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CHECKLISTS

& ILLUSTRATIVE FINANCIAL STATEMENTS

APRIL 30, 2017

Not-for-Profit Entities

Not-for-Profit Entities

APRIL 30, 2017

Not-for-Profit Entities



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CHECKLISTS

& ILLUSTRATIVE FINANCIAL STATEMENTS

APRIL 30, 2017

Not-for-Profit Entities

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Notice to Readers

Dear Valued Customer,

The following 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 and by practitioners who audit, review, or compile financial statements. The checklists address those requirements most likely to be encountered when reporting on financial statements of a not-for-profit entity prepared in conformity with U.S. generally accepted accounting principles.

Relevant financial statement reporting and disclosure guidance issued through April 30, 2017, has been considered in the development of this edition of the checklists. The accounting guidance in these checklists has been conformed to reflect reference to FASB *Accounting Standards Codification*[®] as it existed on April 30, 2017.

Any guidance issued subsequent to April 30, 2017, has not been included in these checklists; therefore, you need to consider the applicability of guidance issued after that date. In determining the applicability of newly issued guidance, its effective date also should be considered.

We hope you find these checklists helpful as you perform your audit and compilation and review engagements. We would greatly appreciate your feedback on these checklists. You may email your comments to A&APublications@aicpa.org or write to

A&A Publications
AICPA
220 Leigh Farm Road
Durham, NC 27707-8110

Applicability

.01 These checklists and illustrative financial statements are designed to be applied to nongovernmental not-for-profit entities (NFPs) except for providers of health care services that follow the AICPA Audit and Accounting Guide *Health Care Entities*. The term *not-for-profit entity* is defined in the glossary of FASB *Accounting Standards Codification* (ASC) as

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

.02 The FASB ASC glossary defines a nongovernmental entity as an entity that is not required to issue financial reports in accordance with guidance promulgated by the Governmental Accounting Standards Board (GASB) or the Federal Accounting Standards Advisory Board. The description of a governmental organization is also found in paragraph 1.04 of the AICPA Audit and Accounting Guide *Not-for-Profit Entities* (guide). When an NFP meets the definition for a governmental entity in paragraph 1.04 of the guide, the appropriate GAAP for the financial statements of the NFP is promulgated by GASB. Therefore, other than the definition in the next paragraph, which quotes paragraph 1.04, the accounting and financial reporting guidance in these checklists does not constitute category (b) accounting and financial reporting guidance for NFPs that meet the definition for a governmental entity because the AICPA did not make these checklists applicable to such governmental NFPs, and GASB did not clear it.

.03 Paragraph 1.04 of the guide states that:

As noted in AICPA Audit and Accounting Guide *State and Local Governments*, public corporations and bodies corporate and politic are governmental organizations. Other organizations are governmental organizations if they have one or more of the following characteristics:

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

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

.04 Governmental not-for-profit organizations are under the jurisdiction of GASB. GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*, and GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, are the two major statements that describe the accounting and financial reporting models for governmental not-for-profit organizations.

.05 These checklists and disclosures are for annual financial statements of *nonpublic entities*, as that term is defined in accounting standards. If the NFP is a public entity—for example, because it makes a filing with a regulatory agency in preparation for the sale of debt securities in a public market or because it is a conduit bond obligor for conduit debt securities that are traded in a public market—additional reporting requirements apply. The questions in these checklists about the additional reporting requirements for public entities identify where those additional requirements can be found without including the detailed disclosure requirements.

.06 Most NFPs do not issue interim financial reports for external users. If they do, FASB ASC 270, *Interim Reporting*, and AU-C section 930, *Interim Financial Information* (AICPA, *Professional Standards*), should be considered in addition to this checklist. Statements on Standards for Accounting and Review Services are applicable to reviews of interim financial information if conditions *a–c* in paragraph .02 of AR-C section 90, *Review of Financial Statements* (AICPA, *Professional Standards*), are not met. Accountants engaged to perform reviews of interim financial information when the conditions in *a–c* in paragraph .02 of AR-C section 90 are met should perform such reviews in accordance with AU-C section 930.

.07 These checklists and illustrative financial statements are for financial statements prepared in accordance with generally accepted accounting principles (GAAP). If financial statements are presented in accordance with special purpose framework (SPF), the provisions of AU-C section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks* (AICPA, *Professional Standards*), should be considered. The interpretation applies to cash, modified cash, regulatory, income tax, and other basis presentations. It addresses the summary of significant accounting policies; disclosures for financial statement items that are the same as, or similar to, those in GAAP statements; issues relating to financial statement presentation; and disclosure of matters not specifically identified on the face of the statements. The interpretation contains examples of how SPF disclosures, including presentation, may differ from those in GAAP financial statements.

.08 These checklists are for audits conducted in accordance with generally accepted auditing standards (GAAS) and assurance standards for nonissuers. NFPs, including those that meet the accounting definition of a public entity, are not issuers subject to oversight by the PCAOB; thus, auditing standards issued by the PCAOB do not apply to audits of NFPs.

.09 However, although uncommon, an auditor may be engaged to follow PCAOB auditing standards in the audit of an NFP. When the audit is not under the jurisdiction of the PCAOB but the entity desires, or is required by an agency, by a regulator, or by contractual agreement, to obtain an audit conducted under PCAOB standards, the AICPA Code of Professional Conduct requires the auditor to also conduct the audit in accordance with GAAS. Statement on Auditing Standards No. 131, *Amendment to Statement on Auditing Standards No. 122 Section 700*, Forming an Opinion and Reporting on Financial Statements (AICPA, *Professional Standards*, AU-C sec. 700), clarifies the format of the auditor's report that should be issued when the auditor conducts an audit in accordance the standards of the PCAOB, but the audit is not under the jurisdiction of the PCAOB. These checklists do not provide information about audits conducted in accordance with PCAOB standards.

.10 If the auditor is engaged to audit both an NFP's financial statements and management's assessment of the effectiveness of internal control over financial reporting in accordance with PCAOB auditing standards, refer to paragraphs 85–98 of PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements* (AICPA, *PCAOB Standards and Related Rules*), for the audit reports that should be used.

Introduction to the Not-for-Profit Entity Reporting Model

.11 FASB ASC 958-205-45 requires that all NFPs provide a statement of financial position, a statement of activities, and a statement of cash flows. These financial statements present the NFP's total assets, liabilities, and net assets; the balances of and changes in each of three classes of net assets—permanently restricted, temporarily restricted, and unrestricted; and the change in cash and cash equivalents.

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

.13 An additional reporting requirement is placed on voluntary health and welfare entities, which are required to include a separate statement of functional expenses (presenting information about their expenses by both functional and natural classifications) as part of their general-purpose external financial statements. *Voluntary health and welfare entities* are defined in the FASB ASC glossary as follows:

A not-for-profit entity (NFP) that is formed for the purpose of performing voluntary services for various segments of society and that is tax exempt (organized for the benefit of the public), supported by the public, and operated on a not-for-profit basis. Most voluntary health and welfare entities concentrate their efforts and expend their resources in an attempt to solve health and welfare problems of our society and, in many cases, those of specific individuals. As a group, voluntary health and welfare entities include those NFPs that derive their revenue primarily from voluntary contributions from the general public to be used for general or specific purposes connected with health, welfare, or community services. For purposes of this definition, the general public excludes governmental entities when determining whether an NFP is a voluntary health and welfare entity.

.14 A wide variety of users are interested in the financial statements of NFPs. Among the principal users are (a) contributors and potential contributors to the NFP, (b) beneficiaries of the NFP, (c) the NFP's trustees or directors, (d) employees of the NFP, (e) governmental units, (f) the NFP's creditors and potential creditors, and (g) constituent entities.

.15 A principal purpose of an NFP's financial statements is to communicate the ways resources have been used to carry out the NFP's mission. Although adequate measures of program accomplishment generally are not available in the context of present financial statements, the financial statements should identify the NFP's major programs and their costs. The financial statements of an NFP should also help the user evaluate the NFP's ability to continue to carry out its mission in the future.

.16 Another important aspect of financial reporting for NFPs is disclosure of the limitations placed by donors on use of resources. Many NFPs receive resources restricted by donors for particular purposes. The nature and extent of those restrictions determine the classification of resources as permanently restricted, temporarily restricted, or unrestricted. To facilitate observance of limitations, NFPs often maintain their accounts using fund accounting, by which resources are classified for internal purposes into funds associated with specific activities or objectives. Each fund is a separate accounting entity with a self-balancing set of accounts for recording assets, liabilities, fund balance, and changes in the fund balance. Although separate accounts may be maintained for each fund for internal purposes, financial statements prepared in accordance with GAAP focus on the entity as a whole rather than on fund balances and changes in fund balances. Fund balances should be classified on a statement of financial position as unrestricted, temporarily restricted, or permanently restricted net assets based on the existence and type of donor-imposed restrictions. As discussed in chapter 16, “Fund Accounting,” of the guide, because of differences in the types of limitations a fund accounting system tracks, for external financial reporting purposes, a fund balance may have to be divided among more than one net asset class.

FASB’s New Standard on the Presentation of Financial Statements for NFPs

.17 On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 (for example, years ending December 31, 2018 and years ending June 30, 2019). Early application of the amendments in the ASU are permitted. The new standard, which is the first phase of a two-phase project, makes significant changes in seven areas:

- Net asset classes
- Liquidity and availability of resources
- Classification and disclosure of underwater endowment funds
- Expense reporting
- Statement of cash flows
- Investment return
- Release of restrictions on capital assets over time

These checklists include questions about financial statement reporting and disclosures resulting from ASU No. 2016-14. Visit the AICPA’s Not-for-Profit Member Section for more information regarding this standard.

Acknowledgments

.18 The AICPA gratefully acknowledges the invaluable assistance Susan E. Budak, CPA, and Karen Craig, CPA, provided in updating and maintaining the guidance in these checklists.

Part 1

Instructions

General

.01 This publication includes the following parts:

- **Part 2, “Financial Statements and Notes Checklist.”** For use by preparers of financial statements and by practitioners who audit, review, or compile them as they evaluate the adequacy of disclosures.
- **Part 3, “Auditors’ Report Checklist.”** For use by auditors in reporting on audited financial statements.
- **Part 4, “Auditors’ Reports Checklist for Audits Performed in Accordance With *Government Auditing Standards* and the Uniform Guidance.”** For use in preparing auditor’s reports on financial statement audits performed in accordance with *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
- **Part 5, “Accountants’ Reports on Compiled Financial Statements or Information or Reviewed Financial Statements Checklist.”** For use by accountants in reporting on compiled or reviewed financial statements.
- **Part 6, “Illustrative Financial Statements, Notes, and Auditor’s Report.”**

.02 The checklists and illustrative financial statements included in this publication have been developed by the AICPA Accounting and Auditing Publications Team to serve as nonauthoritative technical practice aids to be used by preparers of a not-for-profit entity’s (NFP’s) financial statements prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP) and by practitioners who audit, review, or compile those financial statements as they evaluate the financial statements and the adequacy of disclosures. The checklists do not include disclosures that are applicable only to NFPs with activities in specialized industries (such as broadcasting or insurance); nor does it include disclosures prescribed by guidance whose applicability to NFPs is considered to be unlikely. It is designed for NFPs that are going concerns; thus, it does not contain disclosures about the liquidation basis of accounting. The auditor’s and accountant’s report checklists address those requirements most likely to be encountered when reporting on financial statements of an NFP prepared in conformity with U.S. GAAP. They do not include reporting requirements relating to other matters such as internal control or agreed-upon procedures.

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

.04 The AICPA Accounting and Auditing Publications staff has included guidance from FASB *Accounting Standards Codification* (ASC) as it existed on April 30, 2017. Questions are derived primarily from the content of the “Presentation” (section 45) and “Disclosure” (section 50) sections of FASB ASC. Because the checklist contains only presentation and disclosure items deemed most likely to be encountered when reporting on the financial statements of an NFP prepared in conformity with U.S. GAAP, 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.

.05 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 U.S. GAAP, generally accepted auditing standards (GAAS), and other relevant technical guidance.

Guidance Considered in This Edition

.06 Relevant financial statement reporting and disclosure guidance issued through April 30, 2017, has been considered in the development of this edition of the checklists. This includes relevant guidance issued up to and including the following:

- FASB Accounting Standards Update (ASU) No. 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*
- Statement on Auditing Standards (SAS) No. 132, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* (AICPA, *Professional Standards*, AU-C sec. 570)
- Interpretation No. 3, "Reporting on Audits Conducted in Accordance With Auditing Standards Generally Accepted in the United States of America and International Standards on Auditing" (AICPA, *Professional Standards*, AU-C sec. 9700 par. .08–.13), of AU-C section 700, *Forming an Opinion and Reporting on Financial Statements*.
- Statement of Position 13-2, *Performing Agreed-Upon Procedures Engagements That Address the Completeness, Mapping, Consistency, or Structure of XBRL-Formatted Information* (AICPA, *Professional Standards*, AUD sec. 55)
- Statement on Standards for Accounting and Review Services No. 23, *Omnibus Statement on Standards for Accounting and Review Services—2016* (AICPA, *Professional Standards*)

.07 These checklists do not include questions about financial statement reporting and disclosures required by FASB ASC 606, *Revenue from Contracts with Customers*, because most NFPs will not apply these standards at this time. FASB ASC 606 provides a framework for revenue recognition and supersedes or amends most of the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, as well as guidance within the industry-specific topics, including FASB ASC 958, *Not-for-Profit Entities*. The standard applies to any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance or lease contracts). Most NFPs are required to apply the new standards for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, but they may elect to apply the new standards earlier on one of two dates:

- An annual reporting period beginning after December 15, 2016, including interim periods within that reporting period, or
- An annual reporting period beginning after December 15, 2016, and interim periods within annual periods beginning one year after the annual reporting period in which an entity first applies the standards.

However, NFPs that have issued, or are conduit bond obligors for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market are required to apply the standards one year earlier (for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period). Earlier application by those NFPs is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

.08 Any guidance issued subsequent to April 30, 2017, has not been included in these checklists; therefore, the checklists and illustrative financial statements should be modified, as appropriate, for subsequent pronouncements. In determining the applicability of a pronouncement, its effective date should also be considered.

Instructions

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

.10 The checklists provide 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 reporting entity for which you are preparing or auditing financial statements. Users should check or initial the following as specified:

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

.11 It is important that the effect of any “No” response be considered on the auditor’s or accountant’s report. For audited financial statements, a “No” response that is material to the financial statements may warrant a departure from an unqualified opinion as discussed in AU-C section 705, *Modifications to the Opinion in the Independent Auditor’s Report* (AICPA, *Professional Standards*). For reviewed or compiled financial statements or information, a “No” response that is material to the financial statements may warrant a departure from a standard report as discussed in AR-C sections 80 and 90, *Compilation Engagements and Review of Financial Statements*, respectively (AICPA, *Professional Standards*).

.12 Users may find it helpful to use the right margin for certain remarks and 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 the applicable working papers where the support for a disclosure may be found.
- b. For items marked as “N/A,” the reasons for which the disclosure does not apply in the circumstances of the particular financial statements.
- c. For each disclosure for which a “No” response is indicated, the AICPA Accounting and Auditing Publications staff recommend a notation regarding why the disclosure was not made (for example, because the item was not considered to be material to the financial statements).

.13 These checklists and illustrative financial statements have been prepared by 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.

.14 The use of these or any other checklists requires the exercise of individual professional judgment. These checklists are not substitutes for the original authoritative guidance. Users of these checklists and illustrative financial statements are urged to refer directly to applicable standards and requirements when appropriate. The checklists and illustrative materials may not include all disclosures and presentation items promulgated, nor do they represent minimum standards or requirements. Additionally, users of the checklists and illustrative materials 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.

.15 We hope you find these checklists helpful and we would greatly appreciate your feedback on this edition. You may email your comments to A&APublications@aicpa.org.

Part 2

Financial Statements and Notes Checklist

.01 This nonauthoritative checklist can be used by preparers of not-for-profit entity (NFP) financial statements prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP) and by practitioners who audit, review, or compile those financial statements as they evaluate the adequacy of disclosures made in the financial statements and notes to the financial statements.

.02 These checklists contain numerous references to accounting and auditing guidance. Abbreviations and acronyms used in such references include the following:

AAG = AICPA Audit and Accounting Guide *Not-for-Profit Entities* (as of March 1, 2017)

APB = Accounting Principles Board Opinion

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

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

Q&A = Reference to a section number in *Technical Questions and Answers*

SOP = AICPA Statement of Position

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

.04 Checklist Questionnaire:

This checklist is organized into the sections listed as follows. Carefully review the topics listed and consider whether they represent potential disclosure items for the NFP. Place a check mark by the topics or sections considered not applicable; these sections need not be completed. For example, if the NFP does not have a merger or acquisition, place a check by "Mergers and Acquisitions" and skip this section when completing the checklist.

*Place ✓ by Sections
Applicable*

- | | | |
|----|--|-------|
| I. | General | |
| | A. Titles and References | _____ |
| | B. Accounting Policies and Other Disclosures | _____ |
| | C. Accounting Changes and Error Corrections | _____ |
| | D. Comparative Financial Statements | _____ |
| | E. Related Entities | _____ |
| | F. Mergers and Acquisitions | _____ |
| | G. Consolidated Financial Statements | _____ |
| | H. Nonmonetary Transactions Other Than Contributions | _____ |
| | I. Contingencies and Commitments | _____ |
| | J. Risks and Uncertainties | _____ |
| | K. Related Parties | _____ |
| | L. Subsequent Events | _____ |

*Place ✓ by Sections
Applicable*

M.	Pension and Other Postretirement Benefit Plans	_____
N.	Liquidity	_____
O.	Advertising Costs	_____
P.	Website Development Costs	_____
Q.	Costs to Exit or Dispose of an Activity	_____
R.	Fair Value Measurements	_____
S.	Doubt About the NFP's Ability to Continue as a Going Concern	_____
II.	Statement of Financial Position	
A.	General	_____
B.	Cash and Cash Equivalents	_____
C.	Investments Other Than Derivative Instruments	_____
D.	Derivative Instruments and Hedging Activities	_____
E.	Financial Instruments	_____
F.	Accounts, Notes, Contributions, and Loans Receivable	_____
G.	Beneficial Interests in Assets Held by Others	_____
H.	Inventories	_____
I.	Property and Equipment	_____
J.	Collections of Works of Art and Similar Items	_____
K.	Goodwill and Other Intangible Assets	_____
L.	Other Assets and Deferred Charges	_____
M.	Current Liabilities	_____
N.	Notes Payable and Other Debt, Including Interfund Borrowing	_____
O.	Leases as Lessee	_____
P.	Other Liabilities and Deferred Credits	_____
Q.	Agency Transactions	_____
R.	Restricted Resources	_____
S.	Mandatorily Redeemable Interests	_____
T.	Discontinued Operations	_____
III.	Statement of Activities	
A.	General	_____
B.	Revenue Recognition (Other Than Contributions)	_____
C.	Taxes	_____
D.	Refunds Due To and Advances From Third Parties	_____
E.	Donated or Contributed Services	_____
F.	Donated Materials and Facilities	_____
G.	Fundraising	_____
H.	Contributions	_____
I.	Split-Interest Agreements	_____
J.	Expenses	_____
K.	Investments and Endowments	_____
L.	Discontinued Operations	_____

Place by Sections
Applicable

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

I. General

A. Titles and References Yes No N/A

Note

FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted.

This ASU expands to all NFPs the requirement to present an analysis of expenses by function and natural classification. That information must be provided in one location—either on the face of a statement of activities, as a schedule in the notes to the financial statements, or as a separate financial statement.

NFPs that have adopted the requirements of ASU No. 2016-14 should mark question 3d “N/A.”

- | | | | | |
|----|--|-------|-------|-------|
| 1. | Are the financial statements suitably titled?
[AU-C 700.16] | _____ | _____ | _____ |
| 2. | Does each statement include a general reference that the notes are an integral part of the financial statement presentation?
[Common Practice] | _____ | _____ | _____ |
| 3. | For each period, are the following financial statements presented: | | | |
| a. | Statement of financial position? | _____ | _____ | _____ |
| b. | Statement of activities? | _____ | _____ | _____ |
| c. | Statement of cash flows? | _____ | _____ | _____ |
| d. | Statement of functional expenses? (Only voluntary health and welfare organizations (VHWOs) are required to provide this statement. Other NFPs are encouraged by FASB to provide it. The Financial Reporting Executive Committee (FinREC) recommends that all NFPs that are supported by the general public present a statement of financial position as a financial statement or in the notes.)
[FASB ASC 958-205-45-4; AAG 3.42-.44] | _____ | _____ | _____ |
| 4. | If the primary component of the NFP’s mission is to receive resources as an agent, has presentation of the statement of cash flows as the first financial statement been considered?
[AAG 3.49] | _____ | _____ | _____ |

B. Accounting Policies and Other Disclosures

- | | | | | |
|----|---|-------|-------|-------|
| 1. | Is a description of all significant accounting policies adopted and followed presented as an integral part of the financial statements?
[FASB ASC 235-10-50-1] | _____ | _____ | _____ |
|----|---|-------|-------|-------|

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. If the NFP prepared its financial statements on a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), was disclosure made of the basis of presentation and how that basis differs from GAAP? [AU-C 800.11]	_____	_____	_____
3. Does disclosure of significant accounting policies encompass important judgments as to appropriateness of principles concerning recognition of revenue and allocation of asset costs to current and future periods? [FASB ASC 235-10-50-3]	_____	_____	_____
4. Does the disclosure of significant accounting policies include appropriate reference to details presented elsewhere (in the statements and notes thereto) so duplication of details is avoided? [FASB ASC 235-10-50-5]	_____	_____	_____
5. Is the need for disclosure of the impact of a new FASB standard issued but not yet effective where restatement of prior periods is required considered? [Common Practice]	_____	_____	_____
C. Accounting Changes and Error Corrections			
1. If the NFP makes a change in an accounting principle, is the change reported through retrospective application of the new accounting principle to all prior periods, unless it is impracticable to do so? [FASB ASC 250-10-45-5]	_____	_____	_____
2. If the NFP makes a change in an accounting principle, is the following information disclosed in the fiscal period in which the change is made:			
<i>a.</i> The nature of the change in accounting principle?	_____	_____	_____
<i>b.</i> The reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable?	_____	_____	_____
<i>c.</i> The method of applying the change?	_____	_____	_____
<i>d.</i> A description of the prior-period information that has been retrospectively adjusted, if any?	_____	_____	_____
<i>e.</i> The effects, in total and by class, of the change on change in net assets, and on the operating measure (if any), as well as on any other affected financial statement line item (except subtotals) for the current period and any prior periods retrospectively adjusted?	_____	_____	_____
<i>f.</i> The cumulative effect of the change on total net assets and on each class of net assets in the statement of financial position, as of the beginning of the earliest period presented?	_____	_____	_____
<i>g.</i> 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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>h.</i> If indirect effects of a change in accounting principle are recognized</p> <p><i>i.</i> a description of the indirect effects of a change in accounting principle, including the amounts that have been recognized in the current period?</p> <p><i>ii.</i> unless impracticable, the amount of the total recognized indirect effects of the accounting change that are attributable to each prior period presented? [FASB ASC 250-10-50-1]</p>	_____	_____	_____
<p>3. If the 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 questions 2<i>a-b</i> provided whenever the financial statements of the period of change are presented? [FASB ASC 250-10-50-1]</p>	_____	_____	_____
<p>4. If the NFP makes a change in an accounting estimate, is the change accounted for in (<i>a</i>) the period of change if the change affects that period only or (<i>b</i>) the period of change and future periods if the change affects both? (<i>Note:</i> A change in accounting estimate cannot be accounted for by restating or retrospectively adjusting amounts reported in financial statements of prior periods or by reporting pro forma amounts for prior periods.) [FASB ASC 250-10-45-17]</p>	_____	_____	_____

Note

The disclosure provisions for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique used to measure fair value or its application when the resulting measurement is fair value in accordance with FASB ASC 820, *Fair Value Measurement*.

<p>5. If the NFP makes a change in an accounting estimate that either (<i>a</i>) will affect several future periods or (<i>b</i>) is material and is made in the ordinary course of accounting for items such as uncollectible accounts, is the following information disclosed in the fiscal period in which the change is made:</p> <p><i>a.</i> The effects, in total and by class, of the change on change in net assets, and on the operating measure (if any), for the current period?</p> <p><i>b.</i> If the change in estimate is effected by changing an accounting principle, the information in the preceding question 2? [FASB ASC 250-10-50-4]</p>	_____	_____	_____
<p>6. If a change in accounting estimate has no material effect in the period of change but is reasonably certain to have a material effect in later periods, is a description of the change in estimate provided whenever the financial statements of the period of change are presented? [FASB ASC 250-10-50-4]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. If a change in the reporting entity occurs, is the change retrospectively applied to the financial statements of all prior periods presented to show financial information for the new reporting entity for those periods? [FASB ASC 250-10-45-21]	_____	_____	_____
8. If a change in the reporting entity occurs, is the following information disclosed in the fiscal period in which the change is made:			
a. The nature of the change and the reason for it?	_____	_____	_____
b. The effects, in total and by class, of the change on change in net assets, on change in net assets from continuing operations (if there are discontinued operations), and on the operating measure (if any), for all the periods presented? [“Pending Content” in FASB ASC 250-10-50-6]	_____	_____	_____
9. If a change in reporting entity has no material effect in the period of change but is reasonably certain to have a material effect in later periods, is the nature of the change and the reason for it disclosed whenever the financial statements of the period of change are presented? [FASB ASC 250-10-50-6]	_____	_____	_____
10. If an error in the financial statements of a prior period is discovered subsequent to their issuance, is the correction of the error reported as a prior-period adjustment by restating the prior-period financial statements? (<i>Note:</i> Q&A section 6140.23, “Changing Net Asset Classifications Reported in a Prior Year,” states that “Individual net asset classes, rather than net assets in the aggregate (total net assets), are relevant in determining whether an NFP’s correction of net asset classifications previously reported in prior years’ financial statements is an error in previously issued financial statements.”) [FASB ASC 250-10-45-23]	_____	_____	_____
11. If the financial statements are restated to correct an error, is the following information disclosed:			
a. The fact that the previously issued financial statements have been corrected? [FASB ASC 250-10-50-7]	_____	_____	_____
b. The nature of the error? [FASB ASC 250-10-50-7]	_____	_____	_____
c. The effect of the correction on each financial statement line item for each prior period presented? [FASB ASC 250-10-50-7]	_____	_____	_____
d. The cumulative effect, in total and by class, of the correction on net assets as of the beginning of the earliest period presented? [FASB ASC 250-10-50-7]	_____	_____	_____
e. The effects, in total and by class, of the correction on change in net assets for each of the periods presented? [FASB ASC 250-10-50-8]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>f. For single period financial statements, the effects, in total and by class, of the correction on change in net assets of the preceding year? [FASB ASC 250-10-50-9]</p>	_____	_____	_____
D. Comparative Financial Statements			
<p>1. Has presentation of comparative statements been considered? [FASB ASC 205-10-45-2]</p>	_____	_____	_____
<p>2. Are the disclosures included in the prior year’s financial statements repeated, or at least referred to, to the extent that they continue to be of significance? [FASB ASC 205-10-45-4]</p>	_____	_____	_____
<p>3. If changes have occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed? [FASB ASC 205-10-50-1]</p>	_____	_____	_____
<p>4. If prior year information is summarized and does not include the minimum information required by FASB ASC 958, <i>Not-for-Profit Entities</i>, is the nature of the prior year information described by appropriate titles and in the notes? [FASB ASC 958-205-45-8; “Pending Content” in FASB ASC 958-205-50-4]</p>	_____	_____	_____
<p>5. If prior year information is summarized and does not include the minimum information required by FASB ASC 958, does the NFP include all the disclosures required by GAAP for the prior year? [FinREC recommendation in AAG 3.57]</p>	_____	_____	_____
<p>6. For public entities: If the NFP is the new entity that resulted from a merger is a <i>public entity</i> (as defined in FASB ASC 958-805-20), has it disclosed the information in paragraphs 4–5 of FASB ASC 958-805-50? [FASB ASC 958-805-50 par. 4–5]</p>	_____	_____	_____
<p>7. For public entities: If the NFP is both the acquirer in an acquisition by an NFP and a <i>public entity</i> (as defined in FASB ASC 958-805-20), has it disclosed the information in FASB ASC 958-805-50-9? [FASB ASC 958-805-50-9]</p>	_____	_____	_____
E. Related Entities			
<p>1. If the NFP has a relationship characterized by a controlling financial interest through (a) direct or indirect ownership of a majority voting interest in another NFP, (b) sole corporate membership in another NFP, or (c) direct or indirect ownership of a majority voting interest in a for-profit entity, are consolidated financial statements presented unless control does not rest with the majority owner or sole corporate member? (Refer to section I.G., "Consolidated Financial Statements.") [FASB ASC 958-810-25 par. 2–2a; FASB ASC 958-810-15-4]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. If the NFP has a relationship characterized by both (a) control of a related but separate NFP through a majority voting interest in the board of the other NFP by means other than ownership or sole corporate membership and (b) an economic interest in that other NFP, are consolidated financial statements presented? [FASB ASC 958-810-25-3]	_____	_____	_____
3. If the NFP is a lessee in a transaction involving a special-purpose entity lessor, are consolidated financial statements presented if required by paragraphs 8–10 of FASB ASC 958-810-25? (Refer to section I.G.) [FASB ASC 958-810-25 par. 8–10]	_____	_____	_____
4. If the NFP has a relationship that is characterized by ownership of an investment in voting stock that gives one significant influence over the operating and financial policies of the other (generally 20 percent or more of the voting stock), is the investment accounted for under the equity method unless the NFP has elected to report it at fair value, where permitted? (Refer to section II.C., "Investments Other Than Derivative Instruments.") [FASB ASC 958-810-15-4]	_____	_____	_____
5. If the NFP has a noncontrolling interest in a for-profit real estate partnership, LLC, or similar entity that constitutes more than a minor interest (as defined in FASB ASC 810-20-25), does the NFP apply the equity method of accounting unless it carries that investment at fair value, where permitted? (Refer to section II.C.) [FASB ASC 958-810-15-4]	_____	_____	_____
6. If the NFP is using the proportional amortization method as an investor in a qualified affordable housing project through a limited liability entity, is the amortization of the investment in the limited liability entity recognized as a component of income tax expense (or benefit)? ["Pending Content" in FASB ASC 323-740-45-2]	_____	_____	_____
7. If the NFP is an investor in a qualified affordable housing project, has it considered the items in FASB ASC 323-10-50-2 and disclosed information that enables users of its financial statements to understand the following:			
a. The nature of its investments in qualified affordable housing projects?	_____	_____	_____
b. The effect of the measurement of its investments in qualified affordable housing projects and the related tax credits on its financial position and results of operations? ["Pending Content" in FASB ASC 323-740-50-1]	_____	_____	_____
8. Is the nature of a controlled relationship disclosed, even though there are no transactions between the entities, if the reporting entity and one or more other entities are under common ownership or management control, and the existence of the control could result in operating results or financial position of the reporting entity being significantly different from those that would have been obtained if the entity were autonomous? [FASB ASC 850-10-50-6]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. If the NFP both (a) controls a related but separate NFP through a majority voting interest in the board of that NFP by means other than majority ownership interest, sole corporate membership, or majority voting interest and (b) has an economic interest in that other NFP, and consolidated financial statements are not presented, do disclosures include			
a. identification of the other NFP and the nature of its relationship with the reporting entity that results in control?	_____	_____	_____
b. summarized financial data of the other NFP including total assets, liabilities, net assets, revenue, and expenses, and resources that are held for the benefit of the reporting entity or that are under its control?	_____	_____	_____
c. disclosures required by FASB ASC 850, <i>Related Party Disclosures</i> , as described in question 8 and in section I.K., "Related Parties"? [FASB ASC 958-810-50-2]	_____	_____	_____
10. If either control or economic interest exists, but not both, are the disclosures required by FASB ASC 850 as described in question 8 and in section I.K. made and are the entities consolidated only if they were consolidated prior to the issuance of SOP 94-3, <i>Reporting of Related Entities by Not-for-Profit Organizations</i> , in conformity with the guidance in SOP 78-10, <i>Accounting Principles and Reporting Practices for Certain Nonprofit Organizations</i> ? [FASB ASC 958-810-25-5; FASB ASC 958-810-50-3]	_____	_____	_____
11. Are the nature and extent of leasing transactions with related parties appropriately disclosed? [FASB ASC 840-10-50-1]	_____	_____	_____
12. If the NFP has an investment in an unincorporated legal entity, such as a partnership or a joint venture, is that investment accounted for using either full consolidation, the equity method, or cost, as appropriate, but not proportionate consolidation? [FASB ASC 810-10-45-14]	_____	_____	_____
13. If the NFP transferred assets to a <i>financially interrelated entity</i> (as defined in FASB ASC 958-20-20) and specified itself or its affiliate as the beneficiary, has it disclosed the following for each period in which a statement of financial position is presented:			
a. The identity of the financially interrelated entity to which the transfer was made?	_____	_____	_____
b. Whether variance power was granted to the financially interrelated entity and, if so, a description of the terms of the variance power?	_____	_____	_____
c. The terms under which amounts will be distributed to the NFP or its affiliate?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>d.</i> The aggregate amount recognized in the statement of financial position for those transfers and whether that amount is recorded as an interest in the net assets of the financially interrelated entity or as another asset (such as a beneficial interest in assets held by others or as a refundable advance)? [FASB ASC 958-20-50-1]</p>	_____	_____	_____
<p>14. If the transfer in question 13 was made in a year presented in the financial statements, is it reported on a separate line in the statement of activities if it is an equity transaction (that is, it meets the 3 conditions in FASB ASC 958-20-25-4)? [FASB ASC 958-20-45 par. 1–2]</p>	_____	_____	_____
<p>15. Are costs incurred and revenue generated from transactions with third parties (that is, parties that do not participate in the collaborative arrangement) reported in the NFP’s statement of activities pursuant to the guidance in FASB ASC 605-45? [FASB ASC 808-10-45-1]</p>	_____	_____	_____
<p>16. If the NFP is a participant to a collaborative arrangement, has it disclosed the following information (separately for any arrangement that is individually significant):</p>			
<p><i>a.</i> Information about the nature and purpose of its collaborative arrangements?</p>	_____	_____	_____
<p><i>b.</i> The NFP’s rights and obligations under the collaborative arrangements?</p>	_____	_____	_____
<p><i>c.</i> The NFP’s accounting policy for collaborative arrangements?</p>	_____	_____	_____
<p><i>d.</i> The classification in the statement of activities and amounts attributable to transactions arising from the collaborative arrangement between participants for each period a statement of activities is presented? [FASB ASC 808-10-50-1]</p>	_____	_____	_____
<p>17. If the NFP prepares combined financial statements for a group of related entities, are intra-entity transactions and profits or losses eliminated, and are noncontrolling interests, foreign operations, different fiscal periods, or income taxes presented in the same manner as in consolidated financial statements? [FASB ASC 810-10-45-10]</p>	_____	_____	_____

F. Mergers and Acquisitions

Note

FASB ASC 958-805 provides standards for the information an NFP provides in its financial reports about a combination with one or more other NFPs, businesses, or nonprofit activities. It requires the NFP to determine whether the combination is a merger or an acquisition.

Questions 1–11 should be completed for mergers.

