investments that are more diversified. Participants who are at least age 55 with at least 10 years of participation in the Plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a 6 year period. In each of the first 5 years, a participant may diversify up to 25 percent of the number of post-1986 shares allocated to his or her account, less any shares previously diversified. In the sixth year, the percentage changes to 50 percent. Participants who elect to diversify receive a cash distribution.

Forfeitures

Plan forfeitures are allocated to each participant's account based upon the relation of the participant's compensation to total compensation for the Plan year. Forfeitures of terminated nonvested account balances allocated to remaining participants at December 31, 20X2 and 20X1, totaled $X,XXX and $X,XXX, respectively.

B. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan investments consist primarily of the Company's common stock, which is exposed to various risks such as interest rate, market, and credit risks, as well as valuation assumptions based on earnings, cash flows or other such techniques. Due to the level of risk associated with the investment in the common stock and to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in the value of the common stock 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.

Investment Valuation and Income Recognition

The shares of Company common stock are valued at fair value. See note F for discussion of fair value measurements.

Dividend income is accrued on the ex-dividend date.

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses from security transactions are reported on the average cost method. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Subsequent Events

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

C. Tax Status

The Plan has received a determination letter from the IRS dated June 30, 20XX, stating that the Plan is qualified, under the IRC and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Plan has been amended since receiving the determination letter. However, the Plan administrator believes that the Plan is currently designed and being operated, in compliance with the applicable requirements of the IRC. Therefore, they believe that the Plan was qualified and the related trust was tax-exempt as of the financial statement date.

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 if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the [*identify applicable 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.

D. Administration of Plan Assets

The Plan's assets, which consist principally of Sponsor Company common shares, are held by the Trustee of the Plan.

Company contributions are held and managed by the Trustee, which invests cash received, interest, and dividend income and makes distributions to participants. The Trustee also administers the payment of interest and principal on the loan.

Certain administrative functions are performed by officers or employees of the Company or its subsidiaries. No such officer or employee receives compensation from the Plan. Administrative expenses for the Trustee's fees are paid directly by the Company.

E. Investments

The Plan's investments, at December 31, are presented in the following table:

	20X2		*20X1*	
	Allocated	*Unallocated*	*Allocated*	*Unallocated*
Sponsor Company common stock:				
Number of shares	1,069,000	1,759,000	1,074,000	2,055,000
Cost	$27,014,000	$44,450,000	$27,140,000	$48,038,000
Fair Value	$34,890,000	$57,430,000	$25,842,000	$45,741,000

F. Fair Value Measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). 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; • 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.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 20X2 and 20X1.

	Assets at Fair Value Measurements as of December 31			
	20X2		*20X1*	
	Level 3	*Total*	*Level 3*	*Total*
Investment in Sponsor Company common stock	$92,320,000	$92,320,000	$71,583,000	$71,583,000
Total assets at fair value	**$92,320,000**	**$92,320,000**	**$71,583,000**	**$71,583,000**

Changes in Fair Value of Level 3 Assets and Related Gains and Losses

The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 20X2:

	Level 3 Assets Year Ended December 31, 20X2
	Investment in Sponsor Company Common Stock
Balance, beginning of year	$71,583,000
Realized gains/(losses)	0
Unrealized gains/(losses) relating to assets still held at the reporting date	24,264,000
Shares distributed to participants	(3,527,000)
Balance, end of year	**$92,320,000**
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$24,264,000

Gains and losses (realized and unrealized) included in changes in net assets for the period above are reported in net appreciation in fair value of investments in the Statement of Changes in Net Assets Available for Benefits.

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, 20X2 and 20X1.

The fair value of the Sponsor Company common stock held by the Plan is valued at fair value based upon an independent appraisal. This appraisal was based upon a combination of the market and income valuation techniques consistent with prior years. The appraiser took into account historical and projected cash flow and net income, return on assets, return on equity, market comparables, and fair value of Company assets and liabilities. Plan management has concluded that a market participant would also recognize a discount for lack of marketability.

The valuation process involves plan management's selection of an independent ap-praiser under contract for a term of 3 years with the right to cancel such contract at any time. Plan management accumulates the data for the appraiser from the audited financial statements of the Company. The appraiser prepares a preliminary report which plan management, along with the ESOP trustee, reviews in detail, discusses and approves. The results of this process are documented in minutes of the plan fiduciary.

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.

Quantitative Information About Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table sets forth the basic assumption used in arriving at fair value[17] and the range of value for unobservable inputs.

Description	*Fair Value*	*Valuation Technique(s)*	*Unobservable Input*	*Rate Applied*
Sponsor Company Common Stock	$92,320,000	Discounted Cash Flow	Weighted average cost of capital	11.1%
			Long-term revenue growth rate	4.2%
			Long-term pretax operating margin	10.3%
			Discount for lack of marketability	17%
		Market Comparable Companies	EBITDA multiple	11.3%
			Revenue multiple	2.0%
			Discount for lack of marketability	17%

G. Loan Payable

In 20XX, the Plan entered into an $80,000,000 term loan agreement with a bank. The proceeds of the loan were used to purchase Company's common stock. Unallocated shares are collateral for the loan. Shares are released from collateral and allocated to participants as payments of principal and interest are made. The number of shares released in any year is the number of shares held as collateral, times the ratio of the current year payments divided by the total of this year's payments, plus all future years' principal and interest

[17] FASB ASC 825, *Financial Instruments*, requires all entities, except for those covered by an exemption for which the disclosure is optional, to disclose within the body of the financial statements or in the accompanying notes the fair value of financial instruments for which it is practicable to estimate fair value. According to FASB ASC 825-10-50-3, the disclosures are optional for plans that meet all of the following criteria:

- The plan is a nonpublic entity.
- The plan's total assets are less than $100 million on the date of the financial statements.
- The plan has no instrument that, in whole or in part, is accounted for as a derivative instrument under FASB ASC 815, *Derivatives and Hedging*, during the reporting period.

payments. This resulted in 142,000 shares being released and allocated for the plan year ended December 31, 20X2.

The agreement provides for the loan to be repaid over 10 years. The fair value of the note payable as of December 31, 20X2 and 20X1, was approximately $77,000,000 and $82,000,000, respectively, determined by using interest rates currently available for issuance of debt with similar terms, maturity dates and nonperformance risk. The scheduled amortization of the loan for the next 5 years and thereafter is as follows: 20X3—$6,500,000; 20X4—$7,000,000; 20X5—$7,500,000; 20X6—$8,000,000; 20X7—$8,500,000; and thereafter—$36,470,000. The loan bears interest at the prime rate of the lender. For 20X2 and 20X1, the loan interest rate was 5.75 percent and 5.25 percent, respectively.

H. Related Party and Party-In-Interest Transactions

The Plan invests in Company common stock and has indebtedness guaranteed by the Company. These are related party and party-in-interest transactions. As described in notes A and D, the Plan has a number of service providers. Such parties are parties-in-interest under ERISA.

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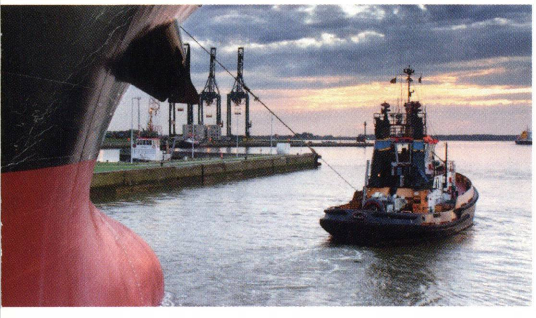

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