Questions 12–36 should be completed for acquisitions.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Mergers</i>			
1. If the new entity formed by the merger presents a statement of financial position as of the beginning of the initial reporting period, does that statement present the combined assets, liabilities, and net assets of the merging entities as of the merger date? [FASB ASC 958-805-45-1]	_____	_____	_____
2. Are assets and liabilities as of the beginning of the initial reporting period measured at the amounts reported in the financial statements prepared in accordance with GAAP of the merging entities as of that date? [FASB ASC 958-805-30-1]	_____	_____	_____
3. Are amounts as of the beginning of the initial reporting period adjusted as necessary in accordance with paragraphs 2–4 of FASB ASC 958-805-30? [FASB ASC 958-805-30-1]	_____	_____	_____
4. Does the statement of activities for the new entity include in the opening amounts (the reported amounts as of the beginning of the period), the combined amounts of the merging entities' net assets, in total and by classes of net assets, as of the merger date, and are any adjustments in accordance with FASB ASC 958-805-25-7 and paragraphs 2 and 4 of FASB ASC 958-805-30 reflected in the opening amounts? [FASB ASC 958-805-45-2]	_____	_____	_____
5. Does the statement of activities reflect only activity from the merger date to the end of the reporting period? [FASB ASC 958-805-45-2]	_____	_____	_____
6. Does the statement of cash flows for the new entity include in the reported amounts as of the beginning of the period (the opening amounts) of cash and cash equivalents at the beginning of the period as of the merger date and are any adjustments in accordance with FASB ASC 958-805-25-7 and paragraphs 2 and 4 of FASB ASC 958-805-30 reflected in the opening amounts? [FASB ASC 958-805-45-2]	_____	_____	_____
7. Does the statement of cash flows reflect only activity from the merger date to the end of the reporting period? [FASB ASC 958-805-45-2]	_____	_____	_____
8. Does the new entity disclose the following information for the merger that resulted in its formation:			
<i>a.</i> The name and a description of each merging entity?	_____	_____	_____
<i>b.</i> The merger date?	_____	_____	_____
<i>c.</i> The primary reasons for the merger?	_____	_____	_____
<i>d.</i> The nature and amount of any significant adjustments made to conform the individual accounting policies of the merging entities?	_____	_____	_____
<i>e.</i> The nature and amount of any significant adjustments made to eliminate intra-entity balances? [FASB ASC 958-805-50-2]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. Does the new entity disclose the following information about each of the merging entities:			
a. The amounts recognized as of the merger date for each major class of assets and liabilities and each class of net assets?	_____	_____	_____
b. The nature and amounts, if applicable, of any significant assets (for example, conditional promises receivable or collections) or liabilities (for example, conditional promises payable) that GAAP does not require to be recognized? [FASB ASC 958-805-50-2]	_____	_____	_____
10. If the disclosures made in questions 1–9 are insufficient to enable users of the financial statements to evaluate the nature and financial effect of the merger that resulted in the formation of the new entity, did the entity disclose whatever additional information is necessary to meet that objective? [FASB ASC 958-805-50-6]	_____	_____	_____
11. For public entities: If the new entity is a <i>public entity</i> as defined in FASB ASC 958-805-20, have the additional disclosures in paragraphs 3–5 of FASB ASC 958-805-50 been included with the financial statements? [FASB ASC 958-805-50 par. 3–5]	_____	_____	_____
Acquisitions			
12. If the operations of the acquiree as part of the combined entity are expected to be predominantly supported by contributions and returns on investments, does the NFP acquirer report a separate charge in its statement of activities as of the acquisition date, measured in accordance with FASB ASC 958-805-30-6 (rather than goodwill)? [FASB ASC 958-805-25-29; FASB ASC 958-805-45-4]	_____	_____	_____
13. Does the NFP recognize an inherent contribution received, measured in accordance with FASB ASC 958-805-30-8, as a separate credit in its statement of activities as of the acquisition date? [FASB ASC 958-805-25-31; FASB ASC 958-805-45-5]	_____	_____	_____
14. If an inherent contribution received is recognized (as described in question 13), does the classification of that contribution reflect the following types of restrictions:			
a. Restrictions imposed on the net assets of the acquiree by a donor before the acquisition?	_____	_____	_____
b. Restrictions imposed by the donor of the business or non-profit activity acquired, if any?	_____	_____	_____
c. Report the contribution recognized as restricted support if restricted by the donor, even if the restrictions are met in the same reporting period in which the acquisition occurs? (That is, the acquirer shall not apply the reporting exception in FASB ASC 958-605-45-4 to restricted net assets acquired in an acquisition.) [FASB ASC 958-805-45-6]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
15. Do the financial statements of the acquirer (the combined entity) report the acquisition as activity of the period in which the acquisition occurs? [FASB ASC 958-805-45-3]	_____	_____	_____
16. If, by transferring consideration in the acquisition, the acquirer satisfied a donor-imposed restriction on its net assets, is the expiration of those restrictions either reported separately in the statement of activities or aggregated and reported with other similar expirations of donor-imposed restrictions during the period in which the acquisition occurs? [FASB ASC 958-805-45-9]	_____	_____	_____
17. If other changes to the acquirer's net asset classifications occur during the period as a result of the acquisition, are those other changes reported separately from both any other reclassifications or any expiration of those restrictions during the period in which the acquisition occurs? (For example, an acquirer that transfers as consideration its unrestricted assets and acquires assets from the acquiree that have permanent or temporary donor restrictions shall recognize a reclassification in its statement of activities. Or, for an acquirer that has adopted ASU No. 2016-14, the acquirer transfers as consideration its assets with no associated donor restrictions and acquires assets from the acquiree that have associated donor restrictions shall recognized a reclassification of net assets in its statement of activities.) [FASB ASC 958-805-45-10; "Pending Content" in FASB ASC 958-805-45-10]	_____	_____	_____
18. Is the entire amount of any net cash flow resulting from the acquisition (cash paid as consideration, if any, less acquired cash of the acquiree) reported as an investing activity in the statement of cash flows? <i>Note:</i> NFPs that have adopted ASU No. 2016-15 should include cash payments made soon after the acquisition date to settle a contingent consideration liability. [FASB ASC 958-805-45-11; "Pending Content" in FASB ASC 958-805-45-11]	_____	_____	_____
19. Are noncash contributions received and any other noncash amounts received or transferred related to the acquisition reported as noncash activities in accordance with FASB ASC 230-10-50-3? [FASB ASC 958-805-50-15]	_____	_____	_____
20. During the measurement period, are adjustments to the provisional amounts (amounts that were initially recognized for an identifiable asset or liability) recognized either			
a. as an increase or decrease in goodwill if goodwill was recognized for the acquisition?	_____	_____	_____
b. by a direct credit (charge) to the statement of activities if goodwill was not recognized as an asset? (Per FASB ASC 958-805-25-29, goodwill is not recognized as an asset if the operations of the acquiree as part of the combined entity are expected to be predominantly supported by contributions and returns on investments.) [FASB ASC 805-10-25-16]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
21. Do the financial statements disclose the following information for each acquisition that occurs during the reporting period:			
<i>a.</i> The name and a description of the acquiree?	_____	_____	_____
<i>b.</i> The acquisition date?	_____	_____	_____
<i>c.</i> The percentage of ownership interests, such as voting equity instruments, acquired, if applicable?	_____	_____	_____
<i>d.</i> The primary reasons for the acquisition and a description of how the acquirer obtained control of the acquiree? [FASB ASC 805-10-50-2]	_____	_____	_____
22. Do the financial statements disclose the following information for each acquisition that occurs during the reporting period:			
<i>a.</i> A qualitative description of the factors, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition, or other factors, such as the nonrecognition of collections, that make up either the goodwill recognized or the charge recognized in accordance with FASB ASC 958-805-25-29?	_____	_____	_____
<i>b.</i> The acquisition-date fair value of the total consideration transferred (or if no consideration was transferred, that fact?	_____	_____	_____
<i>c.</i> The acquisition-date fair value of each major class of consideration?	_____	_____	_____
<i>d.</i> The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed?	_____	_____	_____
<i>e.</i> The total amount of goodwill that is expected to be deductible for tax purposes?	_____	_____	_____
<i>f.</i> The amount of collection items acquired that are recognized in the statement of activities as a decrease in the acquirer's net assets in accordance with FASB ASC 958-805-25-23?	_____	_____	_____
<i>g.</i> The undiscounted amount of conditional promises to give acquired or assumed and a description and the amount of each group of promises with similar characteristics, such as amounts of promises conditioned on establishing new programs, completing a new building, or raising matching gifts by a specified date?	_____	_____	_____
<i>h.</i> If the acquisition resulted in an inherent contribution received, a description of the reasons that the transaction resulted in a contribution received? [FASB ASC 958-805-50 par. 11-12]	_____	_____	_____
23. Do the financial statements disclose the following information about contingent consideration arrangements and indemnification assets:			
<i>a.</i> The amount recognized as of the acquisition date?	_____	_____	_____
<i>b.</i> A description of the arrangement and the basis for determining the amount of the payment?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>c. An estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated?</p>	_____	_____	_____
<p>d. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact? [FASB ASC 958-805-50-11]</p>	_____	_____	_____
<p>24. Do the financial statements disclose the following information about acquired receivables: (<i>Note:</i> This requirement does not apply if the disclosures required by FASB ASC 310-30 are made. See questions 25–28 in section II.F., "Accounts, Notes, Contributions, and Loans Receivable.")</p>			
<p>a. The fair value of the receivables by major class of receivable?</p>	_____	_____	_____
<p>b. The gross contractual amounts receivable by major class of receivable?</p>	_____	_____	_____
<p>c. The best estimate at the acquisition date of the contractual cash flows not expected to be collected by major class of receivable? [FASB ASC 805-20-50-1]</p>	_____	_____	_____
<p>25. Does the note that describes the acquisition disclose the following information about assets and liabilities arising from contingencies recognized at the acquisition date:</p>			
<p>a. The amounts recognized at the acquisition date and the measurement basis applied (that is, at fair value or at an amount recognized in accordance with FASB ASC 450, <i>Contingencies</i>)?</p>	_____	_____	_____
<p>b. The nature of the contingencies? [FASB ASC 805-20-50-1]</p>	_____	_____	_____
<p>26. If contingencies have not been recognized at the acquisition date, are the disclosures required by FASB ASC 450, included in the note that describes the acquisition? See section II., "Contingencies and Commitments." [FASB ASC 805-20-50-1]</p>	_____	_____	_____
<p>27. Do the financial statements disclose the following information about transactions that are recognized separately from the acquisition of assets and assumptions of liabilities in the acquisition (that is, a transaction entered into by or on behalf of the acquirer or primarily for the benefit of the acquirer or the combined entity, rather than primarily for the benefit of the acquiree [or its former owners] before the combination, as described in FASB ASC 805-10-25-20):</p>			
<p>a. A description of each transaction?</p>	_____	_____	_____
<p>b. How the acquirer accounted for each transaction?</p>	_____	_____	_____
<p>c. The amounts recognized for each transaction and the line item in the financial statements in which each amount is recognized?</p>	_____	_____	_____
<p>d. If the transaction is the effective settlement of a preexisting relationship, the method used to determine the settlement amount? [FASB ASC 805-10-50-2]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
28. Does the disclosure required in question 27 include the following information about acquisition-related costs:			
a. The amount of acquisition-related costs?	_____	_____	_____
b. The amount recognized as an expense?	_____	_____	_____
c. The line item or items in the statement of activities in which that expense is recognized?	_____	_____	_____
d. The amount of any debt issuance costs not recognized as an expense and how they were recognized? [FASB ASC 805-10-50-2]	_____	_____	_____
29. If the acquirer holds less than 100 percent of the equity interests in the acquiree at the acquisition date, do the financial statements disclose			
a. the fair value of the noncontrolling interest in the acquiree at the acquisition date?	_____	_____	_____
b. the valuation technique(s) and significant inputs used to measure the fair value of the noncontrolling interest? [FASB ASC 805-20-50-1]	_____	_____	_____
30. For an acquisition achieved in stages			
a. is the gain or loss resulting from the acquirer remeasuring its previously held equity interest in the acquiree at its acquisition date fair value reported in the statement of activities?	_____	_____	_____
b. is the amount of the gain or loss and the line item in the statement of activities in which that gain or loss is recognized disclosed?	_____	_____	_____
c. is the acquisition date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date disclosed? [FASB ASC 805-10-25-10; FASB ASC 805-10-50-2]	_____	_____	_____
31. For individually immaterial acquisitions occurring during the reporting period that are material collectively, are the disclosures required by questions 22–30 made in the aggregate? [FASB ASC 805-10-50-3]	_____	_____	_____
32. If the disclosures made in questions 12–31 are insufficient to enable users of the financial statements to evaluate the nature and financial effect of an acquisition, did the entity disclose whatever additional information is necessary to meet that objective? [FASB ASC 805-10-50-7]	_____	_____	_____
33. For public entities: If the acquirer is a <i>public entity</i> as defined in FASB ASC 958-805-20, have the additional disclosures in paragraphs 8–10 of FASB ASC 958-805-50 been included with the financial statements? [FASB ASC 958-805-50 par. 8–9; FASB ASC 958-805-50-10]	_____	_____	_____
34. If the initial accounting for an acquisition is incomplete for particular assets, liabilities, noncontrolling interests, or items of consideration and the amounts recognized in the financial statements for the acquisition thus have been determined only provisionally, are the following disclosures included in the financial statements:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The reasons that the initial accounting is incomplete?	_____	_____	_____
b. The assets, liabilities, equity interests, or items of consideration for which the initial accounting is incomplete?	_____	_____	_____
c. The nature and amount of any measurement period adjustments recognized during the reporting period? [FASB ASC 805-20-50-4A]	_____	_____	_____

Note

FASB ASU No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*, issued in September 2015, requires that an acquirer recognize adjustments to provisional amounts recorded in an acquisition in the reporting period in which the adjustment amounts are determined. The acquirer reports, in the current-period’s statement of activities, the effect of changes in depreciation, amortization, or other line items in the statement of activities, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date.

For NFPs, ASU No. 2015-16 is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Earlier application is permitted.

An NFP for which ASU No. 2015-16 is effective or one that wishes to early adopt the requirements of ASU No. 2015-16 should complete question 35.

35. Are the amounts that would have been recognized in previous periods if the adjustments to provisional amounts were recognized as of the acquisition date (rather than in the current period) disclosed separately for each line item of the statement of activities affected by the measurement period adjustments of provisional amounts? (Note: This requirement may be met by presenting those amounts separately on the face of the statement of activities.) [“Pending Content” in 805-20-50-4A]	_____	_____	_____
36. If an acquisition included contingent consideration, is the following information disclosed if the NFP has not yet collected, sold, or otherwise lost the right to a contingent consideration asset, or settled or otherwise extinguished a contingent consideration liability:			
a. Any changes in the recognized amounts, including any differences arising upon settlement?	_____	_____	_____
b. Any changes in the range of outcomes (undiscounted) and the reasons for those changes?	_____	_____	_____
c. The disclosures required by FASB ASC 820-10-50 (section I.R., “Fair Value Measurements”)? [FASB ASC 958-805-50-16]	_____	_____	_____
37. If the disclosures made in questions 34–36 are insufficient to enable users of the financial statements to evaluate the financial effects of adjustments recognized in the current reporting period that relate to acquisitions that occurred in the current or previous reporting periods, did the NFP disclose whatever additional information is necessary to meet that objective? [FASB ASC 805-10-50-7]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
38. If, upon acquisition, a business or nonprofit activity meets the criteria in FASB ASC 205-20-45-1E to be classified as held for sale, are the results of operations of that discontinued operation, including any gain or loss recognized in accordance with FASB ASC 205-20-45-3C, reported as a discontinued operation for current and prior periods? [“Pending Content” in FASB ASC 205-20-45-1D]	_____	_____	_____
39. If an NFP is an acquiree that elects the option to apply pushdown accounting in its separate financial statements, does it disclose the information in paragraphs 5-6 of FASB ASC 805-50-50 in the period in which the push-down accounting is applied? [FASB ASC 805-50-50, par. 5-6]	_____	_____	_____

G. Consolidated Financial Statements

Note

In January 2017, FASB issued ASU No. 2017-02, *Not-for-Profit Entities—Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*, which maintains how NFP general partners currently apply the consolidation guidance in FASB ASC 810-20 by including that guidance within FASB ASC 958-810. The amendments also add to FASB ASC 958-810 the general guidance in FASB ASC 810-10 from ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, issued February 2015 about when NFP limited partners should consolidate a limited partnership.

The amendments in this ASU are effective for NFPs for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. If an NFP early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period.

NFPs that have not yet adopted the amendments in ASU No. 2015-02 are required to adopt the amendments in ASU No. 2017-02 at the same time they adopt the amendments in ASU No. 2015-02 and should apply the same transition method elected for the application of ASU No. 2015-02.

NFPs that already have adopted the amendments in ASU No. 2015-02 are required to apply the amendments in ASU No. 2017-02 retrospectively to all relevant prior periods beginning with the fiscal year in which the amendments in ASU No. 2015-02 initially were applied.

NFPs that have adopted the requirements of ASU No. 2017-02 should complete question 11.

1. If consolidated financial statements are presented			
a. is the consolidation policy disclosed? (<i>Note:</i> In most cases this can be made apparent by the headings or other information in the financial statements, but in other cases a footnote is required.) [FASB ASC 810-10-50-1]	_____	_____	_____
b. in instances in which the financial reporting periods of subsidiaries differ from that of the parent, is recognition given to the effect of intervening events that materially affect financial position or the results of operations? [FASB ASC 810-10-45-12]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>c. are restrictions made by entities outside of the reporting entity on distributions from the controlled NFP (subsidiary) to the reporting entity (parent) and any resulting unavailability of the net assets of the subsidiary for use by the parent disclosed? [FASB ASC 958-810-50-1]</p>	_____	_____	_____
<p>2. Has the parent properly presented its consolidated financial statements with intra-entity balances and transactions eliminated, including any intra-entity profit or loss on assets remaining within the consolidated group? [FASB ASC 810-10-45-1]</p>	_____	_____	_____
<p>3. Has the parent properly presented its consolidated net assets <i>without</i> including retained earnings or deficit of a subsidiary at the date of acquisition? [FASB ASC 810-10-45-2]</p>	_____	_____	_____
<p>4. If a subsidiary was initially consolidated during the year, has the parent included the subsidiary’s revenues, expenses, gains, and losses only from the date the subsidiary was initially consolidated? [FASB ASC 810-10-45-4]</p>	_____	_____	_____
<p>5. If the parent properly has one or more less-than-wholly-owned subsidiaries, does it report on the face of the consolidated statement of activities both of the following:</p>			
<p>a. The amounts of change in net assets for the consolidated entity as a whole, as well as amounts for each of the three net asset classes?</p>	_____	_____	_____
<p>b. The related amounts attributable to the parent and the noncontrolling interest for each of the amounts in item <i>a</i> of this question? [FASB ASC 810-10-50-1A]</p>	_____	_____	_____
<p>6. Are noncontrolling interests reported as a separate component of the appropriate class of net assets in the consolidated statement of financial position of the parent, and are the amounts clearly identified and described (for example, as noncontrolling ownership interest in subsidiaries) to distinguish it from the components of net assets of the parent? [FASB ASC 958-810-45-1]</p>	_____	_____	_____
<p>7. Are the effects of donor-imposed restrictions, if any, on a partially owned subsidiary’s net assets reported in accordance with FASB ASC 958-205 and FASB ASC 958-320? [FASB ASC 958-810-45-1]</p>	_____	_____	_____
<p>8. Do the consolidated financial statements include a schedule that reconciles beginning and ending balances of the parent’s controlling interest and the noncontrolling interests for each class of net assets for which a noncontrolling interest exists during the reporting period? [FASB ASC 958-810-50-4]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. Does the schedule required in the preceding question, at a minimum, include the following:			
<i>a.</i> Amounts of discontinued operations?	_____	_____	_____
<i>b.</i> Changes in ownership interests in the subsidiary, including investments by and distributions to noncontrolling interests acting in their capacity as owners, which are reported separate from any revenues, expenses, gains, or losses and outside any measure of operations, if reported?	_____	_____	_____
<i>c.</i> An aggregate amount of all other changes in unrestricted net assets (or other net asset classes, if restricted) for the period? (Or, for NFPs that have adopted ASU No. 2016-14, an aggregate amount of all other changes in net assets without donor restrictions and net assets with donor restrictions.) ["Pending Content" in FASB ASC 958-810-50-5]	_____	_____	_____
10. Has the parent properly disclosed the information in FASB ASC 810-10-50-1B if a subsidiary has been deconsolidated or a group of assets is derecognized in accordance with FASB ASC 810-10-40-3A? [FASB ASC 810-10-50-1B]	_____	_____	_____
11. Has the NFP considered financial statement and disclosure alternatives that may provide additional useful information about consolidated entities? (For example, an NFP may highlight the effects of consolidating a limited partnership by providing consolidating financial statements or separately classifying the assets and liabilities of the limited partnership(s) on the face of the statement of financial position.) ["Pending Content" in FASB ASC 958-810-45-2]	_____	_____	_____
H. Nonmonetary Transactions Other Than Contributions			
1. Do disclosures for nonmonetary transactions during the period include			
<i>a.</i> nature of the transactions?	_____	_____	_____
<i>b.</i> basis of accounting for the assets transferred?	_____	_____	_____
<i>c.</i> gains or losses recognized on the transfers? [FASB ASC 845-10-50-1]	_____	_____	_____

I. Contingencies and Commitments

Note

The disclosures in section I.I. do not apply to an NFP's estimate of its allowance for credit losses (doubtful accounts).

1. Are the nature and amount of accrued loss contingencies disclosed as necessary to keep the financial statements from being misleading? [FASB ASC 450-20-50-1]	_____	_____	_____
2. For loss contingencies not accrued, do disclosures indicate			
<i>a.</i> nature of the contingency?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. estimate of possible loss or range of loss, or a statement that such estimate cannot be made? [FASB ASC 450-20-50 par. 3-4]	_____	_____	_____
3. If exposure to loss exists in excess of the amount accrued for a loss contingency, do disclosures include the excess amount or state that no estimate is possible? [FASB ASC 450-20-50 par. 3-4]	_____	_____	_____
4. Are gain contingencies adequately disclosed to avoid any misleading implications about likelihood of realization? [FASB ASC 450-30-50-1]	_____	_____	_____
5. Has the NFP disclosed the following commitments:			
a. Unused letters of credit?	_____	_____	_____
b. Commitments for plant acquisitions?	_____	_____	_____
c. Assets pledged as securities for loans?	_____	_____	_____
d. Commitments to reduce debts?	_____	_____	_____
e. Commitments to maintain working capital?	_____	_____	_____
f. Losses on inventory purchase commitments? [FASB ASC 440-10-50-1; FASB ASC 330-10-50-5]	_____	_____	_____
6. If, after December 31, 2002, the NFP entered into or modified a guarantee, including a guarantee of the indebtedness of others, is the stand-ready obligation reported as a liability? [FASB ASC 460-10-25-4]	_____	_____	_____
7. Do disclosures about guarantees, including guarantees of the indebtedness of others, include the following information:			
a. The nature of the guarantee, including the approximate term, how the guarantee arose, the events or circumstances that would require the guarantor to perform under the guarantee, and the status of the payment/performance risk of the guarantee as of the date of the statement of financial position?	_____	_____	_____
b. The maximum potential amount of the future payments (undiscounted) that the NFP would be required to make, or if the guarantee provides no limitation on future payments, that fact?	_____	_____	_____
c. The reasons why the maximum future payments cannot be estimated, if the NFP is unable to estimate that amount?	_____	_____	_____
d. The current carrying amount of the liability?	_____	_____	_____
e. The nature of any recourse provisions that would enable the NFP to recover from third parties any amounts paid under the guarantee, and the extent to the proceeds are expected to cover the amount in the preceding question 7b?	_____	_____	_____
f. A description of any assets (collateral) that can be liquidated to recover amounts paid under the guarantee, and the extent to which the proceeds from liquidation are expected to cover the amount in the preceding question 7b?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
g. If the guarantee is a <i>credit derivative</i> as defined in FASB ASC 460-10-20, are the disclosures in FASB ASC 815-10-50-4K provided instead of the disclosures in this question? [FASB ASC 460-10-50-4; FASB ASC 815-10-50-4K]	_____	_____	_____
8. Are environmental remediation obligations and related assets for third-party recoveries reported and disclosed in accordance with FASB ASC 410-30? [FASB ASC 410-30]	_____	_____	_____
9. Are encumbrances, appropriations of fund balances, unspecified reserves, general or unspecified business risks, and other commitments not meeting the criteria of FASB ASC 450-20-25 <i>not</i> reported as expenses or liabilities? (<i>Note:</i> These may be reported as segregations of net assets on the statement of financial position.) [FASB ASC 450-20-25-2; FASB ASC 958-210-45-11]	_____	_____	_____
10. If the NFP has failed to maintain an appropriate composition of cash or other assets in amounts needed to comply with all donor restrictions, are the amounts and circumstances disclosed? [FASB ASC 958-450-50-3]	_____	_____	_____
11. If there is a reasonable possibility that noncompliance with donor-imposed restrictions has resulted in a material contingent liability having been incurred at the financial statement date, could lead to a material loss of revenue, or could cause inability to continue as a going concern, are the amounts and circumstances disclosed? [FASB ASC 958-450-50-2]	_____	_____	_____
12. Is disclosure made of the principal conditions or events that, when considered in the aggregate, indicate that it is probable that the NFP will be unable to meet its obligations as they come due within one year after the financial statements are issued, including management's evaluation and management's plans? [AU-C 570A.A3-.A4; AAG 3.174]	_____	_____	_____
13. If a long-term unconditional purchase obligation that has all of the characteristics described in FASB ASC 440-10-50-2 is not recorded in the statement of financial position, is the following information disclosed:			
a. Nature and term of the obligations?	_____	_____	_____
b. Amount of the fixed and determinable portion of the obligations as of the date of the most recent statement of financial position presented, in the aggregate and, if determinable, for each of the next five years?	_____	_____	_____
c. Nature of any variable components of the obligation?	_____	_____	_____
d. Amounts of purchases under the obligations for each year for which a statement of activities is presented? [FASB ASC 440-10-50-4]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
14. If an unconditional purchase obligation is a derivative subject to the requirements of both FASB ASC 440-10 and FASB ASC 815-10, has the NFP complied with the disclosure requirements, in question 13 and those in FASB ASC 815-10-50? (See section II.D., "Derivative Instruments and Hedging Activities.") [FASB ASC 440-10-50-7; FASB ASC 815-10-50-6]	_____	_____	_____

J. Risks and Uncertainties

1. Is a description of the principal services or activities performed by the NFP, including a description of each of its major classes of programs and the relative importance of each, and the revenue sources for the NFP's services included in the financial statements? <i>Note:</i> If the NFP has not commenced principal operations, it would describe the risks and uncertainties related to the activities in which the NFP is currently engaged and an understanding of what those activities are being directed toward. [FASB ASC 275-10-50 par. 2–2A]	_____	_____	_____
2. Is an explanation that the preparation of financial statements in conformity with GAAP requires the use of management's estimates included in the financial statements? [FASB ASC 275-10-50-4]	_____	_____	_____
3. Is disclosure regarding an estimate made when known information available before the financial statements are issued or are available to be issued indicates that it is at least reasonably possible that an estimate will change in the near term and the effect of the change will have a material effect on the financial statements? [FASB ASC 275-10-50 par. 6–9]	_____	_____	_____
4. Does the disclosure in the preceding question 3 indicate the nature of the uncertainty including an indication that it is at least reasonably possible that a change in estimate will occur in the near term? [FASB ASC 275-10-50-9]	_____	_____	_____
5. Has the optional disclosure been considered about the factors that cause the estimate in the preceding question 3 to be sensitive to change? [FASB ASC 275-10-50-9]	_____	_____	_____
6. If the NFP decides that the criteria in FASB ASC 275-10-50-8 are not met because the NFP uses risk-reduction techniques to mitigate losses or the uncertainty that may result from future events, have the disclosures in questions 3–5 and the disclosure of the risk-reduction techniques been considered? [FASB ASC 275-10-50-10]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. Is disclosure made of the concentrations described in FASB ASC 275-10-50-18 (including concentrations of contributions from a particular donor or fund raising event; concentrations of sources of labor, material, or services; or geographic concentrations), if, based on information known to management before the financial statements are issued or are available to be issued, a concentration that exists at the date of the statement of financial position makes the NFP vulnerable to the risk of a near-term severe impact, and it is at least reasonably possible that the events that could cause the impact will occur in the near term? [FASB ASC 275-10-50 par. 16–22]	_____	_____	_____
K. Related Parties			
1. For related-party transactions, do disclosures include			
<i>a.</i> the nature of the relationship involved (for example, affiliate companies and officers)?	_____	_____	_____
<i>b.</i> a description of the transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which a statement of activity is presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements?	_____	_____	_____
<i>c.</i> the dollar amount of transactions for each of the periods for which a statement of activities is presented and the effects of any change in the method of establishing the terms from that used in the preceding period?	_____	_____	_____
<i>d.</i> 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. If management represents that related-party transactions were consummated on terms equivalent to those in an arms-length transaction, can that representation be substantiated? [FASB ASC 850-10-50-5]	_____	_____	_____
3. If the NFP and one or more other entities are under common control and the existence of that control could result in changes in net assets or financial position of the NFP being significantly different from that if the NFP were autonomous, is the nature of the control relationships disclosed (even if no transactions between the entities exist)? [FASB ASC 850-10-50-6]	_____	_____	_____
4. Are the disclosures in questions 1–3 provided for services received by the NFP from personnel of an affiliate? [FASB ASC 958-720-50-3]	_____	_____	_____
5. In circumstances in which an NFP has little or no fundraising expense because of its relationship to other entities or individuals who raise funds for the NFP's use, has consideration been given to disclosing the relationships and their effect on fundraising expense? [Q&A 6140.20]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
L. Subsequent Events			
1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provided additional evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements? [FASB ASC 855-10-25-1]	_____	_____	_____
2. Are subsequent events that provide evidence about conditions that did not exist at the statement of financial position date, but arose subsequent to that date adequately disclosed to keep the financial statements from being misleading? [FASB ASC 450-20-50-9; FASB ASC 855-10-50-2]	_____	_____	_____
3. Do the disclosures in question 2 include the following:			
a. The nature of the event?	_____	_____	_____
b. An estimate of the event’s financial effect, or a statement that such an estimate cannot be made? [FASB ASC 855-10-50-2]	_____	_____	_____
4. If a nonrecognized subsequent event is so significant, has consideration been given to presenting 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 855-10-45-1; FASB ASC 855-10-50-3]	_____	_____	_____
5. If the criteria in FASB ASC 360-10-45-9 for a long-lived asset (disposal group) classified as held for sale are met after the date of the statement of financial position but before the financial statements are issued or available to be issued			
a. is the asset (group) classified as held and used?	_____	_____	_____
b. is the carrying amount(s) of the major classes of assets and liabilities included as part of the disposal group disclosed in the notes?	_____	_____	_____
c. is a description of the facts and circumstances leading to the expected disposal and the expected manner and timing of the disposal included in the notes? [FASB ASC 360-10-45-13; FASB ASC 205-10-50-1]	_____	_____	_____
6. Do the financial statements disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued? [FASB ASC 855-10-50-1]	_____	_____	_____
7. If the NFP revises financial statements for the correction of an error or the retrospective application of U.S. GAAP, has the NFP disclosed the dates through which subsequent events have been evaluated in both the issued (or available to be issued) financial statements and in the revised financial statements? [FASB ASC 855-10-50-4]	_____	_____	_____
8. If the date of an acquisition is after the reporting date but before the financial statements are issued or available for issue, are the following disclosures included in the financial statements:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The information required by questions 21–30 in section I.F., "Mergers and Acquisitions"?	_____	_____	_____
b. <i>For public entities:</i> The information required by question 33 in section I.F. if the acquirer is a public entity as defined in FASB ASC 958-805-20?	_____	_____	_____
c. If one or more of the disclosures in question 8a or 8b is not possible because the initial accounting for the acquisition is incomplete at the time the financial statements are issued (or are available to be issued), are the disclosures that could not be made described and the reason that they could not be made provided? [FASB ASC 805-10-50-4]	_____	_____	_____

M. Pension and Other Postretirement Benefit Plans

Note

The requirements listed in the following questions are for a *nonpublic entity*, as defined in FASB ASC 715-20-20, because most NFPs are expected to meet that definition. If the NFP is a public entity—for example, because it is a conduit bond obligor for conduit debt securities that trade in a public market—or if it prefers to make an expanded set of disclosures, see paragraphs 1–4 of FASB ASC 715-20-50 and FASB ASC 958-715-50-1. (For defined benefit pension plans, accounting and reporting by the plans themselves should be in conformity with FASB ASC 960, *Plan Accounting—Defined Benefit Pension Plans*.)

Defined Benefit Plans

Note

FASB ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, is effective for all NFPs for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. That is, early adoption should be within the first interim period if an employer issues interim financial statements. Disclosures of the nature of and reason for the change in accounting principle are required in the first interim and annual periods of adoption. Refer to ASU No. 2017-07 for additional guidance regarding the effective date.

The amendments in this ASU require that an employer report the service cost component of a defined benefit or postemployment benefit plan in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost as defined in paragraphs 715-30-35-4 and 715-60-35-9 are required to be presented in the statement of activities separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the statement of activities to present the other components of net benefit cost must be disclosed. The amendments in this Update also allow only the service cost component to be eligible for capitalization when applicable (for example, as a cost of internally manufactured inventory or a self-constructed asset).

NFPs that have adopted the requirements of ASU No. 2017-07 should complete question 1d. Other NFPs should mark question 1d "N/A."

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. If there is a defined benefit plan, do disclosures include			
a. the benefit obligation, fair value of plan assets, and funded status of the plan? [FASB ASC 715-20-50-5]	_____	_____	_____
b. employer contributions, participant contributions, and benefits paid? [FASB ASC 715-20-50-5]	_____	_____	_____
c. the net periodic benefit cost recognized for each annual period for which an annual statement of activities is presented? [FASB ASC 715-20-50-5]	_____	_____	_____
d. the line item(s) used in the statement of activities to present the other components of net benefit cost, if separate line item(s) are not used in the statement of activities? [“Pending Content” in FASB ASC 715-20-50-5]	_____	_____	_____
e. the amounts recognized in the statement of financial position, showing separately the postretirement benefit assets and current and noncurrent postretirement benefit liabilities? [FASB ASC 715-20-50-5; FASB ASC 958-715-50-1]	_____	_____	_____
f. the amounts recognized for the period as changes in unrestricted net assets (or, for NFPs that have adopted ASU No. 2016-14, net assets without donor restrictions) arising from a defined benefit plan but not yet included in net periodic benefit cost, pursuant to paragraphs 11 and 21 of FASB ASC 715-30-35 and paragraphs 16 and 25 of FASB ASC 715-60-35 showing separately the net gain or loss and net prior service cost or credit? [FASB ASC 715-20-50-5; FASB ASC 958-715-50-1; “Pending Content” in FASB ASC 958-715-50-1]	_____	_____	_____
g. the reclassification adjustments of the net gain or loss, the net prior service cost or credit, and the amortization of the net transition asset or obligation as those amounts are recognized as components of net periodic benefit cost? [FASB ASC 715-20-50-5; FASB ASC 958-715-50-1]	_____	_____	_____
h. the amounts that have been recognized as changes in unrestricted net assets (or, for NFPs that have adopted ASU No. 2016-14, net assets without donor restrictions) arising from a defined benefit plan but not yet reclassified as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? [FASB ASC 715-20-50-5; FASB ASC 958-715-50-1; “Pending Content” in FASB ASC 958-715-50-1]	_____	_____	_____
i. on a weighted-average basis, the following assumptions used in the accounting for the plans: assumed discount rate, rate of compensation increase (for pay-related plans), and the expected long term rate of return on plan assets specifying, in a tabular format, the assumptions used to determine the benefit obligation and the net benefit cost? [FASB ASC 715-20-50-5]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>j.</i> the assumed health care cost trend rate(s) for the next year used to measure the expected costs of benefits covered by the plan (gross eligible charges) and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved? [FASB ASC 715-20-50-5]</p>	_____	_____	_____
<p><i>k.</i> if applicable, the amounts and types of securities of the employer and related parties included in plan assets, and the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period? [FASB ASC 715-20-50-5]</p>	_____	_____	_____
<p><i>l.</i> the nature and effect of significant nonroutine events, such as amendments, combinations, divestitures, curtailments, and settlements? [FASB ASC 715-20-50-5]</p>	_____	_____	_____
<p><i>m.</i> the amounts that have been recognized as changes in unrestricted net assets (or, for NFPs that have adopted ASU No. 2016-14, net assets without donor restrictions) arising from a defined benefit plan but not yet reclassified as components of net periodic benefit cost that are expected to be recognized as components of net periodic benefit costs over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? [FASB ASC 715-20-50-5; FASB ASC 958-715-50-1; "Pending Content" in FASB ASC 958-715-50-1]</p>	_____	_____	_____
<p><i>n.</i> the amount and timing of any plan assets expected to be returned to the employer during the 12-month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented? [FASB ASC 715-20-50-5]</p>	_____	_____	_____
<p><i>o.</i> the following information about the plan's investment policies and strategies:</p>			
<p style="padding-left: 20px;"><i>i.</i> Target allocation percentages or range of percentages considering the classes of plan assets, presented on a weighted-average basis as of the measurement date(s) of the latest statement of financial position presented, if applicable?</p>	_____	_____	_____
<p style="padding-left: 20px;"><i>ii.</i> Factors that are pertinent to an understanding of the policies or strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations?</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>iii. For investment funds disclosed as classes, a description of the significant investment strategies of those funds? [FASB ASC 715-20-50-5]</p>	_____	_____	_____
<p>p. a narrative description of the basis used to determine the overall expected long term rate-of-return-on-assets assumption (for example, the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined)? [FASB ASC 715-20-50-5]</p>	_____	_____	_____
<p>q. for defined benefit pension plans, the accumulated benefit obligation? [FASB ASC 715-20-50-5]</p>	_____	_____	_____
<p>r. the benefits (as of the date of the latest statement of financial position presented) expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter? (<i>Note:</i> The expected benefits should be estimated based on the same assumptions used to measure the NFP's benefit obligation at the end of the year and should include benefits attributable to estimated future employee service.) [FASB ASC 715-20-50-5]</p>	_____	_____	_____
<p>s. the best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the next fiscal year (that is, beginning after the date of the latest statement of financial position presented)? (<i>Note:</i> Estimated contributions may be presented in the aggregate combining (i) contributions required by funding regulations or laws, (ii) discretionary contributions, and (iii) noncash contributions.) [FASB ASC 715-20-50-5]</p>	_____	_____	_____
<p>t. if more than one defined benefit plan exists</p>			
<p>i. are the preceding required disclosures either (1) aggregated for all of the employer's single-employer defined benefit pension plans and all of the employer's defined benefit postretirement plans or (2) disaggregated in groups, so as to provide the most useful information? [FASB ASC 715-20-50-3]</p>	_____	_____	_____
<p>ii. if plans with assets in excess of accumulated benefit obligations are aggregated with plans that have accumulated benefit obligations that exceed plan assets and the required disclosures are combined, are the following amounts disclosed:</p>			
<p>(1) The aggregate benefit obligation and the aggregate fair value of plan assets disclosed for plans with benefit obligations in excess of plan assets? [FASB ASC 715-20-50-3]</p>	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
	(2) The aggregate pension accumulated benefit obligation and the aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets? [FASB ASC 715-20-50-3]	_____	_____	_____
2.	If there is a defined benefit plan, do disclosures include the following information about plan assets:			
	a. The fair value of each class of plan assets as of each date for which a statement of financial position is presented, and are the asset classes based on the nature and risks of assets in an employer's plan(s)?	_____	_____	_____
	b. Additional classes of plan assets and further disaggregation of classes if that information is necessary to meet the objectives of FASB ASC 715-20-50-5(c)?	_____	_____	_____
	c. Information about the valuation technique(s) and inputs used to measure fair value and a discussion of changes in valuation techniques and inputs, if any, during the period?	_____	_____	_____
	d. The following information for each class of plan assets included in question 2a:			
	i. The level within the fair value hierarchy in which the fair value measurements in their entirety fall?	_____	_____	_____
	ii. A reconciliation of the beginning and ending balances for any plan assets measured at fair value using level 3 measures, reporting separately each of the following:			
	(1) Actual return on plan assets (as a component of net periodic pension cost or net periodic postretirement benefit costs), separately identifying the amount related to assets still held at the reporting date and the amount related to assets sold during the period?	_____	_____	_____
	(2) Purchases, sales, and settlements, net?	_____	_____	_____
	(3) Transfers in or out of level 3 (for example, transfers due to changes in the observability of significant inputs)? [FASB ASC 715-20-50-5]	_____	_____	_____
3.	If an NFP determines the measurement date of plan assets in accordance with FASB ASC 715-30-35-63A or 715-60-35-123A, is the following information disclosed in the financial statements:			
	a. The accounting policy election to measure plan assets and benefit obligations using the month-end that is closest to the NFP's fiscal year-end and the month-end measurement date?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>b. If the employer contributes assets to the plan between the measurement date and its fiscal year-end, is the amount of the contribution disclosed to permit reconciliation of the total fair value of all the classes of plan assets to the ending balance of the fair value of plan assets? <i>Note:</i> The employer should not adjust the fair value of each class of plan assets for the effects of the contribution. [“Pending Content” in FASB ASC 715-20-50-5]</p>	_____	_____	_____

Defined Contribution Plans

<p>4. If there are defined contribution pension or other defined contribution postretirement plans, do the disclosures include the following items:</p>			
<p>a. The amount of costs recognized for those plans during the period, disclosed separately from the amount of costs for defined benefit plans? [FASB ASC 715-70-50-1]</p>	_____	_____	_____
<p>b. A description of the nature and effect of any significant changes during the period affecting comparability, such as a change in the rate of employer contributions, a merger or acquisition, or a divestiture? [FASB ASC 715-70-50-1]</p>	_____	_____	_____
<p>5. If the pension plan has characteristics of both a defined benefit plan and a defined contribution plan and the substance of the plan is to provide a defined benefit, are the disclosures required in questions 1–2 provided? [FASB ASC 715-70-35-2]</p>	_____	_____	_____

Multiemployer Plans

<p>6. If there is a multiemployer pension or other postretirement plan, do disclosures include</p>			
<p>a. the amount of contributions to multiemployer plans during the period? [FASB ASC 715-80-50-9]</p>	_____	_____	_____
<p>b. a description of the nature and effect of any changes during the period affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [FASB ASC 715-80-50-6]</p>	_____	_____	_____
<p>c. are the provisions of FASB ASC 450 applied if the situation arises in which withdrawal from a multiemployer pension or postretirement benefit plan may result in an employer’s having an obligation to the plan for a portion of the plan’s unfunded benefit obligation and it is probable or reasonably possible that</p>			
<p>i. an employer would withdraw from the plan under circumstances that would give rise to an obligation?</p>	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
ii.	an employer’s contribution to the fund would be increased during the remainder of the shortfall in the funds necessary to maintain the negotiated level of benefit coverage? [FASB ASC 715-80-50-2; FASB ASC 715-80-35-2]	_____	_____	_____
7.	If there is a multiemployer pension plan, do disclosures include			
a.	a narrative description, both of the general nature of the multiemployer plans that provide pension benefits and of the employer’s participation in the plans that would indicate how the risks of participating in these plans are different from single-employer plans? [FASB ASC 715-80-50-4]	_____	_____	_____
b.	the following information for each individually significant multiemployer plan that provides pension benefits, in tabular format if possible:			
i.	Legal name of the plan?	_____	_____	_____
ii.	The plan’s Employer Identification Number and, if available, its plan number?	_____	_____	_____
iii.	For the most recently available certified zone status provided by the plan, the date of the plan’s year-end to which the zone status relates and whether the plan has utilized any extended amortization provisions that affect the calculation of the zone status?	_____	_____	_____
iv.	If the zone status is not available, the total plan assets, the accumulated benefit obligations, and whether the plan was (1) less than 65 percent funded, (2) between 65 percent and 80 percent funded, or (3) more than 80 percent funded?	_____	_____	_____
v.	The expiration date(s) of the collective-bargaining agreement(s) requiring contributions to the plan, if any?	_____	_____	_____
vi.	Whether the employer’s contributions represent more than 5 percent of total contributions to the plan as indicated in the plan’s most recently available annual report (Form 5500 for U.S. plans) and the year-end date of the plan to which the annual report relates, presented for each period for which a statement of activities is presented?	_____	_____	_____
vii.	Whether a funding improvement plan or rehabilitation plan (for example, as those terms are defined by the Employment Retirement Security Act of 1974) had been implemented or was pending?	_____	_____	_____
viii.	Whether the employer paid a surcharge to the plan?	_____	_____	_____
ix.	A description of any minimum contribution(s), required for future periods by the collective bargaining agreement(s), statutory obligations, or other contractual obligations, if applicable? [FASB ASC 715-80-50-5]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. the following information (in a separate section of the tabular disclosure) for plans for which plan level information is not available in the public domain:			
i. A description of the nature of the plan benefits?	_____	_____	_____
ii. A qualitative description of the extent to which the employer could be responsible for the obligations of the plan, including benefits earned by employees during employment with another employer?	_____	_____	_____
iii. Quantitative information to help users understand the financial information about the plan (to the extent available) as of the most recent date available, such as total plan assets, actuarial present value of accumulated plan benefits, and total contributions received by the plan? [FASB ASC 715-80-50 par. 7-8]	_____	_____	_____
d. if quantitative information in questions 6b(iii), 6b(vi), or 6c(iii) is not available, a description of the information has been omitted and why, along with any qualitative information as of the most recent date available that would help users understand the financial information that otherwise is required to be disclosed about the plan? [FASB ASC 715-80-50-7]	_____	_____	_____
e. the following information for each period for which a statement of activities is presented:			
i. Its contributions made to each plan that is individually significant? [FASB ASC 715-80-50-5]	_____	_____	_____
ii. Its total contributions made to all plans that are not individually significant? [FASB ASC 715-80-50-9]	_____	_____	_____
f. whether information about multiemployer pension plans is presented separately from multiemployer postretirement benefit plans? [FASB ASC 715-80-50-5; FASB ASC 715-80-50-11]	_____	_____	_____

Medicare Prescription Drug, Improvement and Modernization Act of 2003

8. Until an employer is able to determine whether benefits provided by its prescription drug plan are actuarially equivalent to Medicare Part D, does it disclose the following in financial statements for interim or annual periods:			
a. The existence of the Medicare Prescription Drug, Improvement and Modernization Act of 2003?	_____	_____	_____
b. The fact that measures of the accumulated postretirement benefit obligation or net periodic postretirement benefit cost do not reflect any amount associated with the subsidy because the employer is unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D under the act? [FASB ASC 715-60-50-6]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. In interim and annual financial statements for the first period in which an employer includes the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 subsidy in measuring the accumulated postretirement benefit obligation and the first period in which an employer includes the effects of the subsidy in measuring net periodic postretirement benefit cost, does it disclose the following:			
a. The reduction in the accumulated postretirement benefit obligation for the subsidy related to benefits attributed to past service?	_____	_____	_____
b. The effect of the subsidy on the measurement of net periodic postretirement benefit cost for the current period? That effect includes (i) any amortization of the actuarial experience gain in question 7a as a component of the net amortization called for by paragraphs 29–30 of FASB ASC 715-60-35, (ii) the reduction in current period service cost due to the subsidy, and (iii) the resulting reduction in interest cost on the accumulated postretirement benefit obligation as a result of the subsidy?	_____	_____	_____
c. Any significant change in the benefit obligation or plan assets not otherwise apparent, as required by FASB ASC 715-20-50-1(r)? [FASB ASC 715-60-50-3]	_____	_____	_____
10. For purposes of the disclosures required by items (a) and (f) of FASB ASC 715-20-50-1, does an employer disclose gross benefit payments (paid and expected, respectively), including prescription drug benefits, and separately the gross amount of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 subsidy receipts (received and expected, respectively)? [FASB ASC 715-60-50-4]	_____	_____	_____
<i>Defined Benefit Plan Terminated and Contributed to Defined Contribution Plan</i>			
11. If the NFP terminates a defined benefit plan and (a) contributes the assets withdrawn to a defined contribution plan, (b) the amount contributed is in excess of the employer’s required (or maximum) annual contribution to the plan, and (c) the risk and rewards of the ownership of the assets in excess are retained by the employer, were the following considered for the defined contribution plan:			
a. Is the excess contribution that is not allocated to individual participants accounted for as an asset regardless of the source of funds?	_____	_____	_____
b. Is the unallocated amount treated as if it were part of the employer’s investment portfolio and recorded as an asset?	_____	_____	_____
c. Is the investment return attributed to such securities including dividends, interest, and gains and losses reported in a manner consistent with the employer’s reporting of similar items? [FASB ASC 715-70-55 par. 4–9]	_____	_____	_____

Yes No N/A

N. Liquidity

Note

ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. This ASU requires an NFP to disclose both qualitative and quantitative information about how the NFP manages its liquid resources.

NFPs that have adopted the requirements of ASU No. 2016-14 should complete this section. If presenting comparative statements, an NFP may omit the disclosures for any periods presented prior to the period of adoption. Liquidity disclosures are not required of NFPs that have not adopted the requirements of ASU No. 2016-14; however, those NFPs may present the information if desired. NFPs that do not wish to provide liquidity information should indicate that section I.N. is not applicable in paragraph .04.

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|----|--|-------|-------|-------|
| 1. | Does the NFP provide | | | |
| | <i>a.</i> qualitative information that is useful in assessing liquidity? | _____ | _____ | _____ |
| | <i>b.</i> qualitative information that communicates how the NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position? | _____ | _____ | _____ |
| | <i>c.</i> quantitative information that communicates the availability of an NFP’s financial assets at the date of the statement of financial position to meet cash needs for general expenditures within one year of the date of the statement of financial position? (Availability of a financial asset may be affected by its nature, external limits imposed by donors, laws, and contracts with others, and internal limitations imposed by governing board decisions.)
[“Pending Content” in FASB ASC 958-210-50-1A] | _____ | _____ | _____ |

O. Advertising Costs

Note

Fundraising by NFPs is not considered advertising. [FASB ASC 958-720-25-5]

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|----|--|-------|-------|-------|
| 1. | Do the disclosures for advertising costs include | | | |
| | <i>a.</i> the accounting policy, including whether such costs are expensed as incurred or the first time the advertising takes place? | _____ | _____ | _____ |
| | <i>b.</i> a description of the direct-response-advertising reported as assets (if any), the related accounting policy, and the amortization method and period? | _____ | _____ | _____ |
| | <i>c.</i> the amount charged to advertising expense for each statement of activities presented, with separate disclosure of amounts, if any, representing a write-down of the capitalized advertising costs to net realizable value? | _____ | _____ | _____ |
| | <i>d.</i> the amount of advertising reported as assets in each statement of financial position presented?
[FASB ASC 720-35-50-1; FASB ASC 340-20-50-1] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
P. Website Development Costs			
1. Are website development costs incurred in the planning stage expensed as incurred? [FASB ASC 350-50-25-2]	_____	_____	_____
2. Are costs of software used to operate the website accounted for consistent with FASB ASC 350-50-25, unless a plan exists to market the software externally? [FASB ASC 350-50-25]	_____	_____	_____
3. Are costs incurred to develop graphics (broadly defined as the "look and feel" of the website) accounted for as intangible assets, unless a plan exists to market them externally? [FASB ASC 350-50-25-8]	_____	_____	_____
4. Are costs of operating the website accounted for in the same manner as other operating costs? [FASB ASC 350-50-25-14]	_____	_____	_____
Q. Costs to Exit or Dispose of an Activity			
1. Are costs associated with an exit or disposal activity that does not involve a discontinued operation included in income from operations (if presented)? [FASB ASC 958-225-45-11]	_____	_____	_____
2. Are costs associated with an exit or disposal activity that involves a discontinued operation included in the results of discontinued operations? [FASB ASC 420-10-45-2]	_____	_____	_____
3. If an event or circumstance occurs that discharges or removes the NFP's responsibility to settle a liability for a cost associated with an exit or disposal activity recognized in a prior period, are the related costs reversed through the same line item(s) in the statement of activities used when those costs were recognized initially? [FASB ASC 420-10-40-1]	_____	_____	_____
4. In the period in which an exit or disposal activity is initiated and any subsequent period until the activity is completed, do the notes to the financial statements describe the exit or disposal activity, including the facts and circumstances leading to the expected activity and the expected completion date? [FASB ASC 420-10-50-1]	_____	_____	_____
5. For each major type of cost associated with the exit or disposal activity (for example, one-time termination benefits, contract termination costs, and other associated costs), has the NFP made the following disclosures:			
a. The total amount expected to be incurred in connection with the activity?	_____	_____	_____
b. The amount incurred in the period?	_____	_____	_____
c. The cumulative amount incurred to date?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. A reconciliation of the beginning and ending liability balances showing separately the changes during the period attributable to costs incurred and charged to expense, costs paid or otherwise settled, and any adjustments to the liability with an explanation of the reason(s) therefore?	_____	_____	_____
e. The line item(s) in the statement of activities in which the costs are aggregated? [FASB ASC 420-10-50-1]	_____	_____	_____
6. If a liability for a cost associated with the exit or disposal activity is not recognized because its fair value cannot be reasonably estimated, is that fact and the reasons why disclosed? [FASB ASC 420-10-50-1]	_____	_____	_____

R. Fair Value Measurements

Note

FASB ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (a consensus of the Emerging Issues Task Force), issued May 2015, changes the disclosure requirements for investments for which fair value is measured using net asset value per share (or its equivalent) as a practical expedient. The amendments in ASU No. 2015-07 do not apply to investments that are measured using a net asset value that is published and is the basis for current transactions (that is, the amendments do not apply to an investment that has a readily determinable fair value).

The “Pending Content” in FASB ASC 820-10-35-54B excludes from the fair value hierarchy investments for which fair value is measured using the net asset value per share (or its equivalent) as a practical expedient.

ASU No. 2015-07 is effective for NFPs for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. Early adoption is permitted.

An NFP for which ASU No. 2015-07 is effective or one that wishes to early adopt the requirements of ASU No. 2015-07 should not include categorize investments measured using net asset value as a practical expedient within the fair value hierarchy. Instead, an NFP should provide the amount measured using the practical expedient to permit reconciliation of the fair value of investments included in the fair value hierarchy to the line items presented in the statement of financial position.

1. Has the NFP made the following disclosures for assets and liabilities that are measured at fair value in periods subsequent to initial recognition in the statement of financial position (for example, investments) for each period separately for each class of assets and liabilities:			
a. The fair value measurements at the end of the reporting period? (<i>Note:</i> For derivatives, amounts should be presented on a gross basis.)	_____	_____	_____
b. The level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (level 1, level 2, or level 3)? (<i>Note:</i> For derivatives, information should be presented on a gross basis.)	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. 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 presenting changes during the period attributable to the following (disclosures for derivative assets and liabilities may be presented net):			
i. Total gains or losses for the period recognized in changes in net assets, and the line item(s) in the statement of activities in which those gains and losses are recognized?	_____	_____	_____
ii. Purchases, sales, issuances, and settlements (each of those types of changes disclosed separately)?	_____	_____	_____
iii. The amounts of any transfers into or out of level 3 of the fair value hierarchy and the reason for those transfers (for example, transfers due to changes in the observability of significant inputs)?	_____	_____	_____
d. The amount of the total gains or losses for the period in item c(i) in this question included in changes in net assets that is 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 item(s) in the statement of activities in which those unrealized gains or losses are recognized? [FASB ASC 820-10-50-2]	_____	_____	_____
2. Are the disclosures in question 1 provided in sufficient detail to permit reconciliation of the fair value measurement disclosures for the various classes of assets and liabilities to the line items in the statement of financial position? [FASB ASC 820-10-50-2B]	_____	_____	_____
3. If the NFP has assets or liabilities that are measured at fair value on a nonrecurring basis in periods subsequent to initial recognition (for example, impaired assets), has the NFP disclosed the fair value measurement at the relevant measurement date and the reasons for the measurements? [FASB ASC 820-10-50-2]	_____	_____	_____
4. Has the NFP made the following disclosures for assets and liabilities that are measured at fair value in periods subsequent to initial recognition for each period separately for each class of assets and liabilities:			
a. For fair value measurements within level 2 and level 3, a description of the valuation technique(s) and the inputs used in the fair value measurement?	_____	_____	_____
b. If there has been a change in either or both a valuation approach and a valuation technique (for example, changing from matrix pricing to the binomial model or the use of an additional valuation technique), that change and the reason for making it? [“Pending Content” in FASB ASC 820-10-50-2]	_____	_____	_____
5. For fair value measurements categorized within level 3 of the fair value hierarchy, has the NFP provided the following information:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>a.</i> Quantitative information about the significant unobservable inputs used in the fair value measurement? (<i>Note:</i> An NFP is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the NFP when measuring fair value [for example, when the NFP uses prices from prior transactions or third-party pricing information without adjustment]. However, when providing this disclosure, the NFP cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to it. The requirement to provide quantitative information does not apply to a nonpublic entity reporting an indefinite-lived intangible asset at fair value.)</p>	_____	_____	_____
<p><i>b.</i> A description of the valuation processes used by the NFP (including, for example, how it decides its valuation policies and procedures and analyzes changes in fair value measurements from period to period)? (<i>Note:</i> See FASB ASC 820-10-55-105 for further guidance.) [FASB ASC 820-10-50-2; FASB ASC 350-30-50-3A]</p>	_____	_____	_____
<p>6. If a nonfinancial asset is measured in the statement of financial position at fair value in periods subsequent to initial recognition and its current use differs from its highest and best use, has the NFP disclosed that fact and why the nonfinancial asset is being used in a manner that differs from its highest and best use? [FASB ASC 820-10-50-2]</p>	_____	_____	_____
<p>7. <i>For public entities:</i> If the NFP is a public entity, has it provided the following information:</p>			
<p><i>a.</i> The information about transfers between level 1 and level 2 of the fair value hierarchy required by FASB ASC 820-10-50-2(bb)?</p>	_____	_____	_____
<p><i>b.</i> The information about the sensitivity of the fair value measurement to changes in unobservable inputs required by FASB ASC 820-10-50-2(g)?</p>	_____	_____	_____
<p><i>c.</i> The information required by FASB ASC 820-10-50-2E 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?</p>	_____	_____	_____
<p><i>d.</i> The information required by FASB ASC 820-10-50-2E if the fair value of a nonfinancial asset is disclosed and its current use differs from its highest and best use? [FASB ASC 820-10-50-2; FASB ASC 820-10-50-2E]</p>	_____	_____	_____
<p>8. Are the quantitative disclosures required by this section in a tabular format? [FASB ASC 820-10-50-8]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>9. If the NFP reports assets and liabilities at fair value pursuant to the “Fair Value Option” subsections of FASB ASC 825-10, has it either (a) presented the aggregate of fair value and non-fair-value amounts in the same line item in the statement of financial position and parenthetically disclosed the amount measured at fair value included in the aggregate amount or (b) presented two separate line items to display the fair value and non-fair-value carrying amounts of similar assets and liabilities? [FASB ASC 825-10-45-2]</p>	_____	_____	_____
<p>10. As of each date for which a statement of financial position is presented, has the NFP disclosed the following information about items measured at fair value under the option in the “Fair Value Option” subsections of FASB ASC 825-10 or FASB ASC 815-15-25-4:</p> <p>a. Management’s reasons for electing a fair value option for each eligible item or group of similar eligible items?</p>	_____	_____	_____
<p>b. The following information if the fair value option is elected for some but not all eligible items within a group of similar eligible items:</p> <p>i. A description of those similar items and the reasons for partial election?</p>	_____	_____	_____
<p>ii. Information to enable users to understand how the group of similar items relates to individual line items on the statement of financial position?</p>	_____	_____	_____
<p>c. The following information 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:</p> <p>i. Information to enable users to understand how each line item in the statement of financial position relates to major categories or classes of assets and liabilities presented in accordance with fair value disclosure requirements in FASB ASC 820?</p>	_____	_____	_____
<p>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? [FASB ASC 825-10-50-28]</p>	_____	_____	_____
<p>11. As of each date for which a statement of activities is presented, has the NFP disclosed the following information about items measured at fair value under the “Fair Value Option” subsections in FASB ASC 825-10 or the option in FASB ASC 815-15-25-4:</p> <p>a. For each line item in the statement of financial position, the amounts of gains and losses from fair value changes during the period included in change in each of the net asset classes, and in an intermediate measure of operations, if one is presented, and in which line in the statement of activities those gains and losses are reported? (An NFP may meet this requirement by disclosing amounts that include gains and losses for other items measured at fair value.)</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. A description of how interest and dividends are measured and where they are reported in the statement of activities? [FASB ASC 825-10-50-30]	_____	_____	_____
12. Has the NFP disclosed 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]	_____	_____	_____
13. If an NFP elects the fair value option at a remeasurement event as described in items (d)–(e) of FASB ASC 825-10-25-4, has it disclosed the following 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 statement of activities include the effect of initially electing the fair value option for an item? [FASB ASC 825-10-50-32]	_____	_____	_____
S. Doubt about the NFP’s Ability to Continue as a Going Concern			
1. If, after considering management’s plans, substantial doubt about an NFP’s ability to continue as a going concern is alleviated as a result of consideration of management’s plans, do the notes disclose information that enables users of the financial statements to understand all of the following:			
a. Principal conditions or events that raised substantial doubt about the NFP’s ability to continue as a going concern (before consideration of management’s plans)?	_____	_____	_____
b. Management’s evaluation of the significance of those conditions or events in relation to the NFP’s ability to meet its obligations?	_____	_____	_____
c. Management’s plans that alleviated substantial doubt about the NFP’s ability to continue as a going concern? [“Pending Content” in FASB ASC 205-40-50-12]	_____	_____	_____
2. If, after considering management’s plans, substantial doubt about an NFP’s ability to continue as a going concern is not alleviated, do the notes disclose information that enables users of the financial statements to understand all of the following:			
a. That there is substantial doubt about the NFP’s ability to continue as a going concern within one year after the date that the financial statements are issued? <i>Note:</i> A statement indicating that fact is required.	_____	_____	_____
b. Principal conditions or events that raise substantial doubt about the NFP’s ability to continue as a going concern?	_____	_____	_____
c. Management’s evaluation of the significance of those conditions or events in relation to the NFP’s ability to meet its obligations?	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
d.	Management's plans that are intended to mitigate the conditions or events that raise substantial doubt about the NFP's ability to continue as a going concern? ["Pending Content" in FASB ASC 205-40-50-13]	_____	_____	_____
3.	If conditions or events continue to raise substantial doubt about an NFP's ability to continue as a going concern in subsequent annual or interim reporting periods, do the notes include all of the following:			
a.	The required disclosures (questions 1 or 2 as appropriate) in those subsequent periods?	_____	_____	_____
b.	An explanation of how conditions or events have changed between reporting periods?	_____	_____	_____
c.	More extensive information about the relevant conditions or events and about management's plans? ["Pending Content" in FASB ASC 205-40-50-14]	_____	_____	_____
4.	For the period in which substantial doubt no longer exists (before or after consideration of management's plans), does the NFP disclose how the relevant conditions or events that raised substantial doubt were resolved? ["Pending Content" in FASB ASC 205-40-50-14]	_____	_____	_____

II. Statement of Financial Position

A. General	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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Note

ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. This ASU will require NFPs to disclose, as of the end of the reporting period, the amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources that are free of donor-imposed restrictions.

This ASU also reduces the three classes of net assets used in financial statements of NFPs under current standards (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets—net assets with donor restrictions and net assets without donor restrictions. Because the definition of "donor-imposed restriction" is essentially unchanged, the effect of the change is that temporarily restricted net assets and permanently restricted net assets are combined in the statement of financial position and the statement of activities to become net assets with donor restrictions. Unrestricted net assets will be referred to as net assets without donor restrictions.

NFPs that have adopted the requirements of ASU No. 2016-14 should mark the question 1 "N/A" and complete questions 12–14.

1.	Does the statement of financial position report total assets, liabilities, and net assets as well as separate amounts for each of three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, and do the captions used to describe the classes correspond to their meanings? [FASB ASC 958-210-45-1; FASB ASC 958-210-55-4]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Does the NFP provide information about liquidity by one or more of the following presentations:			
<i>a.</i> Sequencing assets according to their nearness of conversion to cash and sequencing liabilities according to the nearness of their maturity and resulting use of cash?	_____	_____	_____
<i>b.</i> Classifying assets and liabilities as current and noncurrent?	_____	_____	_____
<i>c.</i> Disclosing in notes to financial statements relevant information about the liquidity or maturity of assets and liabilities, including restrictions on the use of particular assets? [FASB ASC 958-210-45-8]	_____	_____	_____
3. For classified statements of financial position, are assets and liabilities segregated into current and noncurrent classifications, with totals presented for current assets and current liabilities? [FASB ASC 210-10-45]	_____	_____	_____
4. For classified statements of financial position, are assets that are not expected to be realized during the current operating cycle classified as noncurrent? [FASB ASC 210-10-45-4]	_____	_____	_____
5. Are cash and other assets that are received with restrictions that limit their use to long term purposes or that are designated by the governing board for long term purposes (<i>a</i>) reported separately from similar assets that are available for current use and (<i>b</i>) described in the notes if the nature of the assets (for example, treasury bonds) is not apparent from the face of the statement of financial position? [FASB ASC 210-10-45-4; FASB ASC 958-210-45-6]	_____	_____	_____
6. Are contractual limitations on the use of particular assets disclosed on the face of the financial statements or in the notes? [FASB ASC 958-210-45-7]	_____	_____	_____
7. Are valuation allowances for assets shown as deductions from their related assets with appropriate disclosure? [FASB ASC 210-10-45-13]	_____	_____	_____
8. Are assets offset against a related liability and reported at the net amount only when the NFP intends to set off and a valid right of setoff exists, as defined in FASB ASC 210-20-45-1? [FASB ASC 210-20-45-1; FASB ASC 210-10-45-4]	_____	_____	_____
9. If derivative instruments, repurchase agreements, and reverse repurchase agreements, or securities borrowing and securities lending transactions are offset in accordance with either FASB ASC 210-20-45 or FASB ASC 815-10-45, is the following information disclosed in a tabular format, separately for assets and liabilities:			
<i>a.</i> The gross amounts of the recognized assets and those recognized liabilities?	_____	_____	_____
<i>b.</i> The amounts offset to determine the net amounts presented in the statement of financial position?	_____	_____	_____
<i>c.</i> The net amounts presented in the statement of financial position?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. The amounts subject to an enforceable master netting arrangement (or similar agreement) that is not included in item <i>b</i> either because management makes an accounting policy election not to offset or the amounts do not meet some or all of the guidance in either FASB ASC 210-20-45 or FASB ASC 815-10-45?	_____	_____	_____
e. The amounts related to financial collateral (including cash collateral) for an enforceable master netting arrangement (or similar agreement) that is not included in item <i>b</i> ?	_____	_____	_____
f. The net amount after deducting the amounts in items <i>d–e</i> from the amounts in item <i>c</i> ?	_____	_____	_____
g. A description of the rights of setoff (including the nature of those rights) associated with the NFP’s recognized assets and recognized liabilities subject to an enforceable master netting arrangement (or similar agreement) disclosed in accordance with item <i>d</i> ? [FASB ASC 210-20-50 par. 3–5; FASB ASC 860-30-50-8]	_____	_____	_____
10. Are the total amounts disclosed in accordance with questions 9 <i>d–e</i> for an instrument less than or equal to the amount disclosed in accordance with question 9 <i>c</i> for that instrument and computed in accordance with FASB ASC 210-20-55-13? [FASB ASC 210-20-50-4; FASB ASC 210-20-55-13]	_____	_____	_____
11. If the information required by question 9 is disclosed in more than a single note to the financial statements, are cross-references between those notes provided? [FASB ASC 210-20-50-6]	_____	_____	_____
12. Does the statement of financial position report total assets, liabilities, and net assets as well as separate amounts for each of two classes of net assets: net assets without donor restrictions and net assets with donor restrictions assets and do the captions used to describe the classes correspond to their meanings? [“Pending Content” in FASB ASC 958-210-45-1; “Pending Content” in FASB ASC 958-210-55-4]	_____	_____	_____
13. Does the NFP provide information about the nature and amounts of different types of limitations placed on net assets without donor restrictions, such as information about the amounts and purposes of board designations, reporting their amounts on the face of the statement of financial position or by including relevant details in notes to financial statements? [“Pending Content” in FASB ASC 958-210-50-3; “Pending Content” in FASB ASC 958-210-45-11]	_____	_____	_____
14. Does the NFP provide information about self-imposed limits on the use of particular assets? [“Pending Content” in FASB ASC 958-210-50-1]	_____	_____	_____

B. Cash and Cash Equivalents

Note

FASB ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, is effective for fiscal years beginning after December 15, 2018, and for interim periods

(continued)

Yes No N/A

within fiscal years beginning after December 15, 2019. Early adoption is permitted. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

NFPs that have adopted the requirements of ASU No. 2016-18 should complete question 8.

- | | | | | |
|----|---|-------|-------|-------|
| 1. | Is <i>cash</i> or <i>cash and cash equivalents</i> included as a separate line item on the statement of financial position?
[FASB ASC 230-10-45-4] | _____ | _____ | _____ |
| 2. | Are restricted amounts appropriately segregated from other cash balances?
[FASB ASC 210-10-45-4; FASB ASC 958-210-45 par. 6–7] | _____ | _____ | _____ |
| 3. | If a concentration of credit risk arises from deposits in excess of federally insured limits, is it disclosed?
[FASB ASC 825-10-50-20] | _____ | _____ | _____ |
| 4. | If the NFP has material bank overdrafts or a material balance of undelivered checks as of the statement of financial position date, are | | | |
| | a. bank overdrafts presented as a separate caption within current liabilities? | _____ | _____ | _____ |
| | b. undelivered checks classified as accounts payable?
[Common Practice] | _____ | _____ | _____ |
| 5. | Are short term highly liquid investments excluded from cash equivalents if they are purchased with resources that have donor restrictions that limit their use to long term investment—for example, as a permanent endowment fund?
[FASB ASC 958-230-55-2] | _____ | _____ | _____ |
| 6. | Are requirements to hold cash in separate accounts disclosed?
[FASB ASC 958-210-50-2] | _____ | _____ | _____ |
| 7. | Are certificates of deposit with original maturities of greater than 90 days excluded from “cash and cash equivalents”?
[Q&A 2130.39] | _____ | _____ | _____ |
| 8. | Is information provided about the nature of restrictions on cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents?
[“Pending Content” in FASB ASC 230-10-50-7] | _____ | _____ | _____ |

C. Investments Other Than Derivative Instruments

Note

FASB ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, issued in January 2016, simplifies the impairment assessment of equity investments without readily determinable fair values. It requires a qualitative assessment to identify impairment, and when that qualitative assessment indicates that impairment exists, an NFP is required to measure the investment at fair value.

For NFPs, ASU No. 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. NFPs may adopt ASU No. 2016-01 earlier as of the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.

(continued)

Yes No N/A

Because an NFP cannot early adopt ASU No. 2016-01 (except for certain amendments to FASB ASC 825-10-45 and FASB ASC 825-10-50) until fiscal years beginning after December 15, 2017, this section of the checklist has not been updated for its financial reporting and disclosure requirements.

ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted.

ASU No. 2016-14 made the disclosures in ASU No. 2016-01, except for FASB ASC 321-10-50-4, effective when the NFP adopted the requirements of ASU No. 2016-14. Therefore, NFPs that have adopted the requirements of ASU No. 2016-14 should complete question 13. Other NFPs should mark that question "N/A."

- | | | | | |
|----|---|-------|-------|-------|
| 1. | Are investments in equity securities with readily determinable fair values and all investments in debt securities measured at fair value in the statement of financial position?
[FASB ASC 958-320-35-1] | _____ | _____ | _____ |
| 2. | Are other types of investments (such as real estate and venture capital funds) reported in accordance with FASB ASC 958-325? For investments that are required to be consolidated or reported using the equity method, refer to section I.E, "Related Entities."
[FASB ASC 958-325-35] | _____ | _____ | _____ |
| 3. | For each period for which a statement of financial position is presented, are the following disclosures made on the face of the financial statements or in the notes thereto: | | | |
| a. | The aggregate carrying amount of investments by major types (for example, equity securities and corporate debt securities)?
[FASB ASC 958-320-50-2] | _____ | _____ | _____ |
| b. | The basis for determining the carrying amount for investments other than equity securities with readily determinable fair values and all debt securities?
[FASB ASC 958-325-50-2] | _____ | _____ | _____ |
| c. | The methods and significant assumptions used to estimate the fair values of investments other than financial instruments, if those other investments are reported at fair value?
[FASB ASC 958-325-50-2] | _____ | _____ | _____ |
| 4. | For the most recent period for which a statement of financial position is presented, does the entity disclose the nature of and carrying amount for every individual investment or group of investments that represents a significant concentration of market risk (market risk may result from the nature of the investments, a lack of diversity of industry, currency, or geographic location)?
[FASB ASC 958-320-50-3] | _____ | _____ | _____ |
| 5. | Are significant concentrations of credit risk, including those that arise from concentrations of investments in U.S. government securities, disclosed?
[FASB ASC 825-10-50-21] | _____ | _____ | _____ |
| 6. | Are the appropriate disclosures made for investments in common stock accounted for under the equity method?
[FASB ASC 323-10-50-3] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. If the NFP enters into securities lending transactions or repurchase agreements, has it disclosed the following information:			
<i>a.</i> Its policy for requiring collateral or other security?	_____	_____	_____
<i>b.</i> The carrying amount and classification of assets and associated liabilities at the end of each period presented, including qualitative information about the relationship(s) between those assets and associated liabilities. For example, if assets are restricted solely to satisfy a specific obligation, include a description of the nature of restrictions placed on the assets?	_____	_____	_____
<i>c.</i> A disaggregation of the gross obligation, by the class of collateral pledged, providing an appropriate level of disaggregation and classes determined on the basis of the nature, characteristics, and risks of the collateral pledged?	_____	_____	_____
<i>d.</i> A reconciliation of total borrowings under securities lending agreements and repurchase agreements to the amount of the gross liability for securities lending transactions disclosed in accordance with FASB ASC 210-20-50-3(a) before any adjustments for offsetting if those amounts are different?	_____	_____	_____
<i>e.</i> The remaining contractual maturity of the securities lending transactions, using maturity intervals that convey an understanding of the overall maturity profile of the entity's financing agreements?	_____	_____	_____
<i>f.</i> A discussion of the potential risks associated with securities lending agreements and related collateral pledged, including obligations arising from a decline in the fair value of the collateral pledged and how those risks are managed? [FASB ASC 860-30-50-1A; "Pending Content" in FASB ASC 860-30-50-7]	_____	_____	_____
8. If the NFP has investments that would have been accounted for under the equity method if the NFP had not chosen to apply the guidance in the "Fair Value Option" subsections of FASB ASC 825-10 or in FASB ASC 815-15-25-4, has it disclosed for each period for which a statement of financial position is presented the information required by FASB ASC 323-10-50-3, excluding the disclosures in (a)(3), (b), and (d) of that paragraph? [FASB ASC 825-10-50-28]	_____	_____	_____
9. For all equity securities within the scope of FASB ASC 958-325 that are reported at cost (cost-method investments) and are in an unrealized loss position for which impairment losses have not been recognized, does the NFP include the following information as of each date for which a statement of financial position is presented in its annual financial statements:			
<i>a.</i> The aggregate amount of unrealized losses (that is, the amount by which cost or amortized cost exceeds fair value)?	_____	_____	_____
<i>b.</i> The aggregate related fair value of investments with unrealized losses?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Is the information required by the preceding questions 9a–b presented in tabular form, aggregated by each category of investment that the NFP discloses for its cost-method investments?	_____	_____	_____
d. Is the table required in questions 9a–b segregated by those investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer? [FASB ASC 958-325-50-3; FASB ASC 320-10-50-6]	_____	_____	_____
10. For all cost-method investments that are in an unrealized loss position for which impairment losses have not been recognized, does the NFP explain as of the date of the most recent statement of financial position included in its annual financial statements why it concluded that the impairment was not other-than-temporary? That information could include	_____	_____	_____
a. the nature of the investment(s).	_____	_____	_____
b. the cause(s) of the impairment(s).	_____	_____	_____
c. the number of investment positions that are in an unrealized loss position.	_____	_____	_____
d. the severity and duration of the impairment(s).	_____	_____	_____
e. the evidence (both positive and negative) considered by the NFP in reaching its conclusion that the investment is not other-than-temporarily impaired, including, for example, industry analyst reports, sector credit ratings, volatility of the security's fair value, or any other information or both that the NFP considers relevant. [FASB ASC 958-325-50-3; FASB ASC 320-10-50-6]	_____	_____	_____
11. For all cost-method investments, does the NFP include the following information as of <i>each</i> date for which a statement of financial position is presented in its annual financial statements:			
a. The aggregate carrying amount of all cost-method investments?	_____	_____	_____
b. The aggregate carrying amount of cost-method investments that the NFP did not evaluate for impairment?	_____	_____	_____
c. The fact that the fair value of a cost-method investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment and either (i) the NFP determined, in accordance with paragraphs 16–19 of FASB ASC 825-10-50, that it is not practicable to estimate the fair value of the investment or (ii) the NFP is exempt from estimating fair value under FASB ASC 825-10? [FASB ASC 325-20-50-1]	_____	_____	_____
12. Have the necessary disclosures about financial instruments been made? (Refer to section II.E., "Financial Instruments.")	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
13. If equity securities without readily determinable fair values are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, does the NFP disclose			
a. the carrying amount of equity securities without readily determinable fair values?	_____	_____	_____
b. the amount of impairments and downward adjustments, if any, both annual and cumulative?	_____	_____	_____
c. the amount of upward adjustments, if any, both annual and cumulative?	_____	_____	_____
d. as of the date of the most recent statement of financial position, additional information (in narrative form) that is sufficient to permit financial statement users to understand the quantitative disclosures and the information that the NFP considered in reaching the carrying amounts and upward or downward adjustments resulting from observable price changes? [“Pending Content” in FASB ASC 321-10-50-3; “Pending Content” in FASB ASC 958-321-50-2]	_____	_____	_____

Note

ASU No. 2015-07 issued May 2015, changes the disclosure requirements for investments for which fair value is measured using net asset value per share (or its equivalent) as a practical expedient. The amendments in ASU No. 2015-07 do not apply to investments that are measured using a net asset value that is published and is the basis for current transactions (that is, the amendments do not apply to an investment that has a readily determinable fair value).

The “Pending Content” in FASB ASC 820-10-35-54B excludes from the fair value hierarchy investments for which fair value is measured using the net asset value per share (or its equivalent) as a practical expedient. Additionally, the “Pending Content” in FASB ASC 820-10-50-6A replaces the requirement to make the disclosures in question 14 for all investments that are *eligible* to be measured at fair value using the net asset value per share as a practical expedient with a requirement that limits the disclosures to investments for which the entity has elected to measure the fair value using that practical expedient.

ASU No. 2015-07 is effective for NFPs for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. Early adoption is permitted.

An NFP for which ASU No. 2015-07 is effective or one that wishes to early adopt the requirements of ASU No. 2015-07 should complete question 14 only for investments for which the NFP has elected to measure the fair value using net asset value, and it should answer question 14i “N/A” as ASU No. 2015-07 eliminates that disclosure requirement.

14. Does the NFP disclose all of the following information about its alternative investments for which ownership is represented by units of investments, such as shares of stock or partnership interests, for each interim and annual period, separately for each class of investment:			
a. The fair value (as determined by applying paragraphs 59–62 of FASB ASC 820-10-35) of the investments in the class?	_____	_____	_____
b. A description of the significant investment strategies of the investee(s) in the class?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>c.</i> For each class of investment that includes investments that can never be redeemed with the investees, but the NFP receives distributions through the liquidation of the underlying assets of the investees, the NFP's estimate of the period of time over which the underlying assets are expected to be liquidated by the investees?	_____	_____	_____
<i>d.</i> The amount of the NFP's unfunded commitments related to investments in the class?	_____	_____	_____
<i>e.</i> 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)?	_____	_____	_____
<i>f.</i> The circumstances in which an otherwise redeemable investment in the class (or a portion thereof) might not be redeemable (for example, investments subject to a lockup or gate)?	_____	_____	_____
<i>g.</i> The NFP's estimate of when a restriction from redemption might lapse for those otherwise redeemable investments that are restricted from redemption as of the measurement date, or if an estimate cannot be made, that fact and how long the restriction has been in effect?	_____	_____	_____
<i>h.</i> Any other significant restriction on the ability to sell investments in the class at the measurement date?	_____	_____	_____
<i>i.</i> The total fair value of all investments that it is probable that the NFP will sell for an amount different from NAV (or its equivalent) and any remaining actions required to complete the sale? (A sale is probable if it meets the criteria in FASB ASC 820-10-35-62.)	_____	_____	_____
<i>j.</i> The plans to sell and any remaining actions required to complete the sale of any group of investments that would otherwise meet the criteria for probable sale except that the individual investments to be sold have not been identified? (The disclosure is made so the investments continue to qualify for the practical expedient in FASB ASC 820-10-35-59.) [FASB ASC 820-10-50-6A]	_____	_____	_____

D. Derivative Instruments and Hedging Activities

1. Are derivative instruments that are within the scope of FASB ASC 815, including certain derivative instruments embedded in other contracts, accounted for as assets or liabilities in the statement of financial position and measured at their fair values? [FASB ASC 815-10-25-1; FASB ASC 815-10-35-1]	_____	_____	_____
2. Are gains and losses included in the change in net assets for			
<i>a.</i> derivative instruments that are not designated as a hedging instrument and derivative instruments that are designated as cash flow hedges? [FASB ASC 815-10-35-3]	_____	_____	_____
<i>b.</i> derivative instruments designated and qualifying as a fair value hedge, along with the offsetting loss or gain on the hedged item and the effects of hedge ineffectiveness? [FASB ASC 815-25-35-19]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Are gains and losses on derivative instruments or nonderivative financial instruments that are designated and qualifying as hedges of a foreign currency exposure of a net investment in a foreign operation accounted for in the same manner as a translation adjustment, that is, are they reported separately in the statement of activities (by class of net assets affected) in accordance with FASB ASC 830, <i>Foreign Currency Matters</i> ? [FASB ASC 815-35-35 par. 1–2; FASB ASC 815-10-50-4G]	_____	_____	_____
4. Does the NFP 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 necessary to understand those objectives?	_____	_____	_____
c. Its strategies for achieving those objectives? [FASB ASC 815-10-50-1A]	_____	_____	_____
5. Are the disclosures described in question 4 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]	_____	_____	_____
6. Do the disclosures described in question 4 distinguish between instruments used for risk management purposes and those used for other purposes? [FASB ASC 815-10-50-1B]	_____	_____	_____
7. Do the disclosures described in question 4 distinguish between instruments designated as (a) fair value hedging instruments, (b) cash flow hedging instruments, (c) hedges of foreign currency exposure of net investments in foreign operations, and (d) economic hedges and for other purposes related to the NFP's risk exposures? [FASB ASC 815-10-50-2]	_____	_____	_____
8. For derivative instruments not designated as hedging instruments, does the NFP describe the purpose the derivative activity? [FASB ASC 815-10-50-4]	_____	_____	_____
9. Does the NFP disclose information that enables users of its financial statements to understand the volume of its derivative activity? [FASB ASC 815-10-50-1A]	_____	_____	_____
10. Did the NFP consider providing additional qualitative disclosures about its overall risk exposures relating to interest rate risk, foreign currency exchange rate risk, commodity price risk, credit risk, and equity price risk, even if the NFP does not manage those risks by using derivative instruments? [FASB ASC 815-10-50-5]	_____	_____	_____
11. Does the NFP disclose the location and fair value amounts of 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) in a tabular format that provides			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>a.</i> the fair value on a gross basis (even if the derivative instruments qualify for net presentation in the statement of financial position) and without netting any cash collateral payables and receivables associated with those instruments? [FASB ASC 815-10-50 par. 4A–4B; FASB ASC 820-10-50-3]</p>	_____	_____	_____
<p><i>b.</i> separate asset and liability values segregated between derivatives that are designated and qualifying as hedging instruments and those that are not, and within those two broad categories, by type of derivative contract (for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and so forth)? [FASB ASC 815-10-50-4B]</p>	_____	_____	_____
<p><i>c.</i> the line item(s) in the statement of financial position in which the fair value amounts for the preceding categories are included? [FASB ASC 815-10-50-4B]</p>	_____	_____	_____
<p>12. Does the NFP disclose the location and amounts of the gains and losses reported in the statement of activities (by class of net assets affected) for 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) in a tabular format that provides</p>			
<p><i>a.</i> the gains and losses on derivative instruments designated and qualifying as hedging instruments in fair value hedges and related hedged items designated and qualifying in fair value hedges)?</p>	_____	_____	_____
<p><i>b.</i> the portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges representing the amount of the hedge’s ineffectiveness?</p>	_____	_____	_____
<p><i>c.</i> the portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges representing the amount, if any, excluded from the assessment of hedge effectiveness?</p>	_____	_____	_____
<p><i>d.</i> the gains and losses for derivative instruments not designated or qualifying as hedging instruments? (See question 15.) [FASB ASC 815-10-50 par. 4A, 4C, 4E, and 4G]</p>	_____	_____	_____
<p>13. Do the disclosures described in question 12 present information separately by type of derivative contract (for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and other contracts)? [FASB ASC 815-10-50-4D]</p>	_____	_____	_____
<p>14. Do the disclosures described in question 12 identify the line item(s) in the statement of activities in which the gains and losses for the categories of derivative instruments are included and which class or classes of net assets are affected? [FASB ASC 815-10-50-4D; FASB ASC 815-10-50-4G]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
15. If the NFP excludes derivative instruments not designated or qualifying as hedging instruments from the disclosures described in question 12, has it disclosed the following information for those excluded instruments:			
<i>a.</i> The gains and losses on derivative and nonderivative instruments recognized in the statement of activities, separately by major types of items (for example, fixed income/interest rates, foreign exchange, equity, commodity, and credit)?	_____	_____	_____
<i>b.</i> The line item(s) in the statement of activities in which the gains and losses are recognized, separately by class of net assets affected?	_____	_____	_____
<i>c.</i> A description of the nature of its activities and related risks, and how the NFP manages those risks? [FASB ASC 815-10-50-4]	_____	_____	_____
16. Does the NFP 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) that have credit-risk-related contingent features and that are in a net liability position at the end of the reporting period:			
<i>a.</i> The existence and nature of the credit-risk-related contingent features and the circumstances in which the features could be triggered?	_____	_____	_____
<i>b.</i> The aggregate fair value amounts that are in a net liability position at the end of the period?	_____	_____	_____
<i>c.</i> The aggregate fair value of assets that are already posted as collateral at the end of the reporting period?	_____	_____	_____
<i>d.</i> The aggregate fair value of additional assets that would be required to be posted as collateral or the aggregate fair value of assets needed to settle the instrument immediately, if the credit-risk-related contingent features were triggered at the end of the reporting period? [FASB ASC 815-10-50-4H]	_____	_____	_____
17. Is the following information about fair value hedges disclosed:			
<i>a.</i> The net gain or loss recognized in the change in net assets for the sum of (i) the amount of the hedge's ineffectiveness and (ii) the component of the derivative instrument's gain or loss, if any, excluded from the assessment of hedge effectiveness? [FASB ASC 815-25-50-1]	_____	_____	_____
<i>b.</i> The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge? [FASB ASC 815-25-50-1]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
18. If the NFP elects to offset fair values for derivative instruments and cash collateral under a master netting arrangement, as described in paragraphs 5–6 of FASB ASC 815-10-45, does it disclose that accounting policy and the information required by FASB ASC 815-10-50-8? [FASB ASC 815-10-50 par. 7–8]	_____	_____	_____
19. If the information required by questions 4–18 is disclosed in more than a single note, does each derivative notes cross-reference the other notes in which derivative-related information is disclosed? [FASB ASC 815-10-50-4I; FASB ASC 815-10-50-4G]	_____	_____	_____
20. If the NFP is a party to a master netting arrangement for derivatives (including bifurcated embedded derivatives), have the required disclosures been made, irrespective of whether the NFP has offset amounts under the agreement? (Refer to section II.A. questions 9–11.) [FASB ASC 210-20-50-1]	_____	_____	_____
21. If the NFP measures hybrid instruments (financial instruments containing embedded derivatives) at fair value in accordance with the election in FASB ASC 815-15-25-4 or the practicability exception in FASB ASC 815-15-30-1, has the NFP disclosed the information required by paragraphs 28–32 of FASB ASC 825-10-50? [FASB ASC 815-15-50-1]	_____	_____	_____
22. Has the NFP provided information that will allow users to understand the effect of changes in the fair value of hybrid financial instruments measured at fair value on change in net assets? [FASB ASC 815-15-50-2]	_____	_____	_____
E. Financial Instruments			
1. Do disclosures of all significant concentrations of credit risk arising from all financial instruments (including derivative instruments accounted for under FASB ASC 815), whether from an individual counterparty or groups of counterparties (except for certain insurance and investment contracts, purchase and pension obligations), include			
<i>a.</i> information about the (shared) activity, region, or economic characteristic that identifies the concentration? Possible shared characteristics on which significant concentrations may be determined include, but are not limited to	_____	_____	_____
<i>i.</i> borrowers subject to significant payment increases.	_____	_____	_____
<i>ii.</i> loans with terms that permit negative amortization.	_____	_____	_____
<i>iii.</i> loans with high loan-to-value ratios. Judgment is required to determine whether loan products have terms that give rise to a concentration of credit risk.	_____	_____	_____
<i>b.</i> the maximum amount of loss due to credit risk that, based on the gross fair value of the financial instrument, the NFP would incur if parties failed completely to perform according to the terms of the contracts and the collateral (or other security, if any) for the amount due proved to be of no value to the NFP?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. the NFP’s policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the NFP’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 NFP’s policy of entering into master netting arrangements to mitigate the credit risk of financial instruments, information about the arrangements for which the entity is a party, and a brief description of the terms of those arrangements, including the extent to which they would reduce the NFP’s maximum amount of loss due to credit risk? [FASB ASC 825-10-50-21]	_____	_____	_____

Note

FASB ASC 860, *Transfers and Servicing*, establishes standards for resolving whether transfers of financial assets should be considered as sales or as secured borrowings if the transferor has some continuing involvement either with the assets transferred or with the transferee. Examples of continuing involvement with the transferred financial assets include, but are not limited to, any of the following: servicing arrangements, recourse arrangements, guarantee arrangements, agreements to purchase or redeem transferred financial assets, options written or held, derivative financial instruments that are entered into contemporaneously with, or in contemplation of, the transfer, arrangements to provide financial support, pledges of collateral, and the transferor’s beneficial interests in the transferred financial assets. This checklist includes only the disclosure requirements for the more common activities engaged in by NFPs relating to transactions within the scope of FASB ASC 860. If the NFP services loans it did not originate or engages in securitizations or asset-backed financing arrangements, the additional disclosure requirements of FASB ASC 310, *Receivables*, and FASB ASC 860, not included herein, also should be considered.

2. If the NFP has transferred financial assets in a transaction described in FASB ASC 860, do disclosures provide the financial statement users with an understanding of the following:			
a. The NFP’s continuing involvement, if any, with transferred financial assets?	_____	_____	_____
b. The nature of any restrictions on assets reported by the NFP in its statement of financial position that relate to a transferred financial asset, and the carrying amounts of such assets?	_____	_____	_____
c. How transfers accounted for as sales, if a transferor has continuing involvement with the transferred financial assets, affects the NFP’s financial position, financial performance, and cash flows?	_____	_____	_____
d. How transfers accounted for as secured borrowings affect the NFP’s financial position, financial performance, and cash flows? [FASB ASC 860-10-50-3]	_____	_____	_____
3. If disclosures required by FASB ASC 860 are reported in the aggregate for similar transfers (which is permitted if the characteristics in FASB ASC 860-10-50-5 are considered and separate reporting of each transfer would not provide more useful information), does the NFP both			
a. disclose how similar transfers are aggregated?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>b.</i> distinguish between transfers that are accounted for as secured borrowings and transfers that are accounted for as sales? [FASB ASC 860-10-50-3]</p>	_____	_____	_____
<p>4. If the NFP transferred financial asset(s) and accounts for the transfer as a sale in accordance with FASB ASC 860 but entered into an agreement in contemplation of the initial transfer with the transferee that results in the NFP retaining substantially all of the exposure to the economic return on the transferred financial asset(s) throughout the term of the transaction, is the following information disclosed:</p>			
<p><i>a.</i> The carrying amount of assets derecognized, as of the date of derecognition?</p>	_____	_____	_____
<p><i>b.</i> If the amounts that have been derecognized have changed significantly from the amounts that have been derecognized in prior periods or are not representative of the activity throughout the period, a discussion of the reasons for the change?</p>	_____	_____	_____
<p><i>c.</i> The amount of gross cash proceeds received by the NFP for the assets derecognized, as of the date of derecognition?</p>	_____	_____	_____
<p><i>d.</i> As of the reporting date, the fair value of assets derecognized by the NFP?</p>	_____	_____	_____
<p><i>e.</i> Amounts reported in the statement of financial position arising from the transaction (for example, the carrying value or fair value of forward repurchase agreements or swap contracts)?</p>	_____	_____	_____
<p><i>f.</i> A cross-reference to the appropriate line item in the derivative disclosures presented in accordance with FASB ASC 815-10-50-4B, if that disclosure is required?</p>	_____	_____	_____
<p><i>g.</i> A description of the arrangements that result in the NFP retaining substantially all of the exposure to the economic return on the transferred financial assets and the risks related to those arrangements? [“Pending Content” in FASB ASC 860-20-50, par. 4A–4C]</p>	_____	_____	_____
<p>5. Unless the offsetting of financial instruments against other financial instruments is permitted under the general principle in FASB ASC 210-20-45-1, a master netting arrangement described in FASB ASC 815-10-45-5, or repurchase and reverse repurchase agreements described in FASB ASC 210-20-45-11, does the NFP, in disclosing the fair value of a financial instrument, show amounts gross, instead of netting the fair value of the instrument with the fair value of other financial instruments? [FASB ASC 825-10-50-15]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. If the NFP is a party to a master netting arrangement for repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions, have the required disclosures been made, irrespective of whether the NFP has offset amounts under the agreement? (Refer to section II.A. questions 9–11.) [FASB ASC 210-20-50-1]	_____	_____	_____
7. If an NFP takes advantage of the exception in FASB ASC 820-10-35-18D that permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price of the net risk exposure at the measurement date, has that fact been disclosed? [FASB ASC 820-10-50-2D]	_____	_____	_____

F. Accounts, Notes, Contributions, and Loans Receivable

Note

FASB ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, was issued in June 2016 to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

ASU No. 2016-13 is effective for NFPs for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

Because an NFP cannot early adopt ASU No. 2016-13 until fiscal years beginning after December 15, 2018, this section of the checklist has not been updated for its financial reporting and disclosure requirements.

1. Are major categories of loans and receivables presented separately on the face of the statement of financial position or in the notes (for example, contributions receivable, trade receivables, notes receivable, amounts due from governing board members, employees, or affiliated entities) with appropriate disclosures? [FASB ASC 310-10-45-2; FASB ASC 310-10-50-3]	_____	_____	_____
2. If a classified statement of financial position is presented, are amounts due from affiliated entities and subsidiaries classified as current only if they are collectible within one year? [FASB ASC 310-10-45-9]	_____	_____	_____
3. If a note is noninterest bearing or has an inappropriate stated interest rate			
a. is the discount or premium presented as a deduction from or addition to the face amount of the note?	_____	_____	_____
b. does the disclosure include the effective interest rate and face amount of the note?	_____	_____	_____
c. is amortization of discount or premium reported as interest in the statement of activity? [FASB ASC 835-30-45 par. 1A–3]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Are unearned discounts, finance charges, and interest included in the face amount of receivables shown as a deduction from the related receivables? [FASB ASC 310-10-45-8]	_____	_____	_____
5. Are valuation allowances for receivables (such as those for doubtful accounts, credit losses, unearned income, unamortized discounts and premiums, or unamortized deferred fees and costs) shown as a deduction from the related receivable and the amounts disclosed in the financial statements? [FASB ASC 310-10-50 par. 4 and 14; FASB ASC 210-10-45-13]	_____	_____	_____
6. If the NFP received unconditional promises to give, does it disclose the following:			
a. The amounts of promises receivable in less than one year, in one to five years, and in more than five years?	_____	_____	_____
b. The face amount of contributions promised to the NFP?	_____	_____	_____
c. The amount of any allowance for uncollectible promises receivable?	_____	_____	_____
d. Unamortized discount?	_____	_____	_____
e. Amounts pledged as collateral or otherwise limited as to use? [FASB ASC 958-310-50-1; FASB ASC 860-30-50-1A]	_____	_____	_____
7. If the NFP received conditional promises to give, does it disclose the following:			
a. The total of the amounts promised?	_____	_____	_____
b. A description and amount for each group of promises having similar characteristics (such as amount of promises conditioned on establishing new programs, completing a new building, and raising matching gifts by a specified date)? [FASB ASC 958-310-50-4]	_____	_____	_____
8. If receivables are sold with recourse, is the amount of the recourse obligation computed and reported as a liability? [FASB ASC 860-20-25-1]	_____	_____	_____
9. If the NFP has sold receivables in a transaction accounted for as a sale under FASB ASC 860 is the aggregate amount of gains or losses on the sales (including adjustments to record loans held for sale at the lower of cost or fair value presented separately in the statement of activities or disclosed in the notes to financial statements)? [FASB ASC 860-20-50-5]	_____	_____	_____
10. If an impairment of a loan has been recognized, have the following disclosures been made: (<i>Note:</i> Large groups of smaller balance homogeneous loans that are collectively evaluated for impairment—for example, student loans of a college—are exempt from this requirement unless restructured in a troubled debt restructuring.)			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>a.</i> As of the date of each statement of financial position presented, the total recorded investment in the impaired loans, the amount of that recorded investment in impaired loans for which there is a related allowance for credit losses and the amount of that allowance, and the amount of that recorded investment in impaired loans for which there is no related allowance for credit losses?	_____	_____	_____
<i>b.</i> The policy for recognizing interest income on impaired loans, including how cash receipts are recorded?	_____	_____	_____
<i>c.</i> For each period for which a statement of activity is presented, the average recorded investment in impaired loans, the related amount of interest income recognized for the time that the loan was impaired within the period, and, unless not practicable, the amount of interest income recognized using a cash-basis method of accounting during the time that the loan was impaired within the period? [FASB ASC 310-10-50-15; FASB ASC 310-40-50-5]	_____	_____	_____
11. If the NFP has accepted collateral that it is permitted by contract or custom to sell or repledge, has it disclosed the following information about that collateral:			
<i>a.</i> The fair value of that collateral as of the date of each statement of financial position presented?	_____	_____	_____
<i>b.</i> The fair value of the portion of that collateral that it has sold or repledged?	_____	_____	_____
<i>c.</i> Information about the sources and uses of that collateral? [FASB ASC 860-30-50-1A]	_____	_____	_____
12. As of each date for which a statement of financial position is presented, has the NFP disclosed the following information for assets measured at fair value under the elections in the fair value option subsections of FASB ASC 825-10 or FASB ASC 815-15-25-4:			
<i>a.</i> The difference between the aggregate fair value and the aggregate unpaid principal balance of loans and long term receivables (other than securities described in FASB ASC 958-320-15) that have contractual principal amounts?	_____	_____	_____
<i>b.</i> The aggregate fair value of loans that are 90 days or more past due?	_____	_____	_____
<i>c.</i> The aggregate fair value of loans in nonaccrual status, if the NFP's policy is to recognize interest income separately from other changes in fair value?	_____	_____	_____
<i>d.</i> 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? [FASB ASC 825-10-50-28]	_____	_____	_____
13. As of each date for which a statement of activities is presented, has the NFP disclosed the following information for loans and long term receivables measured at fair value under the fair value option subsections of FASB ASC 825-10 or FASB ASC 815-15-25-4:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The estimated amount of gains or losses included in the change in each of the net asset classes during the period, and in an intermediate measure of operations if one is presented, that is attributable to changes in instrument-specific credit risk?	_____	_____	_____
b. How the gains or losses attributable to changes in instrument-specific credit risk were determined? [FASB ASC 825-10-50-30]	_____	_____	_____

Note

Questions 14–16 apply to NFPs that (1) extend credit to customers (constituents) to encourage them to purchase products and services (for example, trade receivables including tuition receivables and conference or seminar fees receivable), (2) make mortgage loans, or (3) make secured or unsecured loans to constituents (for example, student loans). This checklist includes only the disclosure requirements for the more common activities relating to lending activities. If the NFP purchases or sells loans or servicing rights, holds impaired loans that have not been written off, forecloses on a loan, restructures a receivable in a troubled debt restructuring, or engages in other more complex lending activities, the additional disclosure requirements of FASB ASC 310 and FASB ASC 860, not included herein, also should be considered.

14. Does the accounting policy note include the following:			
a. The basis of accounting for loans and trade receivables?	_____	_____	_____
b. The method for recognizing interest income on loan and trade receivables, including the NFP's policy for treatment of related fees and costs and the method of amortizing net deferred fees or costs?	_____	_____	_____
c. The classification and method of accounting for receivables that can be contractually prepaid or otherwise settled in a way that the NFP would not recover substantially all of its recorded investment?	_____	_____	_____
d. The accounting policies and methodology the NFP used to estimate its allowance for loan losses, allowance for doubtful accounts, any liability for off-balance sheet credit losses, and any related charges for credit losses, including a description of the factors that influenced management's judgment?	_____	_____	_____
e. The policy for discontinuing accrual of interest on past due interest-bearing receivables, for recording payments on those past-due receivables, and the policy for resuming accrual of interest?	_____	_____	_____
f. The policy for charging off uncollectible loans and receivables?	_____	_____	_____
g. The policy for determining past due or delinquency status? [FASB ASC 310-10-50 par. 2 and 9; FASB ASC 310-10-50-6; FASB ASC 310-10-50 par. 4A and 11B]	_____	_____	_____
15. Is the recorded investment in past due financing receivables (loans and receivables due in more than one year) on which accrual of interest has been discontinued disclosed for each date for which a statement of financial position is presented? [FASB ASC 310-10-50-7]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
16. Is the recorded investment in financing receivables (loans and receivables due in more than one year) past due ninety days or more and still accruing disclosed for each date for which a statement of financial position is presented? [FASB ASC 310-10-50-7]	_____	_____	_____

Note

Questions 17–23 apply to financing receivables, which are defined in FASB ASC 310-10-20 as “A financing arrangement that has both of the following characteristics: (a) It represents a contractual right to receive money either on demand or on fixed or determinable dates and (b) it is recognized as an asset in the entity’s statement of financial position.” The questions apply to financing receivables except for the following:

- Those measured at fair value with changes in fair value reported in the statement of activities
- Those measured at the lower of cost or market
- Trade accounts receivable with a contractual maturity of one year or less that arose from the sale of goods and services
- Loans acquired with deteriorated credit quality

17. Has the NFP provided an analysis, by class of financing receivable, of the age of its recorded investment in past due financing receivables at the end of the reporting period? (Past due is determined by the NFP’s policy.) [FASB ASC 310-10-50-7A]	_____	_____	_____
18. Does the accounting policy note for question 14 include the following:			
a. A discussion of risk characteristics relevant to each portfolio segment?	_____	_____	_____
b. Identification of any change(s) to the entity’s accounting policies or methodology from the prior period, the entity’s rationale for the change(s), and the quantitative effect of the change(s) on the current period’s provision for credit losses? [FASB ASC 310-10-50-11B]	_____	_____	_____
19. Has the NFP provided the activity in the allowance for credit losses by portfolio segment, including all of the following:			
a. The balance in the allowance at the beginning and end of each period?	_____	_____	_____
b. Current period provision?	_____	_____	_____
c. Direct write-downs charged against the allowance?	_____	_____	_____
d. Recoveries of amounts previously charged off? [FASB ASC 310-10-50-11B]	_____	_____	_____
20. Is the following information reported for each portfolio segment at the end of each period, disaggregated on the basis of the impairment method used (for example, individually evaluated for impairment, collectively evaluated for impairment, acquired with deteriorated credit quality), as shown in FASB ASC 310-10-55-7:			
a. The balance in the allowance for credit losses?	_____	_____	_____
b. The recorded investment in financing receivables? [FASB ASC 310-10-50 par. 11B–11C]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
21. Does the NFP disclose the following information about impaired loans that have been charged off partially:			
<i>a.</i> The amount of impaired loans for each class of financing receivable?	_____	_____	_____
<i>b.</i> The accounting for impaired loans for each class of financing receivable? [FASB ASC 310-10-50-14A]	_____	_____	_____
<i>c.</i> The total unpaid principal balance of the impaired loans? [FASB ASC 310-10-50-15]	_____	_____	_____
<i>d.</i> The NFP's policy for determining which loans to assess for impairment?	_____	_____	_____
<i>e.</i> The factors considered in determining that the loan is impaired? [FASB ASC 310-10-50-15]	_____	_____	_____
<i>f.</i> The amount of interest income on impaired loans that represents the change in present value attributable to the passage of time (applies to creditors that measure impairment based on the present value of expected future cash flows and choose to report the interest income component separately from bad-debt expense)? [FASB ASC 310-10-50-19]	_____	_____	_____
22. Does the NFP provide the following information that enables financial statement users to understand how and to what extent the NFP monitors credit quality of its financing receivables:			
<i>a.</i> A description of the credit quality indicator?	_____	_____	_____
<i>b.</i> The recorded investment in financing receivables by credit quality indicator?	_____	_____	_____
<i>c.</i> The date (or range of dates) in which the information was updated for each credit quality indicator?	_____	_____	_____
<i>d.</i> If the NFP discloses internal risk ratings, the qualitative information on how those internal risk ratings relate to the likelihood of loss? [FASB ASC 310-10-50 par. 29–30]	_____	_____	_____
23. If the NFP as creditor has modified the terms of a receivable in a troubled debt restructuring transaction, has the NFP disclosed the information described in paragraphs 31–34 of FASB ASC 310-10-50? [FASB ASC 310-10-50 par. 31–34]	_____	_____	_____
24. If the NFP as creditor, has foreclosed and repossessed assets or loans in the process of foreclosure, has the NFP disclosed the information described in paragraph 11 or 35 of FASB ASC 310-10-50, as applicable? [FASB ASC 310-10-50 pars. 11 and 35]	_____	_____	_____

Note

Questions 25–29 (FASB ASC 310-30) apply to receivables and debt securities with a term in excess of one year that are acquired by an NFP by a transfer (that is, the NFP was not the original creditor if the receivable is an account, note, or loan receivable, nor was it the original donee if the receivable is a contribution receivable). Loans that are measured at fair value are excluded from the scope of FASB ASC 310-30 if all changes

(continued)

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
in fair value are included in the statement of activities and included in the performance indicator if a performance indicator is presented.			
25. For an account, note, loan, or contribution receivable that was acquired by transfer rather than by origination			
a. does the valuation allowance reflect only those losses incurred by the NFP <i>after</i> acquisition? (<i>Note:</i> In other words, it is not appropriate, at acquisition, to establish a loss allowance.) [FASB ASC 310-30-30-1]	_____	_____	_____
b. is the excess between the receivable’s contractually required payments and the amount of its cash flows expected at acquisition (nonaccretable difference) NOT displayed in the statement of financial position and NOT recognized as an adjustment of yield, a loss accrual, or a valuation allowance for credit risk? [FASB ASC 310-30-45-1]	_____	_____	_____
c. is the excess of all cash flows expected at acquisition over the NFP’s initial investment in the receivable (accretable yield) recognized as a discount to be accreted over the life of the receivable as interest income and NOT displayed in the statement of financial position? [FASB ASC 310-30-35-2; FASB ASC 310-30-45-1]	_____	_____	_____
d. if the receivable is not a debt security within the scope of FASB ASC 958-320, are changes in the estimated cash flows expected to be collected over the life of the receivable accounted for under FASB ASC 450, FASB ASC 310-10-35, or FASB ASC 310-40-35 (if a decrease) or as an adjustment of the valuation allowance and accretable yield (if an increase)? [FASB ASC 310-30-35-10]	_____	_____	_____
26. Do the notes to financial statements describe how prepayments are considered in the determination of contractual cash flows and cash flows expected to be collected? [FASB ASC 310-30-50-1]	_____	_____	_____
27. Is information about loans acquired with deteriorated credit quality (that is, are within the scope of FASB ASC 310-30), included in the disclosures required by paragraphs 15(a)–15(b) of FASB ASC 310-10-50 if it is probable that the loan has been impaired at the balance sheet date? [FASB ASC 310-10-50-18]	_____	_____	_____
28. In addition to disclosures required by other GAAP, for each balance sheet presented, does an investor disclose the following information about loans that were acquired with deteriorated credit quality; that is, loans within the scope of FASB ASC 310-30:			
a. Separately for both those loans that are accounted for as debt securities and those loans that are not accounted for as debt securities			
i. the outstanding balance and related carrying amount at the beginning and end of the period?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
ii. the amount of accretable yield at the beginning and end of the period, reconciled for additions, accretion, disposals of loans, and reclassifications to or from nonaccretable difference during the period?	_____	_____	_____
iii. for loans acquired during the period, the contractually required payments receivable, cash flows expected to be collected, and fair value at the acquisition date?	_____	_____	_____
iv. for those loans within the scope of FASB ASC 310-30-15 for which the income recognition model in FASB ASC 310-30 is not applied in accordance with FASB ASC 310-30-35-3, the carrying amount at the acquisition date for loans acquired during the period and the carrying amount of all loans at the end of the period?	_____	_____	_____
b. Further, for those loans that are not accounted for as debt securities, does an investor disclose			
i. the amount of (1) any expense recognized pursuant to FASB ASC 310-30-35-10(a) and (2) any reductions of the allowance recognized pursuant to FASB ASC 310-30-35-10(b)(1) for each period for which a statement of activities is presented?	_____	_____	_____
ii. the amount of the allowance for uncollectible accounts at the beginning and end of the period? [FASB ASC 310-30-50-2]	_____	_____	_____
29. Have the necessary disclosures about financial instruments been made for receivables, including unconditional promises to give cash? (Refer to section II.E.)	_____	_____	_____
G. Beneficial Interests in Assets Held by Others			
1. If the NFP is named by a donor as a beneficiary of a perpetual trust held by a third party			
a. is that beneficial interest measured at the fair value?	_____	_____	_____
b. is the contribution classified as permanently restricted support (or, for NFPs that have adopted ASU No. 2016-14, as donor-restricted support)?	_____	_____	_____
c. are the annual distributions from the trust reported as investment income?	_____	_____	_____
d. is the amount of the beneficial interest remeasured annually and the adjustment reported as a permanently restricted gain or loss (or, for NFPs that have adopted ASU No. 2016-14, as a gain or loss in net assets with donor restrictions)? [FASB ASC 958-605-30-14; AAG 6.64-.65]	_____	_____	_____
2. If the fair value of a beneficial interest in a perpetual trust is measured using the fair value of the trust assets, does the NFP disclose			
a. the terms of the trust and the practice of the trustee pertaining to distributions?	_____	_____	_____
b. that the NFP has used the fair value of the trust assets to determine the fair value of the beneficial interest? [FinREC recommendation in AAG 6.52]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. If the NFP transferred assets to another entity and specified itself or its affiliate as the beneficiary, has it			
<i>a.</i> reported the transfer as an equity transaction if the criteria in FASB ASC 958-20-25-4 are met?	_____	_____	_____
<i>b.</i> reported the transfer as an exchange of an asset for another asset if the criteria in FASB ASC 958-20-25-4 are not met? [FASB ASC 958-20-25 par. 5–6; FASB ASC 958-605-25-33]	_____	_____	_____
4. If the NFP transferred assets to another entity and specified itself or its affiliate as the beneficiary, has it disclosed the following for each period in which a statement of financial position is presented:			
<i>a.</i> The identity of the recipient entity to which the transfer was made?	_____	_____	_____
<i>b.</i> Whether variance power was granted to the recipient entity and, if so, a description of the terms of the variance power?	_____	_____	_____
<i>c.</i> The terms under which amounts will be distributed to the NFP or its affiliate?	_____	_____	_____
<i>d.</i> The aggregate amount recognized in the statement of financial position for those transfers and whether that amount is recorded as an interest in the net assets of the recipient entity or as another asset (such as a beneficial interest in assets held by others or as a refundable advance)? [FASB ASC 958-605-50-6]	_____	_____	_____
5. If the NFP is the beneficiary of transfers to a recipient entity and the NFP and that recipient entity are financially interrelated, has the NFP recognized the change in its interest in the net assets of the recipient NFP and classified that change			
<i>a.</i> as if the contributions were received directly from the donor, because the NFP (beneficiary) can influence the operating and financial decisions of the recipient entity to such an extent that the NFP (beneficiary) can determine the timing and amount of distributions to it from the recipient entity? [FASB ASC 958-20-35-1; Q&A 6140.14 and .16–.17]	_____	_____	_____
<i>b.</i> as changes in temporarily restricted net assets (unless donors placed permanent restrictions on their contributions), because the NFP (beneficiary) cannot influence the operating and financial decisions of recipient entity to such an extent that the NFP (beneficiary) can determine the timing and amount of distributions to it from the recipient entity? <i>Note:</i> NFPs that have adopted ASU No. 2016-14 report as changes in net assets with donor restrictions. [FASB ASC 958-20-35-1; Q&A 6140.15]	_____	_____	_____
6. If the NFP is unable to obtain sufficient information to make a reasonable estimate of the fair value of a beneficial interest in a trust, has the NFP disclosed			
<i>a.</i> The characteristics of the agreement, to the extent known?	_____	_____	_____
<i>b.</i> The factor(s) that are limiting the ability to measure the beneficial interest(s)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The amount received from the beneficial interest(s) in each of the periods for which a statement of activities is presented?	_____	_____	_____
d. The information in items a–c individually or each potentially material beneficial interest and in the aggregate for individually immaterial beneficial interests that are material collectively? [FinREC recommendation in AAG 6.53]	_____	_____	_____
H. Inventories			
1. Are the major classes of inventory disclosed (for example, finished goods, work in process, raw materials)? [Common Practice]	_____	_____	_____
2. Is the method of determining inventory cost (for example, last in, first out and first in, first out) disclosed? [FASB ASC 210-10-50-1]	_____	_____	_____
3. Is the basis for stating inventory disclosed and, if necessary, the nature of a change in basis for stating inventory and the effect on change in net assets of such a change? [FASB ASC 330-10-50-1]	_____	_____	_____
4. If goods are stated above cost or at sales prices, has that fact been disclosed? [FASB ASC 330-10-50-3; FASB ASC 330-10-50-4]	_____	_____	_____
5. Are valuation allowances for inventory losses shown as a deduction from the related inventory? [FASB ASC 210-10-45-13]	_____	_____	_____
6. Are contributions of inventory reported in the period received at fair value? [FASB ASC 958-605-25-2; FASB ASC 958-605-30-2; AAG 7.03]	_____	_____	_____

Note

ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, issued July 2015, requires that inventory measured using any method other than LIFO or the retail inventory method (for example, inventory measured using first-in, first-out (FIFO) or average cost) should be measured at the lower of cost and net realizable value.

ASU No. 2015-11 is effective for NFPs for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Earlier application is permitted.

An NFP for which ASU No. 2015-11 is effective or one that wishes to early adopt the requirements of ASU No. 2015-11 should complete question 7.

7. Are substantial and unusual losses that result from the subsequent measurement of inventory disclosed in the financial statements? [“Pending Content” in FASB ASC 330-10-50-2]	_____	_____	_____
I. Property and Equipment			
1. Are the following disclosed:			
a. Capitalization policy?	_____	_____	_____
b. Balances of major classes of depreciable assets by nature or function at the statement-of-financial-position date?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Amounts recorded under capital leases, if applicable, are separately disclosed?	_____	_____	_____
d. Depreciation expense for each period?	_____	_____	_____
e. Accumulated depreciation, either by major classes of assets or in total?	_____	_____	_____
f. The method(s) used in computing depreciation with respect to major classes of depreciable assets? [FASB ASC 360-10-50-1; FASB ASC 840-30-50-1; FASB ASC 958-360-50-1]	_____	_____	_____
2. Is the amount of capitalized interest disclosed? [FASB ASC 835-20-50-1]	_____	_____	_____
3. Is donated property or equipment recognized at the date of the contribution at its fair value? [FASB ASC 958-605-25-2; FASB ASC 958-605-30-2; AAG 9.04]	_____	_____	_____
4. If tangible property is accepted solely to be saved for its potential future use in scientific or educational research and has no alternative use, and has an uncertain value (or no value) is the contributed property not recognized in the financial statements? [FASB ASC 958-605-25-5]	_____	_____	_____
5. Are material commitments for property expenditures disclosed? [FASB ASC 440-10-50-1]	_____	_____	_____
6. Is the basis of valuation of property and equipment disclosed (for example, cost for purchased items, fair value for contributed items)? [FASB ASC 958-360-50-1]	_____	_____	_____
7. Is separate disclosure of nondepreciable assets made? [FASB ASC 958-360-50-2]	_____	_____	_____
8. Is separate disclosure made of property and equipment not held for use in operations (for example, items held for sale, items held for investment purposes, and items held for construction in process)? [FASB ASC 958-360-50-2]	_____	_____	_____
9. Is separate disclosure made of assets restricted by donors for investment in property and equipment? [FASB ASC 958-210-50-2]	_____	_____	_____
10. If the NFP uses property and equipment to which another entity retains legal title during the term of the arrangement (other than a lease agreement), are the terms of the arrangement disclosed? [FASB ASC 958-360-50-4]	_____	_____	_____
11. If the NFP uses property and equipment in an exchange transaction (other than a lease transaction) and another entity retains legal title during the term of the arrangement, is the property or equipment reported as a contribution at fair value at the date received only if it is probable that the NFP will be permitted to keep the assets when the arrangement terminates? [FASB ASC 958-605-55-25]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
12. Are disclosures made concerning the liquidity of the NFP's property and equipment, including information about limitations on their use			
a. is information provided about property and equipment pledged as collateral or otherwise subject to lien?	_____	_____	_____
b. is information provided about property and equipment acquired with restricted assets where title may revert to another party, such as a resource provider?	_____	_____	_____
c. is information provided about donor or legal limitations on the use of or proceeds from the disposal of property and equipment? [FASB ASC 958-360-50-4]	_____	_____	_____
13. If an impairment loss is recognized for a long-lived asset (asset group) to be held and used, are the following disclosures made in financial statements that include the period of the impairment write-down:			
a. A description of the impaired long-lived asset (asset group) and the facts and circumstances leading to the impairment?	_____	_____	_____
b. The method or methods for determining fair value?	_____	_____	_____
c. The amount of the impairment loss and the caption in the statement of activities in which the impairment loss is aggregated if that loss has not been presented as a separate caption or reported parenthetically on the face of the statement? [FASB ASC 360-10-50-2]	_____	_____	_____
14. If an impairment loss is recognized for a long-lived asset (asset group) to be held and used, is it reported as a component of changes in net assets before the effects of discontinued operations or accounting changes in the statement of activities and is it reported within the measure of operations, if that measure is presented? [FASB ASC 360-10-45-4; FASB ASC 958-225-45-11]	_____	_____	_____
15. If an NFP reports a measure of operations within its statement of activities, is the impairment loss referred to in question 14 recognized within that measure of operations? [FASB ASC 360-10-45-4]	_____	_____	_____

Note

Questions 16–20 apply only to long-lived asset disposals or classifications as held for sale that are not strategic shifts. NFPs with disposals representing a strategic shift in operations should complete section II.T.

16. If a long-lived asset (disposal group) is classified as held for sale, does the NFP			
a. measure the asset (group) at the lower of its carrying amount or fair value less cost to sell?	_____	_____	_____
b. present separately the asset (or assets and liabilities of the disposal group, which may not be offset) in the statement of financial position?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>c. separately disclose the major classes of assets and liabilities on the face of the statement of financial position or in the notes? [FASB ASC 360-10-35-43; FASB ASC 360-10-45-14; "Pending Content" in FASB ASC 360-10-45-14; FASB ASC 205-20-45-10]</p>	_____	_____	_____
<p>17. If a long-lived asset (disposal group) has either been sold or been classified as held for sale, are all of the following disclosed in the financial statements that include the period in which that sale or classification occurs:</p>			
<p>a. The carrying amount(s) of the major classes of assets and liabilities included as part of a disposal group, either separately presented on the face of the statement of financial position or in the notes?</p>	_____	_____	_____
<p>b. A description of the facts and circumstances leading to the expected disposal?</p>	_____	_____	_____
<p>c. The expected manner and timing of that disposal?</p>	_____	_____	_____
<p>d. The gain or loss recognized in accordance with paragraphs 37–45 of FASB ASC 360-10-35 and FASB ASC 360-10-40-5, and, if not separately presented, the caption on the face of the statement of activities that includes that gain or loss?</p>	_____	_____	_____
<p>e. If applicable, amounts of revenue and pretax net revenue or net expense (profit or loss) reported in discontinued operations? [FASB ASC 205-20-50-1; "Pending Content" in FASB ASC 360-10-50-3]</p>	_____	_____	_____
<p>18. If a long-lived asset (disposal group) is not a discontinued operation, do the statements of activities for the current period and any prior periods presented report any resulting gain or loss within the statement of activities</p>			
<p>a. as a component of change in net assets before the effects of discontinued operations or accounting changes?</p>	_____	_____	_____
<p>b. within the measure of operations, if that measure is presented? [FASB ASC 360-10-45-5; "Pending Content" in FASB ASC 360-10-45-5; FASB ASC 958-225-45-11]</p>	_____	_____	_____
<p>19. If the NFP decided not to sell a long-lived asset (disposal group) previously classified as held for sale, are all of the following included in the financial statements that included the period in which that decision occurs:</p>			
<p>a. Has the asset be reclassified to held and used?</p>	_____	_____	_____
<p>b. Is a description of the facts and circumstances leading to the decision to change the plan to sell provided?</p>	_____	_____	_____
<p>c. Is the effect of the decision on the change in net assets (and on the operating measure, if one is displayed) for the period and any prior periods presented disclosed? [FASB ASC 360-10-35-44; FASB ASC 360-10-45-8; FASB ASC 205-20-50-3]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
20. If a long-lived asset (disposal group) includes an individually significant component that either has been disposed of or is classified as held for sale and does not qualify for presentation and disclosure as a discontinued operation, is the following information about that individually significant component disclosed:			
a. The pretax change in net assets of the individually significant component for the period in which it is disposed of or is classified as held for sale, calculated in accordance with paragraphs 6–9 of FASB ASC 205-20-45?	_____	_____	_____
b. If the individually significant component includes a noncontrolling interest, the pretax change in net assets attributable to the parent for the period in which the component is disposed of or is classified as held for sale?	_____	_____	_____
c. If the NFP has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, is the information in items <i>a–b</i> presented for all prior periods presented? [“Pending Content” in FASB ASC 360-10-50-3A]	_____	_____	_____
J. Collections of Works of Art and Similar Items			
1. Does the NFP disclose its policy for capitalization of works of art, historical treasures, and similar items that meet the definition of <i>collections</i> in FASB ASC 958-360-20? [FASB ASC 958-360-50-1]	_____	_____	_____
2. Does the NFP recognize contributed collection items as revenues only if collections are capitalized and not recognize collection items if collections are not capitalized? [FASB ASC 958-605-25-19]	_____	_____	_____
3. Are works of art, historical treasures, and similar items capitalized if they are not added to a collection (either because the NFP chooses not to add the item to the collection or because the NFP does not maintain collections as defined in FASB ASC 958-360-20), and is the amount that is capitalized disclosed separately on the face of the statement of financial position or in the notes? [FASB ASC 958-360-45-3; FASB ASC 958-605-25-18]	_____	_____	_____
4. If the NFP adopts a policy of capitalizing collections that meet the definition in FASB ASC 958-360-20, does the statement of financial position include the total amount capitalized on a separate line item, entitled “Collections” or “Collection Items”? [FASB ASC 958-360-45-3]	_____	_____	_____
5. If the NFP capitalizes collections prospectively, are proceeds from sales and insurance recoveries of items not previously capitalized reported separately from revenues, expenses, gains, and losses? [FASB ASC 958-360-45-5]	_____	_____	_____
6. If the NFP does not capitalize collections or it capitalizes prospectively, are the following items disclosed:			
a. Description of collections including their relative significance?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Accounting and stewardship policies for collections? [FASB ASC 958-360-50-6]	_____	_____	_____
7. If the NFP does not capitalize collections or it capitalizes collections prospectively, does a line item on the face of the statement of financial position (for example, "Collections (Note X)") refer to the disclosures required in question 6 and, if the NFP's policy is to capitalize prospectively, is that line item dated (for example, "Collections acquired since January 1, 19X1 (Note X)")? [FASB ASC 958-360-45-3]	_____	_____	_____
8. If the NFP maintains collections that are not capitalized, are the following items reported separately on the statement of activities, separately from revenues, expenses, gains, and losses:			
a. Costs of collection items purchased as a decrease in the appropriate class of net assets?	_____	_____	_____
b. Proceeds from the sale of collection items as an increase in the appropriate class of net assets?	_____	_____	_____
c. Proceeds from insurance recoveries of lost or destroyed collection items as an increase in the appropriate class of net assets? [FASB ASC 958-360-45-5]	_____	_____	_____
9. If collection items that are not capitalized are disposed of during the period, does the NFP also			
a. describe the items given away, damaged, destroyed, lost, or otherwise deaccessed during the period or disclose their fair value?	_____	_____	_____
b. reference the disclosures in the preceding question 9a on the "Collections" line item on the face of the statement of financial position?	_____	_____	_____
c. not include amounts on the face of the statement of activities as expenses or other decreases in net assets for the items given away or otherwise deaccessed? [FASB ASC 958-360-50-6; FASB ASC 958-360-45-3; FASB 958-360-40-3]	_____	_____	_____
10. Are contributions <i>made by</i> the NFP of previously recognized collection items reported at fair value as expenses and decreases in assets in the period in which the contributions are made? [FASB ASC 958-360-40-2]	_____	_____	_____
K. Goodwill and Other Intangible Assets			
<i>Goodwill</i>			
1. Is the aggregate amount of goodwill presented as a separate line item in the statement of financial position? [FASB ASC 350-20-45-1]	_____	_____	_____
2. Is the aggregate amount of goodwill impairment losses presented as a separate line item in the statement of activities unless a goodwill impairment loss is associated with a discontinued operation? [FASB ASC 350-20-45-2]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Is a goodwill impairment loss associated with a discontinued operation included (on a net-of-tax basis) within the results of discontinued operations? [FASB ASC 350-20-45-3]	_____	_____	_____
4. Has the NFP disclosed any changes in the carrying amount of goodwill during the period, including the following:			
a. The gross amount and accumulated impairment losses at the beginning of the period?	_____	_____	_____
b. Additional goodwill recognized during the period, except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with FASB ASC 360-10-45-9?	_____	_____	_____
c. Adjustments resulting from the subsequent recognition of deferred tax assets during the period in accordance with paragraphs 2–4 of FASB ASC 805-740-25 and 805-740-45-2?	_____	_____	_____
d. Goodwill included in a disposal group classified as held for sale in accordance with FASB ASC 360-10-45-9 and goodwill derecognized during the period without having previously been reported in a disposal group classified as held for sale?	_____	_____	_____
e. Impairment losses recognized during the period in accordance with FASB ASC 350-10?	_____	_____	_____
f. Net exchange differences arising during the period in accordance with FASB ASC 830?	_____	_____	_____
g. Any other changes in the carrying amounts during the period?	_____	_____	_____
h. The gross amount and accumulated impairment losses at the end of the period? [FASB ASC 350-20-50-1]	_____	_____	_____

Note

FASB ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.

The amendments in this ASU modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. An entity no longer will determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. The amendments eliminate Step 2 from the goodwill impairment test.

NFPs that have adopted the requirements of ASU No. 2017-01 should mark question 5c “N/A.”

5. For each goodwill impairment loss recognized, has the NFP disclosed the following information in the notes to the financial statements that include the period in which the impairment loss is recognized:			
a. A description of the facts and circumstances leading to the impairment?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The amount of the impairment loss and the method of determining the fair value of the associated reporting unit (whether based on quoted market prices, prices of comparable businesses or nonprofit activities, a present value or other valuation technique, or a combination thereof)?	_____	_____	_____
c. If a recognized impairment loss is an estimate that has not yet been finalized (refer to paragraphs 18–19 of FASB ASC 350-20-35), that fact and the reasons therefore and, in subsequent periods, the nature and amount of any significant adjustments made to the initial estimate of the impairment loss? [FASB ASC 350-20-50-2]	_____	_____	_____
Other Intangible Assets			
6. At a minimum, are all intangible assets aggregated and presented as a separate line item in the statement of financial position? (This requirement does not preclude presentation of individual intangible assets or classes of intangible assets as separate line items.) [FASB ASC 350-30-45-1]	_____	_____	_____
7. Are amortization expense and impairment losses for intangible assets presented in line items on the statement of activities? [FASB ASC 350-30-45-2]	_____	_____	_____
8. For each period for which a statement of financial position is presented, does the NFP include the following information about intangible assets:			
a. The gross carrying amount, in total and by major intangible asset class, separately for intangible assets that are being amortized and those that are not?	_____	_____	_____
b. The accumulated amortization, in total and by major intangible asset class for intangible assets that are being amortized?	_____	_____	_____
c. The aggregate amortization expense for the period?	_____	_____	_____
d. The estimated amortization expense for each of the five succeeding periods? [FASB ASC 350-30-50-2]	_____	_____	_____
9. If during the reporting period the NFP has acquired intangible assets that will be amortized, do the notes to the financial statements include			
a. the total amount of intangible assets acquired?	_____	_____	_____
b. the amount acquired in any major intangible asset class?	_____	_____	_____
c. the amount of any significant residual value, in total, for intangible assets acquired?	_____	_____	_____
d. the amount of any significant residual value, by major class, for intangible assets acquired?	_____	_____	_____
e. the weighted-average amortization period, in total, for intangible assets acquired?	_____	_____	_____
f. the weighted-average amortization period, by major class, for intangible assets acquired? [FASB ASC 350-30-50-1]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
10. If during the reporting period the NFP has acquired intangible assets and those intangible assets will not be amortized, do the notes to the financial statements include			
<i>a.</i> the total amount of intangible assets acquired?	_____	_____	_____
<i>b.</i> the amount acquired in any major intangible asset class? [FASB ASC 350-30-50-1]	_____	_____	_____
11. If during the reporting period the NFP acquired research and development assets in a transaction other than an acquisition by an NFP, and wrote off those assets, do the notes to the financial statements indicate the amount written off and the line item in the statement of activities in which the amounts written off are aggregated? [FASB ASC 350-30-50-1]	_____	_____	_____
12. If rights under intangible assets are subject to renewal or extension, does the NFP disclose			
<i>a.</i> its accounting policy on the treatment of costs incurred to renew or extend the term of a recognized intangible asset?	_____	_____	_____
<i>b.</i> information that enables users of financial statements to assess the extent to which the expected future cash flows associated with the recognized intangible assets are affected by the intent or ability to renew or extend the arrangement?	_____	_____	_____
<i>c.</i> in the period of acquisition or renewal, the weighted-average period prior to the next renewal or extension (both explicit and implicit), by major intangible asset class?	_____	_____	_____
<i>d.</i> the total amount of costs incurred in the period to renew or extend the term of a recognized intangible asset by major intangible asset class, for each period for which a statement of financial position is presented? [FASB ASC 350-30-50 par. 1-2 and 4]	_____	_____	_____
13. If it is at least reasonably possible that either (a) the useful life or (b) the expected likelihood of renewal or extension of an intangible asset will change in the near future and the effect of the change would be material either individually or in aggregate by major intangible asset class, is the information about an estimate required by FASB ASC 275-10-50-8 (see section I.J., "Risks and Uncertainties")? [FASB ASC 275-10-50-15A]	_____	_____	_____
14. For each impairment loss recognized related to an intangible asset, is the following information disclosed in the notes to the financial statements for the period in which the impairment loss is recognized:			
<i>a.</i> A description of the impaired intangible asset and the facts and circumstances leading to the impairment?	_____	_____	_____
<i>b.</i> The amount of the impairment loss and the method for determining fair value?	_____	_____	_____
<i>c.</i> The caption in the statement of activities in which the impairment loss is aggregated? [FASB ASC 350-30-50-3]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
L. Other Assets and Deferred Charges			
1. If the NFP has defined benefit pension plans for which the fair value of plan assets exceeds the projected benefit obligation			
<i>a.</i> is the aggregate amount of all overfunded projected benefit obligations reported as an asset?	_____	_____	_____
<i>b.</i> is the asset classified as a noncurrent asset if the NFP presents a classified statement of financial position? [FASB ASC 715-30-25-1; FASB ASC 715-20-45-3]	_____	_____	_____
2. If the NFP has defined benefit postretirement plans other than pensions for which the fair value of plan assets exceeds the accumulated postretirement benefit obligation			
<i>a.</i> is the aggregate amount of all overfunded plans reported as an asset?	_____	_____	_____
<i>b.</i> is the asset classified as a noncurrent asset if the NFP presents a classified statement of financial position? [FASB ASC 715-60-25-1; FASB ASC 715-20-45-3]	_____	_____	_____
3. Are donated materials and supplies recognized when received at their fair values? [FASB ASC 958-605-25-2; FASB ASC 958-605-30-2; FASB ASC 958-605-55-26]	_____	_____	_____
4. If the NFP holds insurance policies to fund the cost of providing employee benefits or protect against the loss of key persons, does it disclose any contractual restrictions on the ability to surrender a policy? [FASB ASC 325-30-50-1]	_____	_____	_____

Note

FASB ASC 325-30 provides guidance for investments in life insurance contracts. It has two subsections; one for situations in which an entity purchases insurance and is either the owner or the beneficiary of the contract, and the other for life settlement contracts (contracts purchased by investors from the policy owner at an amount in excess of cash surrender value). Although not specifically applicable to NFPs if life insurance contracts are acquired by gift, NFPs may choose to analogize to this guidance if they hold life insurance policies as investments rather than as protection against loss. (For example, life insurance contracts on key personnel protect against loss.)

5. Are investments in life insurance reported using one of the following measurements:			
<i>a.</i> Amounts that can be realized as of the statement-of-financial-position date? [FASB ASC 325-30-35-1]	_____	_____	_____
<i>b.</i> Transaction price plus policy premiums and all direct external costs, which is then tested for impairment? (<i>Note:</i> Transaction price is fair value at date of gift if policy is gifted.) [FASB ASC 325-30-30-1C; FASB ASC 325-30-35-8]	_____	_____	_____
<i>c.</i> Fair value? [FASB ASC 325-30-35-12]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. If the NFP chooses to report using measurement <i>b</i> or <i>c</i> in the preceding question 5, do the financial statements include the disclosures required by paragraphs 2–10 of FASB ASC 325-30-50? [FASB ASC 325-30-50 par. 2–10]	_____	_____	_____
7. Does the NFP disclose any contractual restrictions on the ability to surrender its policies? [FASB ASC 325-30-50-1]	_____	_____	_____
M. Current Liabilities			
1. For classified statements of financial position, do current liabilities include			
<i>a.</i> payables incurred in the acquisition of materials and supplies?	_____	_____	_____
<i>b.</i> collections received in advance of the delivery of goods or performance of services?	_____	_____	_____
<i>c.</i> debts that arise from operations directly related to the operating cycle, such as accruals for wages, salaries, commissions, rentals, royalties, and income and other taxes?	_____	_____	_____
<i>d.</i> other liabilities whose regular and ordinary liquidation is expected to occur within a relatively short time period? [FASB ASC 210-10-45 par. 8–9]	_____	_____	_____
<i>e.</i> obligations that, by their terms, are due on demand or will be due within one year (or operating cycle, if longer) from the balance-sheet date, even though liquidation may not be expected within that period? [FASB ASC 470-10-45-10]	_____	_____	_____
<i>f.</i> long term obligations that are or will be callable by the creditor because of the NFP's default at the date of the statement of financial position? [FASB ASC 470-10-45-11]	_____	_____	_____
<i>g.</i> serial maturities of long term debt and amounts required to be expended within one year under sinking fund provisions? [FASB ASC 210-10-45-9]	_____	_____	_____
2. In classified statements of financial position, do current liabilities exclude short term obligations that the NFP intends to refinance on a long term basis, provided the NFP demonstrates the ability to consummate the long term financing? [FASB ASC 470-10-45-14]	_____	_____	_____
3. In classified statements of financial position, is the current liability for defined benefit postretirement plans, including pensions, determined on a plan-by-plan basis as the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months (or operating cycle if longer) exceeds the fair value of plan assets? [FASB ASC 715-20-45-3]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
N. Notes Payable and Other Debt, Including Interfund Borrowings				
1.	Is there adequate disclosure of interest rates, maturities, and other terms and conditions, such as assets pledged as collateral, of loan agreements, bond indentures, and any special borrowing agreements? [FASB ASC 440-10-50-1; FASB ASC 958-210-45-7; FASB ASC 958-210-50-2; Common Practice]	_____	_____	_____
2.	Are the combined aggregate amount of maturities and sinking fund requirements for all long-term borrowings disclosed for each of the five years following the date of the latest balance sheet presented? [FASB ASC 470-10-50-1]	_____	_____	_____
3.	Has the NFP reclassified any assets pledged as collateral and reported them in its statement of financial position separately from other assets not so encumbered (for example, as security pledged to creditors) if the secured party has the right by contract or custom to sell or repledge the collateral? [FASB ASC 860-30-45-1]	_____	_____	_____
4.	As of the date of the latest statement of financial position presented, does the NFP disclose			
a.	the carrying amount and classifications of any assets pledged as collateral, if the collateral is not reclassified and separately reported in the statement of financial position in accordance with FASB ASC 860-30-45-1?	_____	_____	_____
b.	the carrying amount and classifications of the associated liabilities?	_____	_____	_____
c.	qualitative information about the relationship(s) between those assets and associated liabilities (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]	_____	_____	_____
5.	Is the following information about interest costs disclosed:			
a.	For an accounting period in which no interest is capitalized, the amount of interest cost incurred and charged to expense for the period?	_____	_____	_____
b.	For an accounting period in which interest is capitalized, the amount of interest cost incurred and the amount thereof that has been capitalized? [FASB ASC 835-20-50-1]	_____	_____	_____
6.	For unconditional purchase obligations that have been recorded in accordance with the unconditional purchase obligation subsections of FASB ASC 440, <i>Commitments</i> , are the amount of payments due in the aggregate and for each of the five years following the date of the latest statement of financial position presented disclosed? [FASB ASC 440-10-50-6]	_____	_____	_____
7.	If a note is noninterest bearing or has an inappropriate stated interest rate			
a.	is the discount or premium presented as a deduction from or addition to the face amount of the note?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. does the disclosure include the effective interest rate and face amount of the note?	_____	_____	_____
c. is amortization of the discount or premium reported as interest in the statement of activity?	_____	_____	_____
d. are issue costs reported in the statement of financial position as deferred charges? [FASB ASC 835-30-45-2]	_____	_____	_____
8. If a short-term obligation (including a long-term obligation that is callable because of default) is to be classified as a long-term borrowing, do disclosures include			
a. general description of the financing agreement?	_____	_____	_____
b. terms of any new obligation incurred or expected to be incurred, as a result of the refinancing? [FASB ASC 470-10-50-4]	_____	_____	_____
9. If the NFP finances its activities from the proceeds of tax-exempt bonds and other obligations issued through state and local financing authorities, is such financing reported as liabilities in the statement of financial position? [FASB ASC 958-470-25-1]	_____	_____	_____
10. If debt was considered to be extinguished by in-substance defeasance under the provisions of FASB Statement No. 76, <i>Extinguishment of Debt—an amendment of APB Opinion No. 26</i> , prior to December 31, 1996, is a general description of the transaction and the amount of debt that is considered extinguished at the end of the period disclosed so long if the debt remains outstanding? [FASB ASC 470-50-50-1]	_____	_____	_____
11. If a troubled debt restructuring occurred during a period for which financial statements are presented, have the following disclosures been made:			
a. A description of the principal changes in terms, the major features of settlement, or both?	_____	_____	_____
b. The aggregate gain on restructuring of payables and the tax effect, if any?	_____	_____	_____
c. The aggregate gain or loss on assets transferred to a creditor to settle a debt? [FASB ASC 470-60-50-1]	_____	_____	_____
12. For periods after a troubled debt restructuring, have the following disclosures been made:			
a. The extent to which amounts contingently payable are included in the liability for the restructured payables?	_____	_____	_____
b. Total amounts contingently payable and the conditions under which those amounts would become payable or be forgiven? (This disclosure is required if it is reasonably possible that a liability for contingent payments will be incurred.) [FASB ASC 470-60-50-2]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
13. If the NFP measures certain long term debt instruments at fair value under the fair value option subsections of FASB ASC 825-10 or FASB ASC 815-15-25-4, did it disclose the difference between the aggregate fair value and the aggregate unpaid principal balance of long term debt instruments that have contractual principal amounts? [FASB ASC 825-10-50-28]	_____	_____	_____
14. As of each date for which a statement of activities is presented, has the NFP disclosed the following information about liabilities that are measured at fair value under the “Fair Value Option” subsections of FASB ASC 825-10 or FASB ASC 815-15-25-4 for which fair values have been significantly affected during the reporting period by changes in the instrument-specific credit risk:			
a. The estimated amount of gains and losses from fair value changes included in change in each of the net asset classes, and in the intermediate measure of operations, if one is presented, that are attributable to changes in the instrument-specific credit risk?	_____	_____	_____
b. Qualitative information about the reasons for those changes?	_____	_____	_____
c. How the gains and losses attributable to changes in instrument-specific credit risk were determined? [FASB ASC 825-10-50-30]	_____	_____	_____
15. If the NFP measures long term debt at fair value on a recurring basis and the obligation was issued with an inseparable third-party credit enhancement (for example, debt that is issued with a contractual third-party guarantee), does the NFP disclose the existence of a third-party credit enhancement? [FASB ASC 820-10-35-18A; FASB ASC 820-10-50-4A]	_____	_____	_____
16. Are interfund receivables and payables clearly identified and arranged in the statement of financial position to eliminate their amounts when displaying total assets or liabilities? [FASB ASC 958-210-45-2]	_____	_____	_____
17. Have the necessary disclosures about financial instruments been made? (Refer to section II.E.)	_____	_____	_____
18. Are debt issuance costs related to a note reported in the statement of financial position as a direct deduction from the face amount of that note and is amortization of the debt issuance costs reported as interest expense? [“Pending Content” in FASB ASC 835-30-45, par. 1A and 3]	_____	_____	_____

O. Leases as Lessee

Note

FASB ASU No. 2016-02, *Leases (Topic 842)*, issued in February 2016, requires the recognition of lease assets and lease liabilities on the statement of financial position and the disclosure of key information about leasing arrangements.

For an NFP that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other NFPs, ASU No.

(continued)

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Earlier application is permitted.			
NFPs that elect to early apply ASU No. 2016-02 should complete questions 11–26; other NFPs complete questions 1–10.			
1.			
For capital leases, do disclosures include			
<i>a.</i> gross amounts of assets recorded by major classes as of the date of each statement of financial position presented? [FASB ASC 840-30-50-1]	_____	_____	_____
<i>b.</i> future minimum lease payments as of the date of the latest statement of financial position presented, in the aggregate and for each of the five succeeding fiscal years, with separate deductions therefrom for executory costs and imputed interest to reduce net minimum lease payments to present value? [FASB ASC 840-30-50-1]	_____	_____	_____
<i>c.</i> total of future minimum sublease rentals under noncancelable subleases as of the date of the latest statement of financial position presented? [FASB ASC 840-30-50-1]	_____	_____	_____
<i>d.</i> total contingent rentals actually incurred for each period for which a statement of activity is presented? [FASB ASC 840-30-50-1]	_____	_____	_____
<i>e.</i> separate identification of			
<i>i.</i> assets recorded under capital leases?	_____	_____	_____
<i>ii.</i> accumulated amortization of capital leases?	_____	_____	_____
<i>iii.</i> obligations under capital leases?	_____	_____	_____
<i>iv.</i> amount of amortization of capital lease assets or the fact that the amortization of capital lease assets is included in depreciation expense? [FASB ASC 840-30-45 par. 1–3]	_____	_____	_____
2.			
For operating leases that have initial or remaining noncancelable lease terms in excess of one year, do disclosures include			
<i>a.</i> future minimum rental payments required as of the date of the latest statement of financial position presented in the aggregate and for each of the five succeeding fiscal years?	_____	_____	_____
<i>b.</i> total of future minimum rentals to be received under noncancelable subleases as of the date of the latest statement of financial position presented? [FASB ASC 840-20-50-2]	_____	_____	_____
3.			
For all operating leases, do disclosures include rental expense for each period for which a statement of activities (or revenue and expenses) is presented, with separate amounts for minimum rentals, contingent rentals, and sublease rentals? [FASB ASC 840-20-50-1]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. For operating leases, are contingent rentals recognized prior to the achievement of the specified target that triggers the contingent rental expense if the achievement of that target is considered probable? [FASB ASC 840-10-25-35]	_____	_____	_____
5. Do disclosures include a general description of the lessee’s leasing arrangements, including but not limited to			
a. bases for determining contingent rentals?	_____	_____	_____
b. existence and terms of any renewal or purchase options or escalation clauses?	_____	_____	_____
c. restrictions imposed by lease agreements (for example, those concerning dividends, additional debt, and further leasing?) [FASB ASC 840-10-50-2]	_____	_____	_____
6. Is the nature and extent of leasing transactions with related parties disclosed? [FASB ASC 840-10-50-1]	_____	_____	_____
7. If material, is the accounting policy used in recognizing amounts related to a modification of an operating lease (that does not change the lease classification) disclosed? [FASB ASC 840-20-55-6]	_____	_____	_____
8. Is separate disclosure made of improvements to leased facilities and equipment? [FASB ASC 958-360-50-2]	_____	_____	_____
9. If the NFP leases property or equipment under a sales-lease-back agreement, does the NFP disclose the terms of the sale-leaseback transaction, including future commitments, obligations, provisions, or circumstances that require or result in the seller-lessee’s continuing involvement? [FASB ASC 840-40-50-1]	_____	_____	_____
10. If the NFP indemnifies the lessor for preexisting environmental contamination and the likelihood of loss is reasonably possible, have the disclosures required by FASB ASC 840-40-50 been made? [FASB ASC 840-40-15-2]	_____	_____	_____
11. Either on the face of the statement of financial position or in the notes, does the NFP disclose all of the following:			
a. Finance lease right-of-use assets and operating lease right-of-use as-sets, separately from each other and from other assets?	_____	_____	_____
b. Finance lease liabilities and operating lease liabilities, separately from each other and from other liabilities? [“Pending Content” in FASB ASC 842-20-45-1]	_____	_____	_____
12. If finance lease and operating lease right-of-use assets and lease liabilities are not reported as separate line items in the statement of financial position, does the NFP as lessee disclose the line items in the statement of financial position in which those right-of-use assets and lease liabilities are included? [“Pending Content” in FASB ASC 842-20-45-2]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
13. Are finance lease right-of-use assets reported on a different line item of the statement of financial position than operating lease right-of-use as-sets? ["Pending Content" in FASB ASC 842-20-45-3]	_____	_____	_____
14. Are finance lease liabilities reported on a different line item of the statement of financial position than operating lease liabilities? ["Pending Content" in FASB ASC 842-20-45-3]	_____	_____	_____
15. For finance leases, is interest expense on the lease liability presented in a manner consistent with how the NFP presents its other interest expense? ["Pending Content" in FASB ASC 842-20-45-4]	_____	_____	_____
16. For finance leases, is amortization of the right-of-use asset presented in a manner consistent with how the NFP presents depreciation or amortization of similar assets? ["Pending Content" in FASB ASC 842-20-45-4]	_____	_____	_____
17. Does the NFP as a lessee disclose information about the nature of its leases, including all of the following:			
<i>a.</i> A general description of those leases?	_____	_____	_____
<i>b.</i> The basis and terms and conditions on which variable lease payments are determined?	_____	_____	_____
<i>c.</i> The existence and terms and conditions of options to extend or terminate the lease, including a narrative disclosure about the options that are recognized as part of its right-of-use assets and lease liabilities and those that are not?	_____	_____	_____
<i>d.</i> The existence and terms and conditions of residual value guarantees provided by the lessee?	_____	_____	_____
<i>e.</i> The restrictions or covenants imposed by leases, for example, those relating to dividends or incurring additional financial obligations? ["Pending Content" in FASB ASC 842-20-50-3]	_____	_____	_____
18. Do the disclosures in question 17 identify the information included therein relating to subleases? ["Pending Content" in FASB ASC 842-20-50-3]	_____	_____	_____
19. Does the NFP as lessee disclose information about leases that have not yet commenced but that create for it significant rights and obligations, including the nature of any involvement with the construction or design of the underlying asset? ["Pending Content" in FASB ASC 842-20-50-3]	_____	_____	_____
20. Does the NFP as lessee disclose information about significant assumptions and judgments made, which may include the following:			
<i>a.</i> The determination of whether a contract contains a lease (as described in paragraphs 2–27 of FASB ASC 842-10-15)?	_____	_____	_____
<i>b.</i> The allocation of the consideration in a contract between lease and nonlease components (as described in paragraphs 28–32 of FASB ASC 842-10-15)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The determination of the discount rate for the lease (as described in paragraphs 2-4 of FASB ASC 842-20-30)? ["Pending Content" in FASB ASC 842-20-50-3]	_____	_____	_____
21. For each period presented in the financial statements, does the NFP as lessee disclose the following amounts relating to total lease cost, which includes both amounts recognized in the statement of activities during the period and any amounts capitalized as part of the cost of another asset:			
a. Finance lease cost, segregated between the amortization of the right-of use assets and interest on the lease liabilities?	_____	_____	_____
b. Operating lease cost determined in accordance with paragraphs 6(a) and 7 of FASB ASC 842-20-25?	_____	_____	_____
c. Short-term lease cost, excluding expenses relating to leases with a lease term of one month or less, determined in accordance with FASB ASC 842-20-25-2?	_____	_____	_____
d. Variable lease cost determined in accordance with paragraphs 5(b) and 6(b) of FASB ASC 842-20-25?	_____	_____	_____
e. Sublease income, disclosed on a gross basis, separate from the finance or operating lease expense?	_____	_____	_____
f. Net gain or loss recognized from sale and leaseback transactions in accordance with FASB ASC 842-40-25-4? ["Pending Content" in FASB ASC 842-20-50-4]	_____	_____	_____
22. Does the NFP as lessee disclose the following amounts, segregated between those for finance and operating leases:			
a. Cash paid for amounts included in the measurement of lease liabilities, segregated between operating and financing cash flows?	_____	_____	_____
b. Supplemental noncash information on lease liabilities arising from obtaining right-of-use assets?	_____	_____	_____
c. Weighted-average remaining lease term?	_____	_____	_____
d. Weighted-average discount rate? ["Pending Content" in FASB ASC 842-20-50-4]	_____	_____	_____
23. Does the NFP as lessee disclose a maturity analysis of its lease liabilities, separately for its finance lease liabilities and its operating lease liabilities, and having the following characteristics:			
a. The undiscounted cash flows on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years?	_____	_____	_____
b. A reconciliation of the undiscounted cash flows to the finance lease liabilities and the operating lease liabilities recognized in the statement of financial position? ["Pending Content" in FASB ASC 842-20-50-6]	_____	_____	_____
24. Do the disclosures required by FASB ASC 850, Related Party Disclosures, as described in section I.K., "Related Parties," include information about lease transactions between related parties? ["Pending Content" in FASB ASC 842-20-50-7]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
25. For short term leases, does the NFP as lessee disclose both of the following:			
a. The fact that the lessee accounts for short-term leases in accordance with FASB ASC 842-20-25-2 if the NFP does so?	_____	_____	_____
b. The amount of the NFP’s short-term commitments and the fact that lease expense for the period does not reasonably reflect NFP’s short-term lease commitments, if that is the case? [“Pending Content” in FASB ASC 842-20-50-8]	_____	_____	_____
26. If the NFP as lessee elects the practical expedient of not separating lease components from nonlease components (FASB ASC 842-10-15-37), does it disclose its accounting policy and for which class or classes of underlying assets it has elected to apply the practical expedient? [“Pending Content” in FASB ASC 842-20-50-9]			
27. For sale and leaseback transactions, does the NFP as a seller-lessee disclose both of the following:			
a. The main terms and conditions of that transaction?	_____	_____	_____
b. Any gains or losses arising from the transaction separately from gains or losses on disposal of other assets? [“Pending Content” in FASB ASC 842-40-50-2]	_____	_____	_____
P. Other Liabilities and Deferred Credits			
1. Are liabilities properly accrued and reported for employees’ compensation for future absences, including sabbatical leaves? [FASB ASC 710-10-25]	_____	_____	_____
2. If an obligation for compensated absences or postemployment benefits is not accrued only because the amount cannot be reasonably estimated, is the fact that the benefits have not been accrued disclosed in the financial statements? [FASB ASC 710-10-50-1]	_____	_____	_____
3. Do the notes to the financial statements include information about an aging schedule of unconditional promises to give (showing the total amount separated into amounts payable in less than one year, in one to five years, and in more than five years) and the unamortized discount? [FASB ASC 954-405-50-1]	_____	_____	_____
4. If the NFP has incurred a legal obligation associated with the retirement of a tangible long-lived asset (including certain leases, such as coal or timber leases) that results from the acquisition, construction, or development and (or) normal operation of that long-lived asset (but not solely from a plan to sell or dispose of the asset), has it disclosed			
a. the general description of the asset retirement obligation and the associated long-lived assets?	_____	_____	_____
b. the fair value of assets that are legally restricted for purposes of settling the asset retirement obligation?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>c. a reconciliation of the beginning and ending aggregated carrying amount of asset retirement obligations showing separately the changes attributable to (i) liabilities incurred in the current period, (ii) liabilities settled in the current period, (iii) accretion expense, and (iv) revisions in estimated cash flows, if there is a significant change in one or more of those four components during the reporting period? [FASB ASC 410-20-50-1]</p>	_____	_____	_____
<p>5. If the NFP cannot reasonably estimate an asset retirement obligation, has it disclosed that fact and the reasons that it is unable to estimate the obligation? [FASB ASC 410-20-50-2]</p>	_____	_____	_____
<p>6. If the NFP has defined benefit pension plans for which the projected benefit obligation exceeds the fair value of plan assets</p>			
<p>a. is the aggregate amount of all unfunded projected benefit obligations reported as a liability?</p>	_____	_____	_____
<p>b. if the NFP presents a classified statement of financial position, is the entire liability classified as a noncurrent unless there is a current portion? (Refer to question 3 in section II.M., "Current Liabilities.") [FASB ASC 715-30-25-1; FASB ASC 715-20-45-3]</p>	_____	_____	_____
<p>7. If the NFP has defined benefit postretirement plans other than pensions for which accumulated postretirement benefit obligation exceeds the fair value of plan assets</p>			
<p>a. is the aggregate amount of all underfunded plans reported as a liability?</p>	_____	_____	_____
<p>b. if the NFP presents a classified statement of financial position, is the entire liability classified as a noncurrent unless there is a current portion? (Refer to section II.M. question 3.) [FASB ASC 715-60-25-1; FASB ASC 715-20-45-3]</p>	_____	_____	_____
<p>8. If the NFP is obligated under a joint and several liability arrangement, has it disclosed</p>			
<p>a. the nature of the arrangement, including how the liability arose, the relationship with other co-obligors, and the terms and conditions of the arrangement?</p>	_____	_____	_____
<p>b. the total outstanding amount under the arrangement, which shall not be reduced by the effect of any amounts that may be recoverable from other entities?</p>	_____	_____	_____
<p>c. the carrying amount, if any, of an entity's liability and the carrying amount of a receivable recognized, if any?</p>	_____	_____	_____
<p>d. the nature of any recourse provisions that would enable recovery from other entities of the amounts paid, including any limitations on the amounts that might be recovered?</p>	_____	_____	_____
<p>e. in the period the liability is initially recognized and measured or in a period the measurement changes significantly, the corresponding entry and where the entry was recorded in the financial statements? [FASB ASC 405-40-50-1]</p>	_____	_____	_____

Yes No N/A

Note

FASB ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, issued in November 2015, simplifies the presentation of deferred tax liabilities and assets. For NFPs, ASU No. 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018.

An NFP for which ASU No. 2015-17 is effective or one that wishes to early adopt the requirements of ASU No. 2015-17 should complete question 9.

- | | | | | |
|----|--|-------|-------|-------|
| 9. | Are deferred tax liabilities and assets, as well as any related valuation allowance, | | | |
| a. | classified as noncurrent amounts if a classified statement of financial position is presented? | _____ | _____ | _____ |
| b. | offset and presented as a single noncurrent amount for a particular tax-paying component of the NFP and within a particular tax jurisdiction? Note: An NFP should not offset deferred tax liabilities and assets attributable to different tax-paying components of the entity or to different tax jurisdictions. | _____ | _____ | _____ |
| | ["Pending Content" in FASB ASC 740-10-45- 4 and FASB ASC 740-10-45-6] | | | |

Q. Agency Transactions

- | | | | | |
|----|--|-------|-------|-------|
| 1. | If the NFP acts as an agent or intermediary, has it recorded a liability to the resource provider if the transfer is revocable or repayable? [FASB ASC 958-605-25-33] | | | |
| a. | an equity transaction if the criteria in FASB ASC 958-20-25-4 are met? | _____ | _____ | _____ |
| b. | a liability if the criteria in FASB ASC 958-20-25-4 are not met? [FASB ASC 958-605-25-33; FASB ASC 958-20-25 par. 4-7] | _____ | _____ | _____ |
| 3. | If the NFP acts as an agent or intermediary in a transfer in which the donor granted variance power and named an <i>unaffiliated</i> entity as the beneficiary, has it reported the transfer as a contribution? [FASB ASC 958-605-25-25] | _____ | _____ | _____ |
| 4. | If the NFP acts as an agent or intermediary in a transfer in which it is financially interrelated to the specified beneficiary (as defined in FASB ASC 958-20-20), has it reported the transfer as a contribution? [FASB ASC 958-20-25-1] | _____ | _____ | _____ |
| 5. | If the NFP acts as an agent or intermediary in a transfer that is not revocable or repayable, does not involve financially interrelated parties, and in which the donor did not grant variance power, has it reported the resources received as increases in assets and liabilities and has it reported the distribution of those resources to the beneficiaries as decreases in those accounts, except as noted in the following question 6? [FASB ASC 958-605-25-24] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. If the NFP received nonfinancial assets in a transfer of the type described in question 5, did it report the receipt of those nonfinancial assets as assets and liabilities <i>only</i> if that is its accounting policy, it reports consistently from period to period, and it discloses that policy in the financial statements? [FASB ASC 958-605-25-24]	_____	_____	_____

R. Restricted Resources

Note

ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted.

Current standards require the deficit of a donor-restricted endowment fund to be included in unrestricted net assets. Per the “Pending Content” in FASB ASC 958-205-45-13H “if a donor-restricted endowment fund is an underwater endowment fund, the accumulated losses are included together with that fund in net assets with donor restrictions. In addition, ASU No. 2016-14 requires disclosures about the effects, if any, of underwater endowment funds on an NFP’s spending policies and its financial flexibility.

NFPs that have adopted the requirements of ASU No. 2016-14 should mark questions 2 and 4 “N/A” and should complete questions 5–8.

1. Are cash or other assets received with a donor-imposed restriction that limits their use to long term purposes reported separately from assets that are unrestricted (or, for NFPs that have adopted ASU No. 2016-14, without donor restrictions) and available for current use? [FASB ASC 958-210-45-6; “Pending Content” in FASB ASC 958-210-45-6]	_____	_____	_____
2. Does the NFP provide information about the nature and amounts of different types of permanent restrictions and temporary restrictions by reporting their amounts on the face of the statement of financial position or by including relevant details in notes to financial statements? [FASB ASC 958-210-45-9]	_____	_____	_____
3. Does the NFP provide the following information about its endowment:			
a. A description of the governing board’s interpretation of the law(s) that underlies the NFP’s net asset classification of donor-restricted endowment funds?	_____	_____	_____
b. A description of the NFP’s policy(ies) for the appropriation of endowment assets for expenditure (its endowment spending policies)?	_____	_____	_____
c. A description of the NFP’s endowment investment policies, including the following:			
i. The NFP’s return objectives and risk parameters?	_____	_____	_____
ii. How those objectives relate to the NFP’s endowment spending policies?	_____	_____	_____
iii. The strategies employed for achieving those objectives?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. The composition of the NFP's endowment by net asset class at the end of the period, in total and by type of endowment fund, showing donor-restricted endowment funds separately from board-designated endowment funds? [FASB ASC 958-205-50-1B]	_____	_____	_____
e. The aggregate amount of the deficiencies for all donor-restricted endowment funds, for which the fair value of the assets at the reporting date is less than the level required by donor stipulations or law? [FASB ASC 958-205-50-2]	_____	_____	_____
4. Does the NFP provide a reconciliation of the beginning and ending balance of the NFP's endowment, in total and by net asset class, including, at a minimum, the following line items (as applicable):			
a. Investment return, separated into investment income (for example, interest, dividends, rents) and net appreciation or depreciation of investments?	_____	_____	_____
b. Contributions?	_____	_____	_____
c. Amounts appropriated for expenditure?	_____	_____	_____
d. Reclassifications?	_____	_____	_____
e. Other changes? [FASB ASC 958-205-50-1B]	_____	_____	_____
5. Does the NFP provide information about the nature and amounts of different types of donor-imposed restrictions by reporting their amounts on the face of the statement of financial position or by including relevant details in notes to financial statements? ["Pending Content" in FASB ASC 958-210-45-9]	_____	_____	_____
6. Does the NFP provide a reconciliation of the beginning and ending balance of the NFP's endowment, in total and by net asset class, including, at a minimum, the following line items (as applicable):			
a. Investment return, net?	_____	_____	_____
b. Contributions?	_____	_____	_____
c. Amounts appropriated for expenditure?	_____	_____	_____
d. Other changes? ["Pending Content" in FASB ASC 958-205-50-1B]	_____	_____	_____
7. Does the NFP provide the following information about its endowment:			
a. A description of the governing board's interpretation of the law(s) that underlies the NFP's ability to spend from underwater endowment funds?	_____	_____	_____
b. A description of any actions taken during the period to appropriate from underwater endowment funds? ["Pending Content in FASB ASC 958-205-50-1B]	_____	_____	_____
8. For each period for which a statement of financial position is presented, does the NFP disclose each of the following, in the aggregate, for all underwater endowment funds:			
a. The fair value of the underwater endowment funds?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>b. The original endowment gift amount or level required to be maintained by donor stipulations or by law that extends donor restrictions?</p>	_____	_____	_____
<p>c. The amount of the deficiencies of the underwater endowment funds ([a] less [b]). [“Pending Content” in FASB ASC 958-205-50-2]</p>	_____	_____	_____
S. Mandatorily Redeemable Interests			
<p>1. Are unconditional mandatorily redeemable financial instruments classified as liabilities if those instruments are mandatorily redeemable on fixed dates unless the redemption is required to occur only upon the liquidation or termination of the reporting entity? (<i>Note:</i> A mandatorily redeemable financial instrument is conditional if the obligation depends upon the occurrence of an event <i>not certain to occur</i>. Death is not uncertain of occurrence; thus, death is not a condition.) [FASB ASC 480-10-25-4; FASB ASC 480-10-65-1]</p>	_____	_____	_____
<p>2. If all of the NFP’s net assets are unconditional mandatorily redeemable financial instruments required to be classified as liabilities (that is, they are redeemable on fixed dates)</p> <p>a. are those instruments described as <i>memberships subject to mandatory redemption</i> in statements of financial position to distinguish them from other liabilities?</p> <p>b. are payments to holders of those instruments presented separately from payments to other creditors in statements of activities and cash flows?</p> <p>c. are related accruals presented separately from amounts due to other creditors in statements of activities and cash flows? [FASB ASC 480-10-45-2; AAG 11.20–.25]</p>	_____	_____	_____
<p>3. If all of the NFP’s net assets are unconditional mandatorily redeemable financial instruments required to be classified as liabilities (that is, they are redeemable on fixed dates) and the redemption price of those financial instruments exceeds the NFP’s net assets, is the cumulative transition adjustment and any subsequent adjustments reported as an excess of liabilities over assets (a deficit net assets) and changes thereto even though the mandatorily redeemable shares are reported as a liability? [FASB ASC 480-10-45-2A]</p>	_____	_____	_____
<p>4. Does the NFP provide information about the nature and terms of mandatorily redeemable financial instruments and the rights and obligations embodied in those instruments, including information about settlement alternatives, if any, and who controls the settlement alternatives? [FASB ASC 480-10-50-1]</p>	_____	_____	_____
<p>5. For all outstanding mandatorily redeemable financial instruments and for each settlement alternative, does the NFP provide information about</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. the amount that would be paid determined under the conditions specified in the contract if the settlement were to occur at the reporting date?	_____	_____	_____
b. how changes in the fair value of the membership (dues or initiation fees) would affect those settlement amounts (for example, "the NFP is obligated to pay an additional y dollars in cash for each \$100 increase in the fair value of the membership")?	_____	_____	_____
c. the maximum amount that the NFP could be required to pay to redeem the instruments or that the contract does not limit the amount that the issuer could be required to pay, as applicable? [FASB ASC 480-10-50-2]	_____	_____	_____

T. Discontinued Operations

1. In the period(s) that a discontinued operation is classified as held for sale and for all prior periods presented, does the NFP			
a. measure the asset (group) at the lower of its carrying amount or fair value less cost to sell? <i>Note:</i> When an NFP presents the assets and liabilities of a discontinued operation in the statement of financial position of prior periods, the NFP should not measure those assets and liabilities in accordance with FASB ASC 360-10-35-43 as if they were held for sale in those prior periods.	_____	_____	_____
b. present separately the assets and liabilities of the discontinued operation in the asset and liability sections, respectively, of the statement of financial position, without offset as a single amount? <i>Note:</i> If the discontinued operation is part of a disposal group that includes other assets and liabilities (which are not part of the discontinued operation), an NFP may present the assets and liabilities of the disposal group.	_____	_____	_____
c. separately disclose the major classes of assets and liabilities of the discontinued operation on the face of the statement of financial position or in the notes? <i>Note:</i> Any loss recognized on a discontinued operation classified as held for sale should not be allocated to the major classes of assets and liabilities of the discontinued operation. [FASB ASC 360-10-35-43; "Pending Content" in FASB ASC 205-20-45, par. 10-11; "Pending Content" in FASB ASC 205-20-50-5B]	_____	_____	_____
2. If the amounts in item c in question 1 are not reported on the face of the statement of financial position, are those amounts reconciled for all periods presented to the total assets and total liabilities of the disposal group, which is classified as held for sale and presented separately on the face of the statement of financial position? <i>Note:</i> If the disposal group includes assets and liabilities that are not part of the discontinued operation, those assets and liabilities should be presented as line items in the reconciliations, separately from the assets and liabilities of the discontinued operation. ["Pending Content" in FASB ASC 205-20-50-5C]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. If a discontinued operation is disposed of before meeting the criteria in FASB ASC 205-20-45-1E to be classified as held for sale, are the assets and liabilities of the discontinued operation separately reported in the as-set and liability sections, respectively, of the statement of financial position for comparative periods (if any) before the period that includes the disposal? <i>Note:</i> When an NFP presents the assets and liabilities of a discontinued operation in the statement of financial position of prior periods, the NFP should not measure those assets and liabilities in accordance with FASB ASC 360-10-35-43 as if they were held for sale in those prior periods. ["Pending Content" in FASB ASC 205-20-45-10]	_____	_____	_____
4. For an equity method investment that meets the criteria in FASB ASC 205-20-45-1B through 45-1C, is summarized information about the assets, liabilities, and results of operations of the investee disclosed if that information was disclosed in financial reporting periods before the disposal? [FASB ASC 323-10-50-3(c); "Pending Content" in FASB ASC 205-20-50-7]	_____	_____	_____
5. For a discontinued operation in which an NFP retains an equity method investment after the disposal (the investee), do the financial statements include all of the following until the discontinued operation is no longer reported separately in discontinued operations:			
a. Information that enables users of financial statements to compare the financial performance of the NFP from period to period assuming that the NFP held the same equity method investment in all periods presented in the statement of activities?	_____	_____	_____
b. For each period after the period in which the discontinued operation was disposed of, the pretax income of the investee?	_____	_____	_____
c. The NFP's ownership interest in the discontinued operation before the disposal transaction?	_____	_____	_____
d. The NFP's ownership interest in the discontinued operation after the disposal transaction?	_____	_____	_____
e. The NFP's share of the income or loss of the investee in the period(s) after the disposal transaction and the line item in the statement of activities that includes the income or loss? ["Pending Content" in FASB ASC 205-20-50-4B]	_____	_____	_____

III. Statement of Activities

A. General	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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Note

ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted.

This ASU reduces the three classes of net assets used in financial statements of NFPs under current standards (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets—net

(continued)

Yes No N/A

assets with donor restrictions and net assets without donor restrictions. Because the definition of “donor-imposed restriction” is essentially unchanged, the effect of the change is that temporarily restricted net assets and permanently restricted net assets are combined in the statement of financial position and the statement of activities to become net assets with donor restrictions. Unrestricted net assets are now referred to as net assets without donor restrictions.

NFPs that have adopted the requirements of ASU No. 2016-14 should mark question 2 “N/A” and complete questions 12–13.

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 1. Does the statement of activities report the amount of change in net assets for the period for the NFP as a whole (using a descriptive term such as "change in net assets" or "change in equity"), and does that amount articulate to the net assets reported in the statement of financial position?
[FASB ASC 958-225-45 par. 1–2] | _____ | _____ | _____ |
| 2. Does the statement of activities report the amount of change in permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets for the period?
[FASB ASC 958-225-45-1] | _____ | _____ | _____ |
| 3. Does the statement of activities report the following: | | | |
| <i>a.</i> Revenues as increases in unrestricted net assets (or, for NFPs that have adopted ASU No. 2016-14, net assets without donor restrictions) unless the use of the assets received is limited by donor-imposed restrictions? | _____ | _____ | _____ |
| <i>b.</i> Expenses as decreases in unrestricted net assets (or, for NFPs that have adopted ASU No. 2016-14, net assets without donor restrictions)? | _____ | _____ | _____ |
| <i>c.</i> Events that simultaneously increase one class of net assets and decrease another (reclassifications of net assets), including expiration of donor-imposed restrictions, separately from revenues, expenses, gains, and losses? | _____ | _____ | _____ |
| <i>d.</i> Gains and losses as increases and decreases in unrestricted net assets (or, for NFPs that have adopted ASU No. 2016-14, net assets without donor restrictions) unless a donor or law restricts their use?
[FASB ASC 958-225-45 par. 3, 5, and 7–8; “Pending Content” in FASB ASC 958-225-45 par. 3, 5, and 7–8] | _____ | _____ | _____ |
| 4. If the NFP reports an intermediate measure of operations (for example, excess or deficit of operating revenues over expenses), is this intermediate measure reported only in a financial statement that, at a minimum, reports the change in unrestricted net assets for the period (or, for NFPs that have adopted ASU No. 2016-14, net assets without donor restrictions for the period)?
[FASB ASC 958-225-45-10; “Pending Content” in FASB ASC 958-225-45-10] | _____ | _____ | _____ |
| 5. If the NFP reports an intermediate measure of operations and its use of the term <i>operations</i> is not apparent from the details provided on the face of the statement of activities, does a note to financial statements describe the nature of the reported measure of operations or the items excluded from operations?
[FASB ASC 958-225-45-12; FASB ASC 958-225-50-1] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. Does the statement of activities report gross amounts of revenues and expenses? (<i>Note:</i> Investment revenues may be reported net of related expenses.) [FASB ASC 958-225-45-14]	_____	_____	_____
7. If the NFP reports net gains and losses on its statement of activities, do these net amounts result from peripheral or incidental transactions or from events largely beyond the control of the NFP and its management? [FASB ASC 958-225-45-15]	_____	_____	_____
8. If special events and other fund raising activities are ongoing major or central activities of the NFP, are the revenues and expenses related to those events and activities reported as gross amounts? [FASB ASC 958-225-45-17]	_____	_____	_____
9. Are costs that are netted against receipts from peripheral or incidental special events limited to direct costs? [FASB ASC 958-225-45-17]	_____	_____	_____
10. Are sales revenues and cost of goods sold reported net of estimated returns? [FASB ASC 605-15-45-1]	_____	_____	_____
11. Are material events or transactions that an NFP considers to be of an unusual nature or of a type that indicates infrequency of occurrence, or both			
<i>a.</i> reported as a separate component of change in net assets from continuing operations?	_____	_____	_____
<i>b.</i> accompanied by disclosure of the nature and financial effects of each event? [“Pending Content” in FASB ASC 225-20-45-16]	_____	_____	_____
12. Does the statement of activities report the amount of change in net assets with donor restrictions and net assets without donor restrictions for the period? [“Pending Content” in FASB ASC 958-225-45-1]	_____	_____	_____
13. If the NFP presents internal board designations, appropriations, and similar actions on the face of the financial statements, is an appropriate disaggregation and description by type of these actions presented in the notes to financial statements if that information is not provided on the face of the financial statement? [“Pending Content” in FASB ASC 958-225-50-1]	_____	_____	_____
B. Revenue Recognition (Other Than Contributions)			
1. If the NFP regularly provides discounts to certain recipients of its goods or services, are revenues reported net of those discounts or are the discounts displayed immediately beneath the revenues? [FASB ASC 958-605-45-2]	_____	_____	_____
2. Are all amounts related to shipping and handling fees and costs billed to a customer in a sale transaction classified as revenue, rather than a reduction of expense? [FASB ASC 605-45-45-20]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
3.	If a customer (grantor) reimburses the NFP for "out-of-pocket" expenses (such as mileage, airfare, hotel, photocopies, and telephone), are reimbursements received classified as revenue in the statement of activities? [FASB ASC 605-45-45-23]	_____	_____	_____
4.	If the NFP sells multiple products, services, or rights to use assets in a single agreement (that is, a multiple-deliverable arrangement), does it disclose			
a.	the nature of its multiple-deliverable arrangements?	_____	_____	_____
b.	the significant deliverables within the arrangements?	_____	_____	_____
c.	the general timing of delivery or performance of service for the deliverables within the arrangements?	_____	_____	_____
d.	performance-, cancellation-, termination-, and refund-type provisions?	_____	_____	_____
e.	the significant factors, inputs, assumptions, and methods used to determine selling price (whether vendor-specific objective evidence, third-party evidence, or estimated selling price) for the significant deliverables?	_____	_____	_____
f.	whether the significant deliverables in the arrangements qualify as separate units of accounting, and the reasons that they do not qualify as separate units of accounting, if applicable?	_____	_____	_____
g.	the general timing of revenue recognition for significant units of accounting?	_____	_____	_____
h.	the effect of changes in either the selling price or the method or assumptions used to determine selling price for a specific unit of accounting if either one of those changes has a significant effect on the allocation of arrangement consideration? [FASB ASC 605-25-50-2]	_____	_____	_____
C. Taxes				
1.	Does the NFP disclose the following information about its tax status:			
a.	Reference to the Internal Revenue Code section under which the NFP is exempt?	_____	_____	_____
b.	Whether the NFP is classified as a private foundation? [Common Practice]	_____	_____	_____
2.	If the NFP's tax exempt status is in question by the IRS, is the potential impact disclosed? [FASB ASC 958-450-25-1]	_____	_____	_____
3.	If the NFP incurs income tax expense, do the notes to the financial statements disclose the amount of the taxes and describe the nature of the activities that generated the taxes? [FASB ASC 958-720-50-1]	_____	_____	_____
4.	If the NFP incurs income tax expense, do the notes to the financial statements include the disclosures required by FASB ASC 740, <i>Income Taxes</i> ? [FASB ASC 740-10-15-2; FASB ASC 740-10-50]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. If the NFP has incurred any income tax penalties or interest, has it disclosed the total amounts of interest and penalties recognized in the statement of activities and the total amounts of interest and penalties recognized in the statement of financial position? [FASB ASC 740-10-50-15]	_____	_____	_____
6. If the NFP has unrecognized tax benefits, has it displayed the benefits as required by paragraphs 10A–12 of FASB ASC 740-10-45 and disclosed the information about those benefits required by FASB ASC 740-10-50-15? (<i>Note:</i> NFPs that are public entities are subject to additional requirements of FASB ASC 740-10-50-15A.) [FASB ASC 740-10-50-15; FASB ASC 740-10-45; Q&A 5250.15]	_____	_____	_____
D. Refunds Due To and Advances From Third Parties			
1. Are advances from third parties for services not yet performed, as well as refunds due to third parties for amounts previously received, included as liabilities on the statement of financial position? [Common Practice; AAG 10.86]	_____	_____	_____
E. Donated or Contributed Services			
1. If the NFP receives contributed services, does it disclose the following:			
<i>a.</i> A description of the programs or activities for which those services were used?	_____	_____	_____
<i>b.</i> The nature and extent of contributed services received for the period?	_____	_____	_____
<i>c.</i> The amount recognized as revenues for the period?	_____	_____	_____
<i>d.</i> The fair value of contributed services received but not recognized, if practicable (optional)?	_____	_____	_____
<i>e.</i> Nonmonetary information such as the number and trends of donated hours received or service outputs provided by volunteer efforts (optional)?	_____	_____	_____
<i>f.</i> Dollar amount of contributions raised by volunteers (optional)? [FASB ASC 958-605-50-1]	_____	_____	_____
F. Donated Materials and Facilities			
1. If donated materials merely pass through the NFP to its charitable beneficiaries, and the NFP is only an agent or intermediary for the donors, has that donation been excluded from contribution revenues? (Refer to section II.Q., "Agency Transactions.") [FASB ASC 958-605-25 par. 23–24]	_____	_____	_____
2. If the NFP receives materials, supplies, utilities, or use of facilities without charge or at a price below fair value, is the contribution reported at the fair value in the period in which it is received and an expense reported in the period in which it is used? [FASB ASC 958-605-55-23; FASB ASC 958-605-25-2]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. If the NFP receives the unconditional use of facilities for a specified period of time at a price below fair value, is the fair value of that future use included in contributions in the period in which the donor promises the use, and is the amount recognized less than or equal to the fair value of the property at the time of the promise? [FASB ASC 958-605-55-24; FASB ASC 958-605-25-2]	_____	_____	_____
4. If the NFP has significant gift-in-kind activities, did the NFP disclose			
a. its accounting policies for gifts in kind?	_____	_____	_____
b. general sources of gifts in kind (such as governments, other NFPs, and private donors)?	_____	_____	_____
c. gifts in kind received in agency transactions?	_____	_____	_____
d. gifts in kind received from contributions?	_____	_____	_____
e. the amount utilized by the NFP in its own programs?	_____	_____	_____
f. the amount donated to other NFPs? [FinREC recommendation in AAG 5.221, Examples 6–7 in AAG 5.222]	_____	_____	_____
G. Fundraising			
1. Do the financial statements disclose total fundraising expenses? [FASB ASC 958-720-50-1]	_____	_____	_____
2. If the NFP includes within its financial statements a ratio of fundraising expenses to amounts raised, has it disclosed how that ratio was computed? [FASB ASC 958-205-50-3]	_____	_____	_____
3. If the NFP performs a fund raising in conjunction with an activity that has program, management and general, membership development or other functional elements (joint activity), does the NFP			
a. report all costs of the activity as fundraising expenses if any of the criteria of purpose, audience, and content are not met?	_____	_____	_____
b. charge the costs of the activity that are identifiable with a particular function to that function and allocate the joint costs between fundraising and that other function if all three criteria of purpose, audience, and content are met?	_____	_____	_____
c. exclude costs of goods and services that are provided in exchange transactions that are part of the joint activity (for example, direct donor benefits of a special event) from fundraising expenses? [FASB ASC 958-720-45-29]	_____	_____	_____
4. If the NFP allocates joint costs of joint activities, are the following disclosures made:			
a. The types of activities for which joint costs have been incurred?	_____	_____	_____
b. A statement that joint costs have been allocated?	_____	_____	_____
c. The total amount allocated during the period and the portion allocated to each functional expense category? [FASB ASC 958-720-50-2]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. If the NFP allocates joint costs of joint activities, has it considered the optional disclosure of the amount of joint costs for each kind of joint activity? [FASB ASC 958-720-50-2]	_____	_____	_____
6. If there are no significant benefits or duties connected with an NFP's membership, are the costs associated with membership-development activities reported as fundraising expense? [FASB ASC 958-720-55 par. 20-21]	_____	_____	_____

H. Contributions**Note**

ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted.

ASU No. 2016-14 reduces the three classes of net assets used in financial statements of NFPs under current standards (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets—net assets with donor restrictions and net assets without donor restrictions. Because the definition of “donor-imposed restriction” is essentially unchanged, the effect of the change is that temporarily restricted net assets and permanently restricted net assets are combined in the statement of financial position and the statement of activities to become net assets with donor restrictions. Unrestricted net assets will be referred to as net assets without donor restrictions.

In addition, ASU No. 2016-14 requires NFPs to use the placed-in-service approach to report expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset (in the absence of specific donor restrictions stating otherwise). It eliminates the option of an NFP to adopt an accounting policy to imply a time restriction that expires over the useful life of the donated assets, absent explicit donor stipulations to the contrary, and recognize the release of the restriction ratably over the useful life of the asset.

NFPs that have adopted the requirements of ASU No. 2016-14 should mark questions 1-5 “N/A” and should complete questions 6-10. Other NFPs should complete questions 1-5 and mark questions 6-10 “N/A.”

1. Does the NFP distinguish between contributions received with permanent restrictions, those received with temporary restrictions, and those received without donor-imposed restrictions, so that they are reported as support increasing permanently restricted net assets, temporarily restricted net assets, or unrestricted net assets, respectively? [FASB ASC 958-605-45 par. 3-4]	_____	_____	_____
2. If donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support, is such treatment consistent from period to period, is the policy disclosed and does the NFP have a similar policy for the reporting of gains and investment income? [FASB ASC 958-225-45-6; FASB ASC 958-605-45-4]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>3. Does the NFP report receipt of unconditional promises to give with payments due in future periods as restricted support, unless explicit donor stipulations or circumstances surrounding the receipt of the promise make clear that the donor intended the contribution to be used to support activities of the current period? [FASB ASC 958-605-45-5]</p>	_____	_____	_____
<p>4. Does an NFP that receives gifts of long-lived assets without donor stipulation about how long the donated asset must be used</p> <p>a. disclose its accounting policy of implying or not implying a time restriction that expires over the useful life of the asset?</p> <p>b. report such support as restricted if it is the NFP’s policy to imply a time restriction that expires over the useful life of the donated asset?</p> <p>c. report such support as unrestricted in the absence of such a policy? [FASB ASC 958-605-45-6; FASB ASC 958-360-50-1]</p>	_____	_____	_____
<p>5. Does an NFP that receives unconditional promises to give in which cash promised will be received in future periods initially measure the fair value of the contribution and report subsequent accruals of the interest element as contribution revenue increasing either the temporarily or permanently restricted class of net assets if the underlying promise to give is donor restricted or due in future periods? (<i>Note:</i> If the NFP elects to subsequently measure unconditional promises to give at fair value in accordance with the fair value option subsections of FASB ASC 825-10, it is not necessary to separately compute the interest element.) [FASB ASC 958-605-30-4; FASB ASC 958-310-35-6]</p>	_____	_____	_____
<p>6. Does the NFP distinguish between contributions received with donor-imposed restrictions and those received without donor-imposed restrictions, so that they are reported as donor-restricted support that increases net assets with donor restrictions or support that increases net assets without donor restrictions, respectively? [“Pending Content” in FASB ASC 958-605-45-3]</p>	_____	_____	_____
<p>7. If donor-restricted contributions whose restrictions are met in the same reporting period are reported as support within net assets without donor restrictions, is such treatment consistent from period to period, is the policy disclosed, and does the NFP have a similar policy for the reporting of gains and investment income? [“Pending Content” in FASB ASC 958-225-45-6; “Pending Content” in FASB ASC 958-605-45-4]</p>	_____	_____	_____
<p>8. Does the NFP report receipt of unconditional promises to give with payments due in future periods as donor-restricted support, unless explicit donor stipulations or circumstances surrounding the receipt of the promise make clear that the donor intended the contribution to be used to support activities of the current period? [“Pending Content” in FASB ASC 958-605-45-5]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. Does an NFP that receives gifts of long-lived assets			
a. report such support as restricted if the donor stipulates how long the donated asset must be used?	_____	_____	_____
b. report such support as revenue without donor restrictions if the long-lived assets are received without donor stipulations about how long the donated asset must be used? ["Pending Content" in FASB ASC 958-605-45-6]	_____	_____	_____
10. Does an NFP that receives unconditional promises to give in which cash promised will be received in future periods initially measure the fair value of the contribution and report subsequent accruals of the interest element as contribution revenue increasing net assets with donor restrictions if the underlying promise to give is donor-restricted or due in future periods? (<i>Note:</i> If the NFP elects to subsequently measure unconditional promises to give at fair value in accordance with the fair value option subsections of FASB ASC 825-10, it is not necessary to separately compute the interest element.) [FASB ASC 958-605-30-4; FASB ASC 958-310-35-6]	_____	_____	_____

I. Split-Interest Agreements

Note

ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted.

ASU No. 2016-14 requires that voluntary reserves set aside as a cushion against unexpected actuarial losses be disclosed.

NFPs that have adopted the requirements of ASU No. 2016-14 should mark question 5 "N/A" and complete questions 6-7.

1. Are assets and liabilities recognized under split-interest agreements disclosed separately from other assets and liabilities in the statement of financial position or in the related notes? [FASB ASC 958-30-45-6]	_____	_____	_____
2. If a split-interest gift contains an embedded derivative (charitable remainder unitrusts with period-certain payments or period-certain-plus-life-dependent payments and certain lead interest trusts), is the embedded derivative reported at fair value? [FASB ASC 958-30-30-9]	_____	_____	_____
3. Is contribution revenue and changes in the value of split-interest agreements recognized under such agreements disclosed as separate line items in the statement of activities or in the related notes? [FASB ASC 958-30-45-7]	_____	_____	_____
4. Do the notes to the financial statements include the following disclosures related to split-interest agreements:			
a. A description of the general terms of existing split-interest agreements?	_____	_____	_____
b. The basis used for recognized assets?	_____	_____	_____
c. The discount rates and actuarial assumptions used in calculating present value?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. The existence of any legally mandated reserves?	_____	_____	_____
e. The existence of any limitations placed by state law, such as limitations on the instruments in which resources are invested?	_____	_____	_____
f. The disclosures required by the “Fair Value Option” subsection of FASB ASC 825-10-50, if an NFP elects the fair value option as described in FASB ASC 958-30-35-2?	_____	_____	_____
g. The disclosures required by paragraphs 1–2 of FASB ASC 820-10-50 in the format described in FASB ASC 820-10-50-8, if the assets and liabilities of split-interest agreements are measured at fair value in periods after initial recognition? [FASB ASC 958-30-50 par. 1–2]	_____	_____	_____
5. Is contribution revenue recognized under split-interest agreements classified as			
a. permanently restricted net assets, if the donor has permanently restricted the NFP’s use of its interest?	_____	_____	_____
b. unrestricted net assets, if the NFP has the immediate right to use its interest without restrictions?	_____	_____	_____
c. temporarily restricted net assets, if not classified as permanently restricted or unrestricted net assets? [FASB ASC 958-30-45-1]	_____	_____	_____
6. Is contribution revenue recognized under split-interest agreements classified as			
a. increases in net assets with donor restrictions if the donor has restricted the NFP’s use of its interest?	_____	_____	_____
b. increases in net assets without donor restrictions if the NFP has the immediate right to use its interest without restrictions? [“Pending Content” in FASB ASC 958-30-45-1]	_____	_____	_____
7. Are voluntary reserves that are set aside by the governing board for unexpected actuarial losses included as part of net assets without donor restrictions, and either presented as a separate component of board-designated net assets on the face of the statement of financial position or disclosed in the notes to financial statements? [“Pending Content” in FASB ASC 958-30-50-3]	_____	_____	_____

J. Expenses

Note

ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted.

ASU No. 2016-14 clarifies the definition of *management and general activities* and provides new examples to help make classification of activities more consistent among not-for-profit entities (NFPs). Activities that represent direct conduct or direct supervision of program or other supporting activities require allocation from management and general activities. Additionally, certain costs benefit more than one function and, therefore, shall be allocated. ASU No. 2016-14 requires NFPs to disclose the method(s) used to allocate costs among program and support functions.

(continued)

Yes No N/A

ASU No. 2016-14 also requires that NFPs provide an analysis of amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location, which could be on the face of the statement of activities, as a separate statement, or in notes to financial statements.

NFPs that have adopted the requirements of ASU No. 2016-14 should mark question 1 “N/A” and complete questions 15–16. Voluntary health and welfare organizations (VHWOs) that have adopted the requirements of ASU No. 2016-14 should additionally mark question 10 “N/A.”

- | | | | |
|--|--------------|--------------|--------------|
| <p>1. Does the NFP provide information about expenses reported by their functional classification (such as major classes of program services and supporting services) either in the statement of activities or in notes to financial statements? (<i>Note:</i> "Losses" need not be reported by their functional classification. VHWOs omit this step and complete question 10 in this section.)
[FASB ASC 958-720-45-2]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>2. Are expenses that relate to more than one program or supporting activity allocated among the appropriate functions?
[Common Practice; AAG 13.71; “Pending Content” in FASB ASC 958-720-45-2A]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>3. Are payments to affiliated NFPs reported by their functional classification to the extent that it is practicable and reasonable to do so?
[FASB ASC 958-720-45-26]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>4. Are payments to affiliates that cannot be allocated to functions treated as a separate supporting service and reported in the statement of activities as a separate line item, and labeled "unallocated payments to affiliated NFPs"?
[FASB ASC 958-720-45-26]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>5. If the components of the NFP’s total program expenses are not evident from the details provided on the face of the statement of activities, do the notes to the financial statements disclose total program expenses and provide information about why total program expenses disclosed in the notes does not articulate with the statement of activities?
[FASB ASC 958-720-50-1]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>6. If in exchange for goods or services provided to the NFP, the NFP provides discounts or other reductions in amounts it charges for goods and services, are such reductions reported as expenses in the same functional classification in which the cost of the goods or services provided to the NFP are reported? (For example, if a college provided tuition remission to its employees as an employee benefit, it would report those reductions in the same functional class as the employees’ salaries.)
[FASB ASC 958-720-25-7; FASB ASC 958-720-45-23]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>7. If reductions in amounts the NFP charges for goods and services are given <i>other than</i> in exchange for goods or services provided to the NFP, are such amounts reported as follows:</p> <p style="margin-left: 20px;">a. As expenses to the extent that the NFP incurs incremental expense in providing such goods or services?</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>b. As discounts if the NFP incurs no incremental expense in providing such goods or services (discounts may be netted with related revenue or displayed immediately beneath the revenue amount)? [FASB ASC 958-720-25-8; FASB ASC 958-605-45-2]</p>	_____	_____	_____
<p>8. Are accrued net losses on purchase commitments either (a) disclosed in the notes to the financial statements because expenses are reported by functional classification on the face of the statement of activities or (b) reported as a separate line item in a statement of activities that reports expenses by natural classification? [FASB ASC 330-10-50-5]</p>	_____	_____	_____
<p>9. For deferred compensation agreements, are estimated amounts to be paid properly accrued? [FASB ASC 710-10-25 par. 9–11]</p>	_____	_____	_____
<p>10. If the NFP is a VHWO, has it provided information about the functional and natural classifications of expenses in the statement of functional expenses and met the requirements of section IV.B., "Statement of Functional Expenses"? [FASB ASC 958-205-45-4]</p>	_____	_____	_____
<p>11. Does the NFP report as a separate line item or items within changes in unrestricted net assets (or, for an NFP that has adopted ASU No. 2016-14, net assets without donor restrictions), apart from expenses, the gains or losses and the prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost? [FASB ASC 958-715-45-1; "Pending Content" in FASB ASC 958-715-45-1]</p>	_____	_____	_____
<p>12. Does the NFP report the contra adjustment or adjustments that result from the reclassification to net periodic pension cost and net period postretirement benefit cost (from the net gain or loss and prior service costs or credits previously recognized pursuant to question 11 and from the transition asset or obligation remaining from the initial application of FASB Statement Nos. 87, <i>Employers' Accounting for Pensions</i>, and 106, <i>Employers' Accounting for Postretirement Benefits Other Than Pensions</i>) in the same line item or items within changes in unrestricted net assets (or, for NFPs that have adopted ASU No. 2016-14, net assets without donor restrictions), apart from expenses, as the initially recognized amounts? [FASB ASC 958-715-45-2; "Pending Content" in FASB ASC 958-715-45-2]</p>	_____	_____	_____
<p>13. Does the NFP report net periodic pension cost and net periodic postretirement benefit cost by functional expense classification? [FASB ASC 958-715-45-2]</p>	_____	_____	_____
<p>14. If an NFP makes contributions to other NFPs, does it separately identify the contributions to other NFPs (both affiliated and other than affiliated NFPs) either in the statement of activities or notes to the financial statements? [FinREC recommendation in AAG 13.33]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
15. Do the notes to the financial statements describe the methods used to allocate costs among program and support functions? [“Pending Content” in FASB ASC 958-225-50-1(d); “Pending Content” in FASB ASC 958-720-50-1d]	_____	_____	_____
16. Does the NFP present the relationship between functional and natural classification for all expenses using an analysis that disaggregates functional expense classifications by their natural expense classifications. The analysis may be provided on the face of the statement of activities, as a separate statement, or as a note to the financial statements. <i>Note:</i> Investment expenses that are netted against investment return and items that are typically excluded from net income of for-profit entities, such as those items listed in paragraph 220-10-45-10A, should not be included (FASB ASC 958-720-45-15). [“Pending Content in FASB ASC 958-720-50-1bb; “Pending Content” in FASB ASC 958-205-45-6; “Pending Content” in FASB ASC 958-225-50-1c; “Pending Content” in FASB ASC 958-720-45-15]	_____	_____	_____

K. Investments and Endowments

Note

ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted.

ASU No. 2016-14 defines an underwater endowment fund as “a donor-restricted endowment fund for which the fair value of the fund at the reporting date is less than either the original gift amount or the amount required to be maintained by the donor or by law that extends donor restrictions.” ASU No. 2016-14 changes the classification of the deficit of an underwater endowment fund. Current standards require the deficit of a donor-restricted endowment fund to be included in unrestricted net assets. Per the “Pending Content” in FASB ASC 958-205-45-13H, “if a donor-restricted endowment fund is an underwater endowment fund, the accumulated losses are included together with that fund in net assets with donor restrictions.” In addition, ASU No. 2016-14 requires disclosures about the effects, if any, of underwater endowment funds on an NFP’s spending policies and its financial flexibility.

ASU No. 2016-14 also requires that external and direct internal investment expenses be netted against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted.

In addition, ASU No. 2016-14 eliminates some of the disclosures about the composition of investment return and how it is reported in the statement of activities. NFPs that have adopted the requirements of ASU No. 2016-14 should mark questions 2, 6–8 and 11 “N/A” and should complete questions 12–13. In addition, colleges and universities that have adopted the requirements of ASU No. 2016-14 should mark question 10 “N/A.” NFPs that have not adopted the requirements of ASU No. 2016-14 should mark questions 12–13 “N/A.”

Yes No N/A

1. If realized gains and losses arise from selling or otherwise disposing of investments for which unrealized gains and losses have been recognized in the statement of activities of prior reporting periods, does the amount reported in the statement of activities as gain or loss upon the sale or other disposition of the investments exclude the amount that has been previously recognized in the statement of activities? (The components of that gain or loss may be reported as the realized amount and the change in the unrealized amount, which was recognized in prior reporting periods.)
[AAG 4.54]

Note

All states but Pennsylvania have adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA)-based legislation. Endowments subject to Pennsylvania law should be reported in accordance with FASB ASC 958-205-45 par. 33–35 and FASB ASC 958-205-45 par. 16–21A.

2. *For NFPs with endowment funds in states with UPMIFA-based legislation:* Unless the NFP has made the election described in question 5 that follows, does the NFP report income and gains on donor-restricted endowment funds as
 - a. increases in permanently restricted net assets if a donor’s explicit restriction or a law that extends a donor’s restriction to the gains requires those gains to be held permanently (for example, if a donor states that a specific investment must be held in perpetuity, the gains on that security are subject to that same permanent restriction unless the donor states otherwise)?
 - b. increases in temporarily restricted net assets if the preceding question 3a is not applicable to the gains?
[FASB ASC 958-205-45-31; FASB ASC 958-205-45 par. 16–21A]
3. This question is for investments that are not held in donor-restricted endowment funds: Unless the NFP has made the election described in question 5 that follows, does the NFP report investment income and gains as increases in unrestricted net assets (or, for NFPs that have adopted ASU No. 2016-14, net assets without donor restrictions) unless donors otherwise restrict those income and gains?
[FASB ASC 958-320-45 par. 1–3; “Pending Content” in FASB ASC 958-320-45-1]
4. If the NFP has elected to report investment income and gains as increases in unrestricted net assets (or, for NFPs that have adopted the requirements of ASU No. 2016-14, as increases in net assets without donor restrictions) if the restrictions are met in the same period, are
 - a. investment income and gains on which restriction have not been met reported as described in the preceding questions 2–4, as applicable?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>b.</i> investment income and gains on which restrictions are met reported as increases in unrestricted net assets (or, for NFPs that have adopted the requirements of ASU No. 2016-14, as increases in net assets without donor restrictions)? [FASB ASC 958-320-45-3; "Pending Content" in FASB ASC 958-320-45-3]</p>	_____	_____	_____
<p>5. If an NFP reports gains and investment income that are limited to specific uses by donor-imposed restrictions as increases in unrestricted net assets (or, for NFPs that have adopted the requirements of ASU No. 2016-14, as increases in net assets without donor restrictions) because the restrictions are met in the same reporting period as the gains and income are recognized, does the NFP</p>			
<p><i>a.</i> have a similar policy for reporting contributions received?</p>	_____	_____	_____
<p><i>b.</i> report consistently from period to period?</p>	_____	_____	_____
<p><i>c.</i> disclose its accounting policy? [FASB ASC 958-320-45-3; "Pending Content" in FASB ASC 958-320-45-3]</p>	_____	_____	_____
<p>6. In the absence of donor stipulations or law to the contrary, does the NFP report losses on investments and donor-restricted endowment funds as</p>			
<p><i>a.</i> decreases in permanently restricted net assets if subject to a donor's explicit permanent restriction or a law that extends a donor's permanent restriction to the losses (for example, if a donor states that a specific investment must be held in perpetuity, the losses on that security are subject to that same permanent restriction unless the donor states otherwise)?</p>	_____	_____	_____
<p><i>b.</i> decreases in temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of a donor-restricted endowment fund have not been met before the loss occurs?</p>	_____	_____	_____
<p><i>c.</i> decreases in unrestricted net assets if losses exceed the temporarily restricted net appreciation of a donor-restricted endowment fund or if the investments are not subject to donor-imposed restrictions? [FASB ASC 958-205-45 par. 22-24; FASB ASC 958-205-45-18]</p>	_____	_____	_____
<p>7. If losses in prior periods reduced the assets of a donor-restricted endowment fund below the level required by the donor stipulations or law, are gains that restore the fair value of the assets of the endowment fund to the required level classified as increases in unrestricted net assets? [FASB ASC 958-205-45-24]</p>	_____	_____	_____
<p>8. For each period that a statement of activities is presented, are the following disclosures made on the face of the financial statements or in the notes thereto:</p>			
<p><i>a.</i> The composition of investment return including, at a minimum, investment income, net realized gains or losses on investments reported at other than fair value, and net gains or losses on investments reported at fair value?</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. A reconciliation of investment return to amounts reported in the statement of activities, if investment return is separated into operating and nonoperating amounts?	_____	_____	_____
c. A description of the policy used to determine the amount of investment return included in the measure of operations, if investment return is separated into operating and nonoperating amounts?	_____	_____	_____
d. A discussion of circumstances leading to a change, if any, in the policy referred to in the preceding question 8c? [FASB ASC 958-320-50-1]	_____	_____	_____
9. Are significant net realized and net unrealized gains and losses that arose after the latest statement of financial position date, but before issuance of the financial statements, disclosed? [FASB ASC 855-10-25-3; FASB ASC 855-10-55-2]	_____	_____	_____
10. For colleges and universities, is the amount of total investment income and realized and unrealized gains and losses of the other investment (investments covered by FASB ASC 958-325) portfolio disclosed? [FASB ASC 958-325-50-6]	_____	_____	_____
11. If the NFP elects to report investment revenues net of related expenses, does the NFP disclose the amount of expenses, either on the face of the statement of activities or in the notes to financial statements? [FASB ASC 958-225-50-1]	_____	_____	_____
12. For NFPs with endowment funds in states with UPMIFA-based legislation that have adopted ASU No. 2016-14: Unless the NFP has made the election described in question 5 preceding, does the NFP report investment income and gains on donor-restricted endowment funds as increases in net assets with donor restrictions? ["Pending Content" in FASB ASC 958-205-45-13D]	_____	_____	_____
13. For NFPs with endowment funds in states with UPMIFA-based legislation that have adopted ASU No. 2016-14: In the absence of donor stipulations or law to the contrary, does the NFP report losses on investments of donor-restricted endowment funds as decreases in net assets with donor restrictions? ["Pending Content" in FASB ASC 958-205-45-13H]	_____	_____	_____
L. Discontinued Operations			
1. If a discontinued operation either has been disposed of or is classified as held for sale, are all of the following disclosed in the financial statements that cover the period in which that disposal or classification occurs:			
a. A description of the facts and circumstances leading to the disposal or expected disposal?	_____	_____	_____
b. The expected manner and timing of that disposal?	_____	_____	_____
c. The gain or loss recognized, if not separately presented on the face of the statement of activities? ["Pending Content" in FASB ASC 205-20-50-1]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. In a period in which a component (or a group of components) of an NFP either has been disposed of or is classified as held for sale, do the statements of activities for the current period and any prior periods report the disposal as a discontinued operation only if the disposal represents a strategic shift that has (or will have) a major effect on the NFP's operations and financial results? ["Pending Content" in FASB ASC 205-20-45-1B]	_____	_____	_____
3. In a period in which there is a discontinued operation, do the statements of activities for the current period and any prior periods presented			
a. include the results of operations of the discontinued operation as a separate section of the statement that is identified discontinued operations?	_____	_____	_____
b. separately report the gain or loss recognized on the disposal (or loss recognized on classification as held for sale) on the face of the statement or in notes to the financial statements?	_____	_____	_____
c. include any subsequent increase in fair value less cost to sell (not in excess of cumulative losses recognized) in discontinued operations? [FASB ASC 360-10-35-40; "Pending Content" in FASB ASC 205-20-45, par. 3-3C]	_____	_____	_____
4. In a period in which a component (or a group of components) of an NFP either has been disposed of or is classified as held for sale and that discontinued operation was not an equity method investment before the disposal, are all of the following disclosed for the periods in which the results of operations of the discontinued operation are presented in the statement of activities:			
a. The pretax change in net assets of the discontinued operation?	_____	_____	_____
b. The major classes of line items constituting the pretax change in net assets of the discontinued operation (for example, revenue, cost of sales, depreciation and amortization, and interest expense)?	_____	_____	_____
c. Either (1) the total operating and investing cash flows of the discontinued operation or (2) the depreciation, amortization, capital expenditures, and significant operating and investing noncash items of the discontinued operation?	_____	_____	_____
d. If the discontinued operation includes a noncontrolling interest, the pretax change in net assets attributable to the parent? ["Pending Content" in FASB ASC 205-20-50-5B]	_____	_____	_____
5. If the amounts for items a-b in question 4 do not appear on the face of the statement of activities, are those amounts reconciled to the after-tax amount for discontinued operations reported on the face of the statement of activities? <i>Note:</i> Amounts that are not major may be aggregated. ["Pending Content" in FASB ASC 205-20-50, par. 5C-5D]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. If the NFP has significant continuing involvement with a discontinued operation after the disposal date, does the NFP disclose the following information in the notes to the financial statements until the discontinued operation is no longer presented separately in the statement of activities:			
a. The nature of the activities that give rise to the continuing involvement?	_____	_____	_____
b. The period of time during which the involvement is expected to continue?	_____	_____	_____
c. The amount of any cash inflows or outflows from or to the discontinued operation after the disposal transaction?	_____	_____	_____
d. Revenues or expenses presented, if any, in continuing operations after the disposal transaction that before the disposal transaction were eliminated in consolidated financial statements as intraentity transactions? ["Pending Content" in FASB ASC 205-20-50, par. 4A-4B]	_____	_____	_____
7. In periods subsequent to that in which there is a discontinued operation, if there are adjustments to amounts reported in discontinued operations of a prior period			
a. are the adjustments presented separately in the discontinued operations section of the current period's statement of activities?	_____	_____	_____
b. are the nature and amount disclosed? ["Pending Content" in FASB ASC 205-20-45-4; "Pending Content" in FASB ASC 205-20-50-3A]	_____	_____	_____
8. If at any time the criteria for a component to be classified as held for sale in FASB ASC 205-20-45-1E are no longer met (except as permitted for by FASB ASC 205-20-45-1G for events or circumstances beyond an entity's control), are all of the following included in the financial statements that included the period in which that decision occurs:			
a. Has the component (or group of components) been reclassified as held and used?	_____	_____	_____
b. Is a description of the facts and circumstances leading to the decision to change the plan for selling the discontinued operation provided?	_____	_____	_____
c. Is the effect of the decision on the change in net assets (and on the operating measure, if one is displayed) for the period and any prior periods presented disclosed? ["Pending Content" in FASB ASC 205-20-45-1F; "Pending Content" in FASB ASC 205-20-50-3]	_____	_____	_____

IV. Additional Financial Statements

A. Statement of Cash Flows

Note

Three recently issued ASUs affect the statement of cash flows. Although none of them are currently required, each can be adopted early.

(continued)

Yes No N/A

ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted.

ASU No. 2016-14 will continue to allow an NFP to choose whether to provide a statement of cash flows using the direct or indirect method of reporting operating cash flows. However, to encourage greater use of the direct method, if an NFP chooses to present cash flows from operations using the direct method, the indirect reconciliation will no longer be required. There are no changes to the classification of operating, investing, and financing cash flows as a result of this ASU. An NFP that wishes to present cash flows from operations using the direct method and does not want to include the indirect reconciliation, must adopt all of the provisions of the ASU. NFPs wishing to present cash flows from operations using the direct method that do not wish to early adopt ASU No. 2016-14 must continue to provide the indirect reconciliation.

ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*, effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. An entity that elects early adoption must adopt all the amendments in the same period.

The amendments in ASU No. 2016-15 address specific cash flow issues with the objective of reducing existing diversity in practice. The main provisions address the following specific cash flow matters:

- Classification of cash payments for debt prepayment or debt extinguishment costs
- Classification of cash payments related to the settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the debt
- Classification of contingent consideration payments made after a business combination
- Classification of proceeds from the settlement of insurance claims
- Classification of proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies
- Classification of distributions received from equity method investees
- Classification of cash receipts from beneficial interests in securitization transactions and disclosure of beneficial interests in securitization transactions
- Application of the predominance principle and separately identifiable cash flows

ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

NFPs that have adopted the requirements of ASU No. 2016-14 should mark question 9 “N/A.”

NFPs that have adopted the requirements of ASU No. 2016-15 should complete question 20.

NFPs that have adopted the requirements of ASU No. 2016-18 should mark question 2 “N/A” and complete questions 21–23.

- | | |
|--|--------------|
| <p>1. Is a statement of cash flows presented as a financial statement for each period for which both a statement of financial position and a statement of activities is presented?
[FASB ASC 230-10-15-3]</p> | <p>_____</p> |
| <p>2. Does the statement of cash flows report net cash provided or used by operating, investing, and financing activities and the net effect of those flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents?
[FASB ASC 230-10-45-24]</p> | <p>_____</p> |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Are cash receipts and disbursements classified as cash flows from operating, investing, and financing activities in accordance with the classifications prescribed by FASB ASC 230, <i>Statement of Cash Flows</i> ? [FASB ASC 230-10-45]	_____	_____	_____
4. Are amounts of cash receipts and cash disbursements reported gross unless the receipts and disbursements relate to (a) cash equivalents, (b) investments with an original maturity of three months or less, (c) loans receivable with an original maturity of three months or less, or (d) debt with an original maturity of three months or less? [FASB ASC 230-10-45-7]	_____	_____	_____
5. Are cash payments for debt issue costs classified as a financing activity? [FASB ASC 230-10-45-15]	_____	_____	_____
6. Are cash flows from purchases, sales, and insurance recoveries of unrecognized, noncapitalized collection items reported as investing activities? [FASB ASC 958-230-55-5A]	_____	_____	_____
7. Do the notes disclose the NFP's accounting policy for determining which items are treated as cash equivalents? (<i>Note:</i> Any change in policy for determining which items are treated as cash equivalents is a change in accounting principle.) [FASB ASC 230-10-50-1]	_____	_____	_____
8. If the direct method is used, does the statement of cash flows separately report (as applicable)			
a. cash received from contributors?	_____	_____	_____
b. cash received from service recipients?	_____	_____	_____
c. interest and dividends received?	_____	_____	_____
d. cash collected on contributions receivable?	_____	_____	_____
e. other operating cash receipts (if any)?	_____	_____	_____
f. cash paid to employees and suppliers?	_____	_____	_____
g. grants paid?	_____	_____	_____
h. interest paid?	_____	_____	_____
i. other operating cash payments (if any)? [FASB ASC 230-10-45-25; FASB ASC 958-205-55-19]	_____	_____	_____
9. If the direct method is used, is a separate reconciling schedule provided to reconcile the change in net assets to net cash used (provided) by operating activities? [FASB ASC 230-10-45-29]	_____	_____	_____
10. If the indirect method is used, is the change in net assets reconciled to net cash flow from operating activities within the statement of cash flows or in a separate schedule? [FASB ASC 230-10-45-28; FASB ASC 230-10-45-31]	_____	_____	_____
11. If the indirect method is used, are amounts of interest paid (net of amounts capitalized) and income taxes paid, if any, disclosed? [FASB ASC 230-10-50-2]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
12. Are investing and financing activities that affect recognized assets or liabilities but that do not result in cash receipts or cash payments, including gifts of property or investments, disclosed? [FASB ASC 230-10-50 par. 3-4]	_____	_____	_____
13. In the statement of cash flows, are amounts received with donor-imposed stipulations that they must be used for long-term purposes reported simultaneously as cash flow from financing activities and cash outflow from investing activities? [FASB ASC 958-230-55-3]	_____	_____	_____
14. If the NFP directed the sale of donated financial assets (for example, donated debt or equity instruments) upon receipt without imposing any limitations upon the sale (such as a limit order) and those financial assets were converted nearly immediately into cash, are the resulting cash receipts			
<i>a.</i> classified as cash flows from financing activities if the contributed resources were restricted by the donor for the purpose of (i) acquiring, constructing, or improving property, plant, equipment, or other long-lived assets or (ii) establishing or increasing a donor-restricted endowment fund?	_____	_____	_____
<i>b.</i> classified as cash flows from operating activities if the contributed resources were not restricted in the manner described in item <i>a</i> of this question? [FASB ASC 230-10-45-21A]	_____	_____	_____
15. Is the reconciliation of the change in net assets to net cash used or provided by operating activities adjusted if noncash assets are contributed or if cash is received with donor imposed stipulations that require it to be used for long-term purposes (and thus is not included in "cash or cash equivalents" on the statement of financial position)? [FASB ASC 958-230-55-3]	_____	_____	_____
16. If contributions with donor-imposed restrictions limiting their use to the purchase of equipment are received and the equipment is purchased in a subsequent period, are both the proceeds of the sale of the assets restricted to equipment investment and the purchase of the equipment reported as cash flows from investing activities? [FASB ASC 958-230-55-3]	_____	_____	_____
17. Are cash flows from agency transactions included in cash flows from operating activities? [FASB ASC 958-230-55-4]	_____	_____	_____
18. If cash flows from derivative instruments that are accounted for as fair value hedges or cash flow hedges are classified in the same category as the cash flows of the item being hedged, is that accounting policy disclosed? [FASB ASC 230-10-45-27]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
19. If an other-than-insignificant financing element is present at the inception of a derivative instrument (other than financing elements inherently included in at-the-market derivative instrument with no prepayments), are all cash inflows and outflows associated with that derivative instrument reported as financing activities? [FASB ASC 230-10-45-27]	_____	_____	_____
20. If the indirect method is used and the NFP has issued zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, such as an interest-free loan, does the amount of interest paid in question 11 include the portion of the debt payments that is attributable to accreted interest related to the debt discount? [“Pending Content” in FASB ASC 230-10-50-2]	_____	_____	_____
21. Does the statement of cash flows report net cash provided or used by operating, investing, and financing activities and the net effect of those flows on the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents during the period. [“Pending Content” in FASB ASC 230-10-45-24]	_____	_____	_____
22. Does the statement of cash flows report information in a manner that reconciles beginning and ending totals of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents? [“Pending Content” in FASB ASC 230-10-45-24]	_____	_____	_____
23. If cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents are presented in more than one line item within the statement of financial position, does the NFP, for each period that a statement of financial position is presented, present the following on the face of the statement of cash flows or in the notes to the financial statements:			
a. The amounts of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents reported within the statement of financial position, disaggregated by the line item in which they appear within the statement of financial position?	_____	_____	_____
b. The sum of the amounts of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents, which equals the amount shown in the statement of cash flows at the end of the corresponding period? [“Pending Content” in FASB ASC 230-10-50-8]	_____	_____	_____

Note

ASU No. 2016-02 issued in February 2016, requires the recognition of lease assets and lease liabilities on the statement of financial position and the disclosure of key information about leasing arrangements.

For an NFP that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other NFPs, ASU No. 2016-02

(continued)

Yes No N/A

is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Earlier application is permitted.

NFPs that elect to early apply ASU No. 2016-02 should complete question 24.

- | | | | |
|---|---|---|---|
| <p>24. For leases, are</p> <p style="margin-left: 20px;">a. repayments of the principal portion of the lease liability arising from finance leases presented within financing activities?</p> <p style="margin-left: 20px;">b. interest on the lease liability arising from finance leases presented in accordance with the requirements for interest paid in FASB ASC 230, <i>Statement of Cash Flows</i>?</p> <p style="margin-left: 20px;">c. payments arising from operating leases presented within operating activities, except to the extent that those payments represent costs to bring another asset to the condition and location necessary for its intended use, which should be classified within investing activities?</p> <p style="margin-left: 20px;">d. variable lease payments and short-term lease payments not included in the lease liability presented within operating activities</p> <p style="margin-left: 40px;">[“Pending Content” in FASB ASC 842-20-45-5]</p> | <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> |
|---|---|---|---|

B. Statement of Functional Expenses

Note

ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted.

Prior to the effective date of ASU No. 2016-14, only VHWOs are required to present a statement of functional expenses. Other NFPs are encouraged by FASB to present that statement.

ASU No. 2016-14 expands to all NFPs the requirement to present an analysis of expenses by functional and natural expense classification. NFPs that wish to early adopt the requirements of ASU No. 2016-14 must provide this information in one location—either on the face of a statement of activities, as a schedule in the notes to the financial statements, or in a separate financial statement. If presenting comparative financial statements, an NFP has the option to omit the information for any periods prior to the period of adoption of ASU No. 2016-14.

VHWOs that are required to present a statement of functional expenses or NFPs that choose to present the analysis of expenses as a separate statement should complete this section. NFPs that have adopted ASU No. 2016-14 should mark question 2 “N/A.”

- | | | | |
|--|---------------------------|---------------------------|---------------------------|
| <p>1. Is a statement of functional expenses presented as a financial statement for each period for which a statement of activities is presented?
[FASB ASC 958-205-45-6]</p> <p>2. If investment revenues are reported net of related expenses, are those expenses reported by their functional and natural classifications in the statement of functional expenses?
[FASB ASC 958-205-45-6]</p> | <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> |
|--|---------------------------|---------------------------|---------------------------|

Yes No N/A

3. If certain expenses are reported by other than their natural classification on the statement of activities, are those expenses included with other expenses of the same natural classification on the statement of functional expenses? (For example, if certain salaries are included in cost of goods sold on the statement of activities, are they "regrouped" and reported along with other salaries and wages on the statement of functional expenses.)
 [FASB ASC 958-205-45-6; "Pending Content" in FASB ASC 958-205-45-6]

Part 3

Auditors' Reports Checklist

.01 This checklist has been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as a nonauthoritative practice aid. This checklist contains the basic requirements for reporting on an audit of the financial statements in accordance with generally accepted auditing standards (GAAS). It does not contain all requirements for reports required to be issued in audits in accordance with *Government Auditing Standards* (also referred to as the Yellow Book) or with the Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) audit requirements. Illustrative auditor's reports are found in chapter 14, "Reports of Independent Auditors," of the AICPA Audit and Accounting Guide *Not-for-Profit Entities*. This checklist also does not contain requirements for an audit of internal control over financial reporting that is integrated with an audit of financial statements (integrated audit). If an auditor is engaged to perform an integrated audit, the auditor should also refer to AU-C 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements* (AICPA, *Professional Standards*).

.02 This checklist is prepared for use in reporting on financial statements prepared in accordance with generally accepted accounting principles (GAAP). If an auditor is expressing an opinion on financial statements prepared in accordance with a cash, tax, regulatory, contractual, or another basis of accounting (referred to as a special-purpose framework), the auditor should comply with the requirements of AU-C section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks* (AICPA, *Professional Standards*). AU-C section 800 addresses special considerations in the application of AU-C sections 200–700 to an audit of financial statements prepared in accordance with a special purpose framework.

.03 This checklist is prepared for use in reporting on a complete set of financial statements. If an auditor is expressing an opinion on a single financial statement or a specific element, account, or item of a financial statement, the auditor should comply with the requirements of AU-C section 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement* (AICPA, *Professional Standards*). AU-C section 805 addresses special considerations in the application of AU-C sections 200–700 to an audit of a single financial statement or of a specific element, account, or item of a financial statement.

.04 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. Other entities are referred to as *nonissuers*. Because not-for-profit organizations (NFPs) are nonissuers, this checklist does not address PCAOB standards. Although uncommon, an auditor may be engaged to follow PCAOB auditing standards in the audit of an NFP. When the audit is not under the jurisdiction of the PCAOB but the entity desires, or is required by an agency, by a regulator, or by contractual agreement, to obtain an audit conducted under PCAOB standards, the AICPA Code of Professional Conduct requires the auditor to also conduct the audit in accordance with GAAS. Statement on Auditing Standards No. 131, *Amendment to Statement on Auditing Standards No. 122 Section 700, Forming an Opinion and Reporting on Financial Statements* (AICPA, *Professional Standards*, AU-C sec. 700), clarifies the format of the auditor's report that should be issued when the auditor conducts an audit in accordance the standards of the PCAOB, but the audit is not under the jurisdiction of the PCAOB.

.05 If the auditor is engaged to audit both an NFPs's financial statements and management's assessment of the effectiveness of internal control over financial reporting in accordance with PCAOB auditing standards, refer to paragraphs 85–98 of PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements* (AICPA, *PCAOB Standards and Related Rules*), for the audit reports that should be used.

.06 Explanation of References:

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

AAG = AICPA Audit and Accounting Guide *Not-for-Profit Entities* (as of March 1, 2017)

.07 Checklist Questionnaire:

Standard Auditor's Report	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Title</i>			
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–.24]	_____	_____	_____
<i>Addressee</i>			
2. Is the report addressed to those for whom the report is prepared, typically the entity whose financial statements are being audited or those charged with its governance as required by the circumstances of the engagement? [AU-C 700.24 and .A19]	_____	_____	_____
<i>Introductory Paragraph</i>			
3. Does the introductory paragraph of the report			
<i>a.</i> identify the entity whose financial statements have been audited?	_____	_____	_____
<i>b.</i> state that the financial statements have been audited?	_____	_____	_____
<i>c.</i> identify the title of each statement that the financial statements comprise? (<i>Note:</i> the titles and dates of the financial statements that are referred to in the introductory paragraph of the auditor's report should match the titles and dates of the financial statements presented.)	_____	_____	_____
<i>d.</i> specify the date or period covered by each financial statement that the financial statements comprise? [AU-C 700.25 and .A20–.A23]	_____	_____	_____
<i>Management's Responsibility for the Financial Statements</i>			
4. Does the report include a section with the heading "Management's Responsibility for the Financial Statements"? [AU-C 700.26]	_____	_____	_____
5. Does the report describe management's responsibility for the preparation and fair presentation of the financial statements including an explanation that management is responsible for			
<i>a.</i> the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework?	_____	_____	_____
<i>b.</i> 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]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. If management includes a separate statement about its responsibilities in a document containing the auditor's report, does the description of management's responsibility included in the auditor's report appropriately NOT refer to a management's statement? [AU-C 700.28 and .A25]	_____	_____	_____
<i>Auditor's Responsibility</i>			
7. Does the report include a section with the heading "Auditor's Responsibility"? [AU-C 700.29]	_____	_____	_____
8. Does the 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 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? [AU-C 700.31 and .A27-.A28]	_____	_____	_____
10. Does the report state that GAAS requires 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]	_____	_____	_____
11. 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]	_____	_____	_____
12. Does the auditor's report describe an audit by stating that			
<i>a.</i> an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements?	_____	_____	_____
<i>b.</i> 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?	_____	_____	_____
<i>c.</i> 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— <i>unless the auditor has the responsibility to express and opinion on the effectiveness of internal control in conjunction with the audit of the financial statements?</i>	_____	_____	_____
<i>d.</i> an 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]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
13. 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]	_____	_____	_____
<i>Auditor's Opinion</i>			
14. Does the report include a section with the heading "Opinion"? [AU-C 700.34]	_____	_____	_____
15. If an unmodified opinion is being expressed on the financial statements, 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, changes in its net assets, and its cash flows for the period then ended, in accordance with the applicable financial reporting framework? [AU-C 700.35 and .A29; AAG 14.02]	_____	_____	_____
16. Does the auditor's opinion identify the applicable reporting framework and its origin? [AU-C 700.36 and .A31]	_____	_____	_____
<i>Other Reporting Responsibilities</i>			
17. If the auditor addresses other reporting responsibilities in addition to the auditor's responsibility under GAAS to report on the financial statements, are these other reporting responsibilities addressed in a separate section titled "Report on Other Legal and Regulatory Requirements" (or otherwise, as appropriate for its contents)? [AU-C 700.37 and .A32-.A33]	_____	_____	_____
18. Does the section titled "Report on Other Legal and Regulatory Requirements" (or otherwise as appropriate) follow a section titled "Report on the Financial Statements," that contains the headings, statements, and explanations referred to in questions 4-15? [AU-C 700.38 and .A34]	_____	_____	_____
<i>Signature of the Auditor</i>			
19. Does the auditor's report include the manual or printer signature of the auditor's firm? [AU-C 700.39 and .A35-.A36]	_____	_____	_____
<i>Auditor's Address</i>			
20. Does the auditor's report name the city and state where the auditor practices? (<i>Note:</i> the city and state may be named in the firm's letterhead on which the report is presented. If the firm's letterhead includes multiple office locations, the auditor's report needs to indicate the city and state where the auditor practices.) [AU-C 700.40 and .A37]	_____	_____	_____
<i>Date of the Auditor's Report</i>			
21. 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?	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 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-.A41] | _____ | _____ | _____ |

Comparative Financial Statements and Comparative Information

- | | | | |
|---|-------|-------|-------|
| 22. If comparative financial statements are presented, does the auditor's report refer to each period for which financial statements are presented and on which an audit opinion is expressed?
[AU-C 700.45 and .A48-.A49] | _____ | _____ | _____ |
| 23. If a prior year(s) financial statements are summarized and therefore do not include the minimum information required for a complete set of financial statements, does the auditor's report make clear the degree of responsibility that the auditor is assuming in relation to the prior year(s) summarized information and is the introductory paragraph and the opinion paragraph silent as to the summarized information?
[AU-C 700.48 and .A54; AAG 14.05] | _____ | _____ | _____ |
| 24. If comparative information is presented but not covered by the auditor's opinion, does the auditor's report clearly indicate the character of the auditor's work and degree of responsibility the auditor is taking for each period presented?
[AU-C 700.47 and .A52-.A53] | _____ | _____ | _____ |
| 25. Does the report include appropriate language if different opinions are expressed on comparative financial statements?
[AU-C 700.A49] | _____ | _____ | _____ |

Emphasis-of-Matter Paragraph or Other-Matter Paragraph

- | | | | |
|---|-------|-------|-------|
| 26. 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 if, in the auditor's professional judgment, it is of such importance that it is fundamental to users' understanding of the financial statements? (<i>Note:</i> Such a paragraph should refer only to information presented or disclosed in the financial statements.)
[AU-C 706.06 and .A2-.A3] | _____ | _____ | _____ |
| 27. 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" or other appropriate heading? | _____ | _____ | _____ |
| c. does it include clear reference to the matter being emphasized and to where relevant 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 .A4-.A5] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
28. If any of the following events or circumstances has occurred, has an emphasis-of-matter paragraph been added to the auditor's report:			
a. An uncertainty relating to the future outcome of unusually important litigation or regulatory action? [AU-C 706.A2]	_____	_____	_____
b. A major catastrophe that has had, or continues to have, a significant effect on the entity's financial position? [AU-C 706.A2]	_____	_____	_____
c. Significant transactions with related parties? [AU-C 706.A2]	_____	_____	_____
d. Unusually important subsequent events? [AU-C 706.A2]	_____	_____	_____
e. If another set of financial statements has been prepared by the same entity in accordance with another general purpose framework and the auditor has issued a report on those financial statements and both frameworks are acceptable in the respective circumstances? (<i>Note:</i> For example, an entity might prepare one set of financial statements in accordance with accounting principles generally accepted in the United States of America and another set of financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and engage the auditor to report on both sets of financial statements.) [AU-C 706.A9]	_____	_____	_____
f. There has been a change in accounting principle or in the method of its application that has a material effect on the financial statements of any period presented? (<i>Note:</i> 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 706.A14; AU-C 708.07-.09 and .A4-.A9]	_____	_____	_____
g. A change in the reporting entity that results in financial statements that, in effect, are those of a different reporting entity? (<i>Note:</i> A change in reporting entity that results from a transaction or event, such as the creation, cessation, or complete or partial purchase or disposition of a subsidiary or other business unit, does not require recognition in the auditor's report.) [AU-C 706.A14; AU-C 708.11 and .A11]	_____	_____	_____
h. 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]	_____	_____	_____
i. When there are adjustments to correct a material misstatement in previously issued financial statements? [AU-C 708.13 and .A12-.A13]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>j.</i> If the disclosures described in FASB <i>Accounting Standards Codification</i> 958-205-50-4 concerning summarized comparative financial information are required but are not included in the financial statements? (<i>Note:</i> Such an explanatory paragraph should follow the opinion paragraph and should not be referred to in either the scope or opinion paragraphs.) [AAG 14.06-.08]</p>	_____	_____	_____
<p><i>k.</i> If the auditor can demonstrate that due to unusual circumstances the financial statements or data would have been misleading if prepared in accordance with GAAP, a paragraph is necessary describing the departure, its approximate effects, if practicable, and the reasons why compliance with the principle would result in a misleading statement? [AU-C 700.A15]</p>	_____	_____	_____
<p>29. 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 if, in the auditor's professional judgment, it is relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report? [AU-C 706.08 and .A6-.A11]</p>	_____	_____	_____
<p>30. If an other-matter paragraph has been included in the auditor's report,</p>			
<p><i>a.</i> does it have the heading "Other Matter" or other appropriate heading? [AU-C 706.08]</p>	_____	_____	_____
<p><i>b.</i> if the other-matter paragraph draws users' attention to a matter relevant to their understanding of the audit of the financial statements, is the paragraph included immediately after the opinion paragraph and any emphasis-of-matter paragraph? [AU-C 706.08 and .A11]</p>	_____	_____	_____
<p><i>c.</i> if the other-matter paragraph draws users' attention to a matter relating to other reporting responsibilities addressed in the auditor's report, is the paragraph included in the section subtitled "Report on Other Legal and Regulatory Requirements"?? [AU-C 706.A11]</p>	_____	_____	_____
<p><i>d.</i> if the other-matter paragraph is 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]</p>	_____	_____	_____
<p><i>e.</i> does the content reflect clearly that the other matter is not required to be presented and disclosed in the financial statements? [AU-C 706.A10]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>f.</i> has the auditor not included information that he or she 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]</p>	_____	_____	_____
<p>31. If any of the following events or circumstances has occurred, has an other-matter paragraph been added to the auditor’s report:</p> <p><i>a.</i> The entity presents the supplementary information with the financial statements? [AU-C 706.A15; AU-C 725.09; AU-C 730.07]</p> <p><i>b.</i> A report on compliance is included in the auditor’s report on the financial statements? [AU-C 706.A15; AU-C 806.13]</p> <p><i>c.</i> The auditor’s report contains an alert that restricts the use of the auditor’s written communication? [AU-C 706.A15; AU-C 905.07]</p> <p><i>d.</i> 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]</p> <p><i>e.</i> In the rare circumstance in which the auditor wants to explain that he or she is unable to withdraw from an engagement even though the possible effect of an inability to obtain sufficient appropriate audit evidence due to a limitation on the scope of the audit imposed by management is pervasive? [AU-C 706.A6]</p>	_____	_____	_____

Auditor’s Opinion on the Comparative Statement Differs From Previously Expressed

<p>32. If the auditor’s opinion on the comparative financial statements for a prior period differs from the opinion the auditor previously expressed, does the report disclose the following matters in an emphasis-of-matter or other-matter paragraph, in accordance with AU-C section 706, <i>Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report</i>:</p> <p><i>a.</i> The date of the auditor’s previous report?</p> <p><i>b.</i> The type of opinion previously expressed?</p> <p><i>c.</i> The substantive reason for the different opinion?</p> <p><i>d.</i> That the auditor’s opinion on the amended financial statements is different from the auditor’s previous opinion? [AU-C 700.54 and .A56]</p>	_____	_____	_____
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Prior Period Financial Statements Audited by a Predecessor Auditor

<p>33. 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, does the auditor’s report include an other-matter paragraph with the following information:</p>			
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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(s) for the modification?	_____	_____	_____
c. The nature of an emphasis-of-matter paragraph or other-matter paragraph included in the predecessor auditor's report, if any?	_____	_____	_____
d. The date of the predecessor auditor's report? [AU-C 700.55]	_____	_____	_____
34. If a predecessor auditor is unable or unwilling to reissue the auditor's report on the prior period financial statements and those statements have been restated, does the auditor's report indicate in an other-matter paragraph that a predecessor auditor reported on the financial statements of the prior period before restatement, which is permitted if the auditor has audited the adjustments to the prior period financial statements? [AU-C 700.A57]	_____	_____	_____

Prior Period Financial Statements Not Audited

35. If the current period financial statements are audited and presented in comparative form with compiled or reviewed financial statements for a prior period and the report on the prior period is not reissued, does the auditor's report include an other-matter paragraph that includes the following information:			
a. The service 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 700.57 and .A58-.A59]	_____	_____	_____
36. If the prior period financial statements were not audited, reviewed, or compiled, does the auditor's report include an other-matter paragraph that indicates 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 700.58 and .A60]	_____	_____	_____

Considerations of Subsequent Events

37. If a subsequent event disclosed in the financial statements occurs after the original date of the 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)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>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 560.13 and .A11-.A14]</p>	_____	_____	_____
<p>38. If after the date of the auditor's report but before the report release date management revises the financial statements, does the auditor's report include an additional date to indicate that the auditor's procedures subsequent to the original date of the report are limited solely to the revision of the financial statements (that is, dual-date the auditor's report for that revision, for example, "February 16, 20CY, except as to Note X, which is as of [the date of completion of audit procedures limited to revision described in note X]"?)? (<i>Note:</i> The auditor may instead date the report as of the later date; however, the auditor's responsibility for subsequent events then extends to the date of the report and, accordingly, the procedures outlined in paragraph .13a of AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i>, should be extended to that date.) [AU-C 560.13 and .A11-.A14]</p>	_____	_____	_____
<p>39. If after the report release date management revises the financial statements because of a subsequently discovered fact, and the auditor's opinion on the revised financial statements differs from the opinion the auditor previously expressed, does an emphasis-of-matter or other-matter paragraph include</p> <p>a. the date of the auditor's previous report?</p> <p>b. the type of opinion previously expressed?</p> <p>c. the substantive reasons for the different opinion?</p> <p>d. that the auditor's opinion on the revised financial statements is different from the auditor's previous opinion? [AU-C 706.A15; AU-C 560.16c]</p>	_____	_____	_____

Considerations of Going Concern

<p>40. If, after considering identified conditions or events and management's plans, the auditor concludes that there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time¹, does the auditor's report include an emphasis-of-matters paragraph? (<i>Note:</i> If the auditor disclaims an opinion on the financial statements because of uncertainties, the emphasis-of-matter paragraph is not included.) [AU-C 706.A14; AU-C 570.24]</p>	_____	_____	_____
<p>41. Is the auditor's conclusion expressed through the use of terms consistent with those included in the applicable financial reporting framework? (<i>Note:</i> 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.) [AU-C 570.25 and .A52-.A53]</p>	_____	_____	_____

¹ *Reasonable period of time* is defined as the period of time required by the applicable financial reporting framework or, if no such requirement exists, within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Special Considerations of Group Audits			
42. In a group audit, if the group engagement partner decides to assume responsibility for the work of a component auditor, is the auditor's report on the group financial statements silent about the component auditor? [AU-C 600.31 and .A62]	_____	_____	_____
43. In a group audit, if the group engagement partner decides not to assume responsibility for the work of a component auditor, does the auditor's report on the group financial statements make reference to the audit of a component auditor? [AU-C 600.08]	_____	_____	_____
44. If the auditor's report on the group financial statements makes reference to the audit of a component auditor,			
<i>a.</i> is the component auditor's report presented together with that of the auditor's report on the group financial statements? [AU-C 600.29]	_____	_____	_____
<i>b.</i> has the component auditor issued an auditor's report that is not restricted as to use? [AU-C 600.25]	_____	_____	_____
<i>c.</i> has the group engagement partner determined that the component auditor performed an audit of the financial statements of the component in accordance with the relevant requirements of GAAS? [AU-C 600.25 and .A53]	_____	_____	_____
<i>d.</i> has the group engagement team read the component's financial statements and the component auditor's report thereon to identify significant findings and issues and, when considered necessary, communicated with the component auditor in this regard? [AU-C 600.27]	_____	_____	_____
<i>e.</i> has the group engagement team performed the procedures required by AU-C section 600, <i>Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)</i> , except for those required by paragraphs .51–.65? [AU-C 600.27]	_____	_____	_____
45. If the auditor's report on the group financial statements makes reference to the audit of a component auditor, does the auditor's report on the group financial statements clearly indicate			
<i>a.</i> that the component was not audited by the auditor of the group financial statements but was audited by the component auditor?	_____	_____	_____
<i>b.</i> the magnitude of the portion of the financial statements audited by the component auditor?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>c. the set of auditing standards used by the component auditor and that additional audit procedures were performed by the component auditor to meet the relevant requirements of GAAS, if the component auditor's report on the component's financial statements does not state that the audit of the component's financial statements was performed in accordance with GAAS and the group engagement partner determined that the component auditor performed additional audit procedures in order to meet the relevant requirements of GAAS? [AU-C 600.28]</p>	_____	_____	_____
<p>46. If the auditor's report on the group financial statements makes reference to the audit of a component auditor and the component's financial statements are prepared using a different financial reporting framework from that used for the group financial statements,</p>			
<p>a. are the measurement, recognition, presentation, and disclosure criteria that are applicable to all material items in the component's financial statements under the financial reporting framework used by the component similar to the criteria that are applicable to all material items in the group's financial statements under the financial reporting framework used by the group? [AU-C 600.26]</p>	_____	_____	_____
<p>b. has the group engagement team obtained sufficient appropriate audit evidence to evaluate the appropriateness of the adjustments to convert the component's financial statements to the financial reporting framework used by the group without the need to assume responsibility for, and, thus, be involved in, the work of the component auditor? [AU-C 600.26]</p>	_____	_____	_____
<p>c. does the auditor's report on the group financial statements indicate the financial reporting framework used by the component? [AU-C 600.28]</p>	_____	_____	_____
<p>d. does the auditor's report on the group financial statements indicate that auditor of the group financial statements is taking responsibility for evaluating the appropriateness of the adjustments to convert the component's financial statements to the financial reporting framework used by the group? [AU-C 600.28]</p>	_____	_____	_____
<p>47. In a group audit, if the component auditor's report is modified or the component auditor's report includes an emphasis-of-matter or other-matter paragraph,</p>			
<p>a. has the auditor of the group financial statements considered presenting the component auditor's report and making reference to those paragraphs and their disposition? [AU-C 600.A61]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. is the report of the auditor of the group financial statements modified, or does it include an emphasis-of-matter paragraph or an other-matter paragraph, when deemed appropriate? [AU-C 600.30]	_____	_____	_____

Modifications to the Opinion in the Independent Auditor's Report

- | | | | |
|--|-------|-------|-------|
| 48. Has the auditor modified the opinion in the auditor's report if the auditor concludes that, either based on the audit evidence obtained, the financial statements as a whole are materially misstated or that 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 and .A2-.A12] | _____ | _____ | _____ |
| 49. Has the auditor expressed a qualified opinion if 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] | _____ | _____ | _____ |
| 50. Has the auditor expressed an adverse opinion if 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] | _____ | _____ | _____ |
| 51. Has the auditor disclaimed an opinion if the auditor is 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 and .A13-.A14] | _____ | _____ | _____ |
| 52. If the auditor is unable to obtain sufficient appropriate audit evidence due to a management-imposed limitation, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive, has the auditor either disclaimed an opinion on the financial statements or, when practicable, withdrawn from the audit?
[AU-C 705.13] | _____ | _____ | _____ |
| 53. If the auditor considers it necessary to express an adverse opinion or disclaim an opinion on the financial statements as a whole, has the auditor restrained from providing 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? (<i>Note:</i> To include such an unmodified opinion in the same report would contradict the auditor's adverse opinion or disclaimer of opinion on the financial statements as a whole.)
[AU-C 705.15 and .A17-.A18] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
54. If the auditor is not independent but is required by law or regulation to report on the financial statements, has the auditor disclaimed the opinion with respect to the financial statements and specifically stated that the auditor is not independent? [AU-C 705.16 and .A19]	_____	_____	_____
55. If the auditor concludes that noncompliance with laws or regulations has a material effect on the financial statements and that the noncompliance has not been adequately reflected in the financial statements, 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 and .A27]	_____	_____	_____
<i>Basis for Modification Paragraph</i>			
56. If the auditor has modified the opinion on the financial statements, has the auditor included a paragraph in the auditor's report			
a. that provides a description of the matter giving rise to the modification?	_____	_____	_____
b. that immediately precedes the opinion paragraph?	_____	_____	_____
c. that has a heading that includes "Basis for Qualified Opinion," "Basis for Adverse Opinion" or "Basis for Disclaimer of Opinion"? [AU-C 705.17 and .A20]	_____	_____	_____
57. 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 and .A21-.A23]	_____	_____	_____
58. 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]	_____	_____	_____
59. If there is a material misstatement of the financial statements that relates to the omission of information required to be presented or disclosed, has the auditor described in the basis for modification paragraph the nature of the omitted information and include the omitted information (provided that it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information)? [AU-C 705.20 and .A24-.A25]	_____	_____	_____
60. 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]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
61. 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 and .A27]	_____	_____	_____
62. 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]	_____	_____	_____
63. If the auditor makes reference to the work of an auditor's external specialist in the auditor's report because that reference is relevant to an understanding of a modification to the auditor's opinion, does the auditor's report state that the reference does not reduce the auditor's responsibility for that opinion? [AU-C 620.15 and .A44]	_____	_____	_____
<i>Opinion Paragraph</i>			
64. 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]	_____	_____	_____
65. 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 .A29-.A30]	_____	_____	_____
66. 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]	_____	_____	_____
67. 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]	_____	_____	_____
68. 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	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 an audit opinion?	_____	_____	_____
b.	the auditor does not express an opinion on the financial statements? [AU-C 705.26]	_____	_____	_____
69.	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			
a.	concerns about the integrity of an entity’s management cause the auditor to conclude that the risk of management misrepresentation in the financial statements is such that an audit cannot be conducted?	_____	_____	_____
b.	concerns about the condition and reliability of an entity’s records cause the auditor to conclude that it is unlikely that sufficient appropriate audit evidence will be available to support an unqualified opinion on the financial statements? [AU-C 315.A110]	_____	_____	_____
<i>Description of the Auditor’s Responsibility When the Auditor Expresses a Modified Opinion</i>				
70.	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]	_____	_____	_____
71.	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 only “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]	_____	_____	_____

Yes No N/A

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

Other Information

Notes

“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]

“Documents containing audited financial statements” refer to annual reports (or similar documents) issued to owners (or similar stakeholders) and annual reports of governments and organizations for charitable or philanthropic purposes made available to the public that contain audited financial statements and the auditor’s report thereon.

[AU-C 720.02]

If the auditor is engaged to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, then the provisions of AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*, apply, and auditors should refer to questions 73–79. Otherwise, the auditor is required to apply the provisions of AU-C section 720, *Other Information in Documents Containing Audited Financial Statements*.

- | | | | | |
|-----|---|-------|-------|-------|
| 72. | If other information is presented in a document containing audited financial statements, has the auditor considered including an other-matter paragraph disclaiming an opinion on the other information?
[AU-C 720.A2] | _____ | _____ | _____ |
|-----|---|-------|-------|-------|

Supplementary Information

Note

“Supplementary information” is information presented outside the financial statements that is not considered necessary for the financial statements to be fairly presented. Supplementary information includes additional details or explanations of items in or related to the financial statements, consolidating information, historical summaries of items extracted from the financial statements, statistical data, and other material, some of which may be from sources outside the accounting system or outside the entity.

[AU-C 725.04 and .A7–.A8]

- | | | | | |
|-----|--|-------|-------|-------|
| 73. | If supplementary information accompanies the financial statements and the auditor does not disclaim an opinion on the supplementary information, does the auditor include an emphasis-of-matter paragraph in the auditor’s report that | | | |
| a. | states that the audit is performed for the purpose of forming an opinion on the financial statements as a whole? | _____ | _____ | _____ |
| b. | specifically identifies the accompanying information? | _____ | _____ | _____ |
| c. | states that the accompanying information is presented for purposes of additional analysis and is not part of the financial statements? | _____ | _____ | _____ |
| d. | states 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? | _____ | _____ | _____ |

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
e.	states that the supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements?	_____	_____	_____
f.	states that, in addition to the auditing procedures applied in the audit, the supplementary information has been subjected to 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? [AU-C 725.09]	_____	_____	_____
74.	If supplementary information is not presented with the financial statements and the auditor does not disclaim an opinion on the supplementary information, does the auditor include a separate report that includes all the items in question 64 as well as all of the following:			
a.	A reference to the report on the financial statements?	_____	_____	_____
b.	The date of that report?	_____	_____	_____
c.	The nature of the opinion expressed on the financial statements?	_____	_____	_____
d.	The report modifications, if any? [AU-C 725.10 and .A3]	_____	_____	_____
75.	When reporting on supplementary information in a separate report, did the auditor consider whether to include an alert that restricts the use of the separate report solely to the appropriate specified parties, in accordance with AU-C section 905, <i>Alert That Restricts the Use of the Auditor's Written Communication</i> , to avoid potential misinterpretation or misunderstanding of the supplementary information that is not presented with the financial statements? [AU-C 725.A16]	_____	_____	_____
76.	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, does the emphasis-of-matter paragraph or separate report state that, in the auditor's opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole? [AU-C 725.09]	_____	_____	_____
77.	If the auditor issues a qualified opinion on the financial statements and the qualification has an effect on the supplementary information, does the emphasis-of-matter paragraph or separate report state 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]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>78. If the auditor issues an adverse opinion or disclaims an opinion on the audited financial statements, and the auditor has been engaged to report on whether supplementary information, does the emphasis-of-matter paragraph or separate report state that because of the significance of the matter disclosed in the auditor's report, it is inappropriate to, and the auditor does not, express an opinion on the supplementary information? (<i>Note:</i> When permitted by law or regulation, the auditor may withdraw from the engagement to report on the supplementary information.) [AU-C 725.11]</p>	_____	_____	_____
<p>79. 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 that information, does the auditor either (a) modify the opinion on the supplementary information and describe the misstatement in the auditor's report or (b) if a separate report is being issued on the supplementary information, withhold the auditor's report on the supplementary information? [AU-C 725.13]</p>	_____	_____	_____

Part 4

Auditors' Reports Checklist for Audits Performed in Accordance With Government Auditing Standards and the Uniform Guidance

The Office of Management and Budget (OMB) has issued Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which establishes uniform cost principles and audit requirements for federal awards to nonfederal entities and administrative requirements for all federal grants and cooperative agreements. The Uniform Guidance administrative requirements and cost principles are effective for nonfederal entities for all federal awards and certain funding increments provided on or after December 26, 2014. The standards in subpart F, *Audit Requirements*, of the guidance are effective for audits of fiscal years beginning on or after December 26, 2014. Therefore, all OMB compliance audits are now being performed under the Uniform Guidance.

AICPA Audit Guide *Government Auditing Standards and Single Audits* has been fully updated for the Uniform Guidance.

This checklist has been updated for the Uniform Guidance. The paragraph references are to the 2017 edition of the AICPA Audit Guide *Government Auditing Standards and Single Audits*.

Note: A proposed revision to *Government Auditing Standards* is expected to be issued for comment in Spring 2017. A final revision will not likely be issued until late 2017, or in 2018. Once it is issued in final form and becomes effective, it will supersede *Government Auditing Standards (2011 Revision)*.

.01 *Government Auditing Standards* (also referred to as the Yellow Book), issued by the Comptroller General of the United States of the U.S. Government Accountability Office (GAO), applies to the audits of governmental entities, programs, activities, and functions, and of governmental assistance administered by contractors, not-for-profit entities (NFPs), and other nongovernmental entities, when required by statute or other mandates or when auditors hold themselves out as following those standards.¹ The Single Audit Act Amendments of 1996 (the Single Audit Act) and the Uniform Guidance require a single or program-specific audit for entities that expend \$750,000 or more of federal awards in a fiscal year. The Single Audit Act requires single audits and program-specific audits of federal awards to be performed in accordance with *Government Auditing Standards*. Similarly, *Government Auditing Standards* requires the use of its standards

¹ As discussed in paragraph 4.06 of the 2017 AICPA Audit Guide *Government Auditing Standards and Single Audits* (the guide), paragraph 5.06 of *Government Auditing Standards* (GAS) acknowledges that an auditee may need a financial statement audit for purposes other than to comply with a requirement calling for an audit in accordance with GAS. For example, the auditee may need a financial statement audit to issue bonds. In that case, GAS permits auditors to issue a separate report on the financial statements conforming only to the requirements of generally accepted auditing standards (GAAS). The AICPA Audit and Accounting Guide *State and Local Governments* discusses auditor involvement with municipal securities filings and states that, if the auditor is involved with a government's official statements, the auditor should consider which auditor's reports the government presents in the official statement. It is generally advisable for the official statements to use an auditor's report on the financial statements that does not refer to the GAS audit or to those separate reports because those references, without the presentation of the reports in the official statements, could confuse the users of the official statement.

when auditing compliance with regulations relating to federal award expenditures and other governmental financial assistance in conjunction with or as a by-product of a financial statement audit.

.02 This checklist has two parts. Section I is for auditor's reports on financial statement audits performed in accordance with *Government Auditing Standards*. (This checklist does not address the performance auditing or attestation standards of *Government Auditing Standards*. It also does not address types of financial audits other than financial statement audits.) Section II contains the additional requirements for auditor's reports on audits performed in accordance with the Single Audit Act and the Uniform Guidance.² For audits performed in accordance with the Uniform Guidance, both sections I and II of this checklist should be completed. Illustrative auditor's reports on financial statement audits performed in accordance with *Government Auditing Standards* and illustrative auditor's reports and an illustrative schedule of findings and questioned costs for Uniform Guidance audits are in the 2017 AICPA Audit Guide *Government Auditing Standards and Single Audits*.

.03 The OMB issues an annual compliance supplement for conducting single audits. That supplement has historically been available on the OMB's website at www.whitehouse.gov/omb/grants_circulars/.³ The AICPA issues an annual Audit Risk Alert *Government Auditing Standards and Single Audit Developments*, as a complement to the Audit Guide *Government Auditing Standards and Single Audits*.

.04 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 SEC. Other entities are referred to as *nonissuers*. Because NFPs are nonissuers, this checklist does not address PCAOB standards. Although uncommon, an auditor may be engaged to follow PCAOB auditing standards in the audit of an NFP. When the audit is not under the jurisdiction of the PCAOB but the entity desires, or is required by an agency, by a regulator, or by contractual agreement, to obtain an audit conducted under PCAOB standards, the AICPA Code of Professional Conduct requires the auditor to also conduct the audit in accordance with GAAS. Statement on Auditing Standards (SAS) No. 131, *Amendment to Statement on Auditing Standards No. 122 Section 700, Forming an Opinion and Reporting on Financial Statements* (AICPA, *Professional Standards*, AU-C sec. 700), clarifies the format of the auditor's report that should be issued when the auditor conducts an audit in accordance the standards of the PCAOB, but the audit is not under the jurisdiction of the PCAOB.

.05 If the auditor is engaged to audit and report on the effectiveness of an NFP's internal control over financial reporting in accordance with PCAOB auditing standards, the auditor should modify this checklist considering the guidance in PCAOB standards, the GAO Internet Notice at www.gao.gov/govaud/ybk01.htm titled *Guidance on Complying with Government Auditing Standards Reporting Requirements for the Report on Internal Control for Audits of Certain Entities Subject to the Requirements of the Sarbanes-Oxley Act of 2002 and Government Auditing Standards*.

.06 This checklist has been updated for the guidance found in the Uniform Guidance. The Uniform Guidance is found in the Code of Federal Regulations and may be updated at any time. To access the current Uniform Guidance regulations go to the electronic Code of Federal Regulations at Part 200 of the eCFR.

.07 Explanation of References:

UG = Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

GAS = GAO 2011 revision to *Government Auditing Standards*

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

AAG = AICPA Audit Guide *Government Auditing Standards and Single Audits* (as of March 1, 2017)

² AU-C section 935, *Compliance Audits* (AICPA, *Professional Standards*), is applicable when an auditor is engaged or required by law or regulation to perform a compliance audit in accordance with (a) GAAS, (b) standards for financial audits under GAS, and (c) a governmental audit requirement that requires an auditor to express an opinion on compliance. This guidance addresses the application of GAAS to a compliance audit and does not apply to the financial statement audit that may be performed in conjunction with a compliance audit.

³ At the date of this update the Compliance Supplement can be accessed on the OMB website at <https://obamawhitehouse.archives.gov/omb/circulars.default>.

I. Reports on Audits Performed in Accordance With GAS⁴

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. In a financial statement audit performed in accordance with GAS, has the auditor issued the following reports: ⁵			
a. A report on the entity's financial statements that provides an opinion or disclaimer of opinion on the financial statements? [GAS 4.17; AAG 4.02 and .46]	_____	_____	_____
b. A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with GAS? [GAS 4.19; AAG 4.05]	_____	_____	_____

Report on the Financial Statements

2. In addition to the elements listed in the checklist for the auditor's report on the financial statements at part 3, "Auditors' Reports Checklist," does the auditor's report on the financial statements contain			
a. a statement that the audit was conducted in accordance with the standards applicable to financial audits contained in GAS, issued by the Comptroller General of the United States? ⁶ [GAS 4.18; AAG 4.04, .06, and .48-.49]	_____	_____	_____
b. a statement or a reference to a separate report on internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters prepared in accordance with GAS, ⁷ which includes			
i. a description of the scope of testing of internal control over financial reporting and compliance and whether the tests performed provided sufficient, appropriate evidence to support opinions on the effectiveness of internal control and on compliance? ⁸	_____	_____	_____

⁴ GAS incorporates by reference AICPA Statements on Auditing Standards. Therefore, auditors performing financial statement audits in accordance with GAS should comply with GAAS, the requirements and guidance found in chapters 1-3 of GAS, and the additional requirements for financial audits found in chapter 4, "Standards for Financial Audits," of GAS. (GAS 4.01; AAG 4.01).

⁵ There is no provision in GAS that requires the auditee to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). If an auditee prepares financial statements in conformity with a special-purpose framework (sometimes referred to as an other comprehensive basis of accounting), the auditor follows the guidance in AU-C section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks* (AICPA, *Professional Standards*). That guidance notes that when forming an opinion and reporting on special purpose financial statements, the auditor should apply the requirements in AU-C section 700, *Forming an Opinion and Reporting on Financial Statements* (AICPA, *Professional Standards*) (GAS 3.73).

⁶ An auditor in a government entity may be required to perform a nonaudit service that could impair the auditor's independence with respect to a required audit. If the auditor cannot, as a consequence of constitutional or statutory requirements over which the auditor has no control, implement safeguards to reduce the resulting threat to an acceptable level, or decline to perform or terminate a nonaudit service that is incompatible with audit responsibilities, the auditor should disclose the nature of the threat that could not be eliminated or reduced to an acceptable level and modify the Generally Accepted Government Auditing Standards (GAGAS) compliance statement accordingly. See paragraphs 2.24-.25 of GAS for the discussion of modifications to the GAGAS compliance statement (GAS 3.44; AAG 2.26).

⁷ If the reporting on internal control over financial reporting and on compliance and other matters is included in the report on the financial statements, the reference to the separate report is not required. The AICPA Audit Guide *Government Auditing Standards and Single Audits* recommends separate reporting (AAG 4.11 and 4.52).

⁸ If auditors issue an opinion on internal control over financial reporting the opinion would satisfy the GAS requirement for reporting on internal control. The guide recommends that the reference to the separate report be modified to indicate that there is such an opinion. (GAS 4.21; AAG 4.09, 4.54f, and footnote 27 of chapter 4).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
ii. if a separate report is issued, a reference to the separate report in the report on the financial statements and a statement that the separate report is an integral part of an audit performed in accordance with GAS in considering [name of entity's] internal control over financial reporting and compliance? [GAS 4.20-.22; AAG 4.08, .48v-w, and .52]	_____	_____	_____
3. If the auditor does not follow an applicable standard of GAS, does the scope section of the report disclose the standard that was not followed, the reasons therefore, and how not following the standard affected, or could have affected, the results of the audit? [GAS 2.25; AAG 4.50]	_____	_____	_____
4. If a material organizational unit is not required to have an audit in accordance with GAS, has the scope paragraph of the report on the financial statements been modified to indicate the portion of the entity that was not audited in accordance with GAS? [AAG 4.75-.76]	_____	_____	_____
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance With GAS			
5. Does the auditor's report on internal control over financial reporting and on compliance and other matters conform to the standard report language illustrated in the AICPA Audit Guide Government Auditing Standards and Single Audits, including the appropriate headings? [Examples 4-3-4-9 in appendix A of chapter 4]	_____	_____	_____
6. Does the auditor's report on internal control over financial reporting and on compliance and other matters contain			
a. a title that contains the word <i>independent</i> ?	_____	_____	_____
b. an appropriate addressee?	_____	_____	_____
c. a statement that the auditor has audited the financial statements of the auditee and a reference to the auditor's report on the financial statements (including the period covered by the report and the date of the auditor's report), and a description of the nature of any opinion modification (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of component auditors)?	_____	_____	_____
d. a statement that the audit was conducted in accordance with GAAS and an identification of the United States of America as the country of origin of those standards and with the standards applicable to financial audits contained in GAS, issued by the Comptroller General of the United States?	_____	_____	_____
e. a section with the heading "Internal Control Over Financial Reporting"?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
f. a statement that in planning and performing the audit of the financial statements, the auditor considered the auditee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the auditee's internal control over financial reporting; and accordingly, does not express an opinion on the effectiveness of the auditee's internal control? ⁹	_____	_____	_____
g. the definitions of <i>deficiency in internal control</i> , <i>significant deficiency</i> , and <i>material weakness</i> ? ¹⁰	_____	_____	_____
h. the following statements if no significant deficiencies or material weaknesses have been identified:			
i. A statement that the auditor's consideration of internal control was for the limited purpose described in question 6f and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies?	_____	_____	_____
ii. A statement that, given the limitations, during the audit the auditor did not identify any deficiencies in internal control that are considered to be material weaknesses, however material weaknesses may exist that have not been identified? ¹¹	_____	_____	_____
i. the following four statements if significant deficiencies have been identified:			
i. A statement that the auditor's consideration of internal control was for the limited purpose described in question 6f and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that have not been identified?	_____	_____	_____
ii. A statement that given these limitations, during the audit the auditor did not identify any deficiencies in internal control that were considered to be material weaknesses?	_____	_____	_____
iii. A statement that certain deficiencies in internal control over financial reporting were identified that the auditor considers to be significant deficiencies?	_____	_____	_____

⁹ See footnote 8.

¹⁰ While the definitions of *deficiency in internal control* and *material weakness* are required in all reporting, the definition of *significant deficiency* is not required to be included in the report when no significant deficiencies have been identified. However, for clarity purposes, the definition of *significant deficiency* is included in the example reports found in the AICPA Audit Guide Government Auditing Standards and Single Audits, regardless of the type of deficiencies identified. The definitions included in the example reports are based on the definitions found in AU-C section 265, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, Professional Standards).

¹¹ This wording is based on the requirement in paragraph .16 of AU-C section 265 which states that the auditor should not issue a written communication stating that no significant deficiencies were identified during the audit.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
iv. A description of the significant deficiencies identified, including the title of the schedule in which the findings are reported? (<i>Note:</i> Alternatively the findings may be listed in the report.) ¹²	_____	_____	_____
j. the following four statements if material weaknesses and significant deficiencies have been identified:			
i. A statement that the auditor’s consideration of internal control was for the limited purpose described in question 6f and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that have not been identified?	_____	_____	_____
ii. A statement that certain deficiencies in internal control over financial reporting were identified that the auditor considers to be material weaknesses and significant deficiencies?	_____	_____	_____
iii. A description of the material weaknesses, including the title of the schedule in which the findings are reported? (<i>Note:</i> Alternatively the findings may be listed in the report.) ¹³	_____	_____	_____
iv. A description of the significant deficiencies identified, including the title of the schedule in which the findings are reported? (<i>Note:</i> Alternatively the findings may be listed in the report.) ¹⁴	_____	_____	_____
k. a section with the heading “Compliance and Other Matters”?	_____	_____	_____
l. a statement that as part of obtaining reasonable assurance about whether the auditee’s financial statements are free from material misstatement, the auditor performed tests of the auditee’s compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts; however, providing an opinion on compliance with those provisions was not an objective of the audit and that, accordingly, the auditor does not express such an opinion?	_____	_____	_____
m. if no instances of noncompliance or other matters have been identified that are required to be reported, a statement that the results of tests disclosed no instances of noncompliance or other matters that are required to be reported under GAS?	_____	_____	_____
n. if instances of noncompliance or other matters have been identified that are required to be reported, a statement that the results of the tests disclosed instances of noncompliance or other matters that are required to be reported under GAS, including the title of the schedule in which the findings are reported? ¹⁵	_____	_____	_____

¹² For an audit in accordance with the Uniform Guidance, all findings, including those required to be reported under both GAAS and GAS, should be included in the schedule of findings and questioned costs. Therefore, for such audits, this report should refer to the schedule of findings and questioned costs. See the questions about that schedule in section II of this checklist (AAG 13.36).

¹³ See footnote 12.

¹⁴ See footnote 12.

¹⁵ Paragraph 4.07 of the guide discusses noncompliance and other matters—certain fraud and abuse—for which GAS requires reporting in the auditor’s report. Paragraph 4.59 of the guide discusses where to report findings of fraud and abuse in the report on internal control over financial reporting and on compliance and other matters.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
o. if material weaknesses, significant deficiencies, or instances of non-compliance or other matters are identified, a section with the heading "[Name of auditee]'s Response to Findings"?	_____	_____	_____
p. a statement that the auditee's response to the findings identified in the audit are described in the accompanying [include the title of the schedule in which the findings are reported or, if findings and responses are included in the body of the report, "previously"]?	_____	_____	_____
q. a statement that "[Name of Entity]'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, the auditor does not express an opinion on it"?	_____	_____	_____
r. a section with the heading "Purpose of this Report"?	_____	_____	_____
s. a statement that "The purpose of the report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with GAS in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose"?	_____	_____	_____
t. the manual or printed signature of the auditor's firm?	_____	_____	_____
u. the auditor's city and state?	_____	_____	_____
v. the date of the auditor's report? [AAG 4.54]	_____	_____	_____
7. Does the report carry the same date as the report on the financial statements? [AAG 4.54, footnote 34 in chapter 4]	_____	_____	_____
8. If a material organizational unit is not required to have an audit in accordance with GAS, has the scope paragraph of the report been modified to indicate the portion of the entity that was not audited in accordance with GAS? [AAG 4.74-.75]	_____	_____	_____
9. If certain pertinent information is prohibited from public disclosure or is excluded from a report due to the confidential or sensitive nature of the information (as it may be by federal, state, or local laws or regulations), does the auditor's report state that certain information has been omitted and the reason or other circumstance that makes the omission necessary? [GAS 4.40; AAG 4.68]	_____	_____	_____
10. Does the language in the compliance and other matters section of the report refer to findings that do or may include fraud and abuse? (It is recommended that this language appear in all reports, even if the report does not describe or refer to findings of fraud or abuse or even if the only findings of fraud or abuse are described in or referred to from the section on internal control over financial reporting.) [AAG 4.59]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
11. Are findings that relate to both internal control over financial reporting and to compliance reported in or referred to from both the section of the report concerning internal control over financial reporting and in the section of the report concerning compliance and other matters? (The reporting in one section of the report or schedule may be in summary form with a reference to a detailed reporting in the other section.) [AAG 4.58]	_____	_____	_____
12. Are findings of fraud and abuse reported in or referred to from the compliance and other matters section of the report, unless the primary nature of the finding is a significant deficiency or material weakness in internal control? (Auditors should present or refer to findings of fraud and abuse that represent significant deficiencies or material weaknesses in internal control in the internal control section.) [AAG 4.59]	_____	_____	_____
13. Do the reported findings include (a) all significant deficiencies and material weaknesses in internal control (b) all instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the financial statements and any other instances that warrant the attention of those charged with governance, (c) noncompliance with provisions of contracts or grant agreements that has a material effect on the determination of financial statement amounts and (d) abuse that has a material effect, either qualitative or quantitative, on the audit? ¹⁶ [GAS 4.23; AAG 4.07]	_____	_____	_____
14. Does each finding include a reference number that meets the numbering format required for Federal Audit Clearinghouse (FAC) submissions (for example, findings identified and reported in the audit of fiscal year 20X1 could be assigned reference numbers 20X1-001, 20X1-002, and so forth)? [AAG 4.62]	_____	_____	_____
15. Do the reported findings place the findings in proper perspective (or context) by describing the nature and extent of the issues reported and the work performed that resulted in the finding? (The identified instances should be related to the population or the number of cases examined and be quantified in terms of dollar value or other measures, if appropriate.) [GAS 4.29; AAG 4.61]	_____	_____	_____
a. When reporting instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, are the results projected? (If the results cannot be projected, auditors should limit their conclusions appropriately.) [GAS 4.29; AAG 4.61]	_____	_____	_____
16. To the extent possible and to achieve audit objectives, do the reported findings present criteria, condition, cause, and effect or potential effect? [GAS 4.10-.14 and 4.28; AAG 4.57]	_____	_____	_____

¹⁶ GAS requires this reporting even if the auditor disclaims an opinion on the financial statements (GAS 4.19).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
17. Does the auditor's report include the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions? ^{17, 18} [GAS 4.33; AAG 4.63–.66]	_____	_____	_____
<i>a.</i> If the auditor receives, in writing, the views of responsible officials, is a copy of the officials' written comments or a summary of the comments received included in the auditor's report? ¹⁹	_____	_____	_____
<i>b.</i> Does the auditor's report include an evaluation of the comments, as appropriate?	_____	_____	_____
<i>c.</i> If the entity's views oppose the report's findings, conclusions, or recommendations, and are not, in the auditor's opinion, valid—or if the planned corrective actions do not adequately address the auditor's recommendations—does the report state reasons for disagreeing with the comments or planned corrective actions? [GAS 4.38; AAG 4.65]	_____	_____	_____
<i>d.</i> If the audited entity refused to provide comments or is unable to provide comments within a reasonable period of time, does the auditor's report state that the audited entity did not provide comments? [GAS 4.39; AAG 4.66]	_____	_____	_____

Other Reporting and Communication Considerations

18. Does a written communication, such as a management letter, communicate those instances of noncompliance with provisions of contracts or grant agreements or abuse that have an effect on the financial statements or other financial data significant to the audit objectives that are less than material but warrant the attention of those charged with governance? ²⁰ [GAS 4.26; AAG 4.72 and table 4-1]	_____	_____	_____
<i>a.</i> Are the discussions worded so that readers can distinguish those matters that are required to be included by GAAS or GAS from matters that are recommendations for improvements or information about "best practices"? [AAG 4.73]	_____	_____	_____
<i>b.</i> Does the communication not include personal identification or other potentially sensitive matters? [AAG 4.68–.72]	_____	_____	_____

¹⁷ In an audit in accordance with the Uniform Guidance, the auditee is required to submit a corrective action plan. For those audits, depending on the status of the development of the corrective action plan at the time the auditor's reports are released, the auditor may be able to refer to the corrective action plan to satisfy as the required presentation of the auditee's views and planned corrective actions. Note that under the Uniform Guidance audit findings are required to contain the views of responsible officials (AAG footnote 38 in chapter 4).

¹⁸ The auditor is required to extend a reasonable effort to obtain and report auditee views and planned corrective actions. GAS does not require the auditor to delay or withhold the release of the report if the auditee does not provide the necessary information on a timely basis. If, however, the auditee refuses to provide comments or is unable to provide the necessary information by the time the report is released, the report should indicate that the audited entity did not provide comments (GAS 4.39; AAG 4.66).

¹⁹ When the responsible officials provide oral comments only, auditors should prepare a summary of the oral comments and provide a copy of the summary to the responsible officials to verify that the comments are accurately stated (GAS 4.35; AAG 4.64).

²⁰ There is no option for the auditor to report in a management letter, or other written communication, findings that GAS or the Uniform Guidance requires to be reported in the auditor's report or Schedule of Findings and Questioned Costs. (AAG footnote 36 of chapter 4, AAG footnote 28 of chapter 13)

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
19. Has the auditor used professional judgment to determine whether and how to communicate to auditee officials deficiencies in internal control, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, and abuse that do not warrant the attention of those charged with governance? ²¹ [GAS 4.26; AAG 4.72 and table 4-1]	_____	_____	_____
20. Has the auditor reported known or likely fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, and abuse directly to parties outside of the auditee in the situations required by GAS, even if the auditor has resigned or been dismissed from the audit? [GAS 4.30-.31; AAG 4.43-.44]	_____	_____	_____
21. If the auditor is			
<i>a.</i> a government auditor, does the auditor submit the auditor's reports to those charged with governance, to the appropriate officials of the audited entity, and to the appropriate oversight bodies or organizations requiring or arranging for the audits. As appropriate, auditors should also distribute copies of the reports to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations, and to others authorized to receive such reports? (<i>Note:</i> Any limitation on report distribution (for example reports containing confidential or sensitive information) should be documented.)	_____	_____	_____
<i>b.</i> a nongovernment auditor, has the auditor clarified report distribution responsibilities with the engaging organization, and if the contracting firm is responsible for the distribution, has an agreement been reached with the party contracting for the audit about which officials or organizations will receive the report and the steps being taken to make the report available to the public? (<i>Note:</i> Any limitation on report distribution [for example reports containing confidential or sensitive information] should be documented.) [GAS 4.45; AAG 4.67]	_____	_____	_____
22. If the auditor is reporting on restated financial statements, did the auditor's report include an emphasis-of-matter paragraph in the reissued or updated auditor's report that includes			
<i>a.</i> the date of the auditor's previous report?	_____	_____	_____
<i>b.</i> the type of opinion previously expressed?	_____	_____	_____
<i>c.</i> the substantive reasons for the different opinion?	_____	_____	_____
<i>d.</i> that the auditor's opinion on the revised financial statements is different from the auditor's previous opinion? [AU-C 560.16c; AAG 13.29-.30]	_____	_____	_____

²¹ GAAS require that whenever the auditor has identified a fraud or has obtained information that indicates a fraud may exist, the auditor should communicate these matters on a timely basis to the appropriate level of management, even if the matter might be considered inconsequential (AU-C 240.39; AAG 4.26).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. notifications to prevent reliance on the auditor's original report by persons or entities that are currently relying or who will rely on the audited financial statements, if considered necessary? ²² [AU-C 560.A24]	_____	_____	_____
f. a statement that the previously issued financial statements have been restated for the correction of a material misstatement in the respective period? [AU-C 708.14]	_____	_____	_____
g. a reference to the entity's disclosure of the correction of the material misstatement? [AU-C 708.14]	_____	_____	_____
23. If financial statement disclosures relating to the restatement to correct a material misstatement in previously issued financial statements are not adequate, does the emphasis-of-matter paragraph address the inadequacy of disclosure, describe the nature of the omitted information; and, if it is practicable to do so, include the omitted information, provided that the auditor has obtained sufficient appropriate audit evidence about the omitted information? [AU-C 705.20; AU-C 708.15]	_____	_____	_____
24. If management does not take the necessary steps to ensure that anyone in receipt of the audited financial statements is informed that the financial statements need to be revised, has the auditor notified management and those charged with governance that the auditor will seek to prevent future reliance on the auditor's report, and if, despite such notification, management or those charged with governance has not taken the necessary steps, has the auditor taken appropriate action to seek to prevent reliance on the auditor's report? [AU-C 560.15-.18]	_____	_____	_____
25. When planning the audit, has the auditor asked management of the audited entity to identify previous audits, attestation engagements, and other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented? [GAS 4.05; AAG 3.12]	_____	_____	_____
26. When performing the audit, has the auditor evaluated whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the financial statements or other financial data significant to the audit objectives?	_____	_____	_____
a. Has the auditor used this information in assessing risk and determining the nature, timing, and extent of current audit work, including determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives? [GAS 4.05; AAG 3.12]	_____	_____	_____

²² Paragraphs .A23-.A26 of AU-C section 560, *Subsequent Events and Subsequently Discovered Facts* (AICPA, *Professional Standards*), describe considerations relating to an auditor's actions to seek to prevent reliance on the auditor's report.

II. Reports on Audits Performed in Accordance With the Uniform Guidance

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. In an audit performed in accordance with the Uniform Guidance, has the auditor issued the following reports in addition to those in section I of this checklist: ²³			
a. A report on the supplementary schedule of expenditures of federal awards that provides an opinion (or disclaimer of opinion) as to whether the schedule is presented fairly in all material respects in relation to the financial statements as a whole?	_____	_____	_____
b. A report on compliance for each major program and on internal control over compliance in accordance with the Uniform Guidance that provides an opinion (or disclaimer of opinion) as to whether the audited entity complied with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program, and, where applicable, a reference to the separate schedule of findings and questioned costs?	_____	_____	_____
c. A schedule of findings and questioned costs? [UG 200.515; AAG 13.06]	_____	_____	_____

Report on the Supplementary Schedule of Expenditures of Federal Awards²⁴

2. Is the report on the schedule of expenditures included in (a) an other-matter paragraph presented in accordance with AU-C section 706, <i>Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report</i> (AICPA, <i>Professional Standards</i>), or (b) a separate report on the schedule? (<i>Note:</i> Reporting using an other-matter paragraph is applicable when reporting on the schedule of expenditures of federal awards in the auditor's report on the financial statements. Otherwise, the reporting on the schedule of expenditures of federal awards may be included in the report on compliance and on internal control over compliance required under the Uniform Guidance, or in a separate report [for example, when the schedule of expenditures of federal awards is presented with the single audit reporting package].) ²⁵ [AAG 13.11]	_____	_____	_____
3. When the schedule of expenditures is presented with the financial statements, does the report on the schedule appear in			
a. an other-matter paragraph following the opinion paragraph in the auditor's report on the financial statements?	_____	_____	_____
b. in a separate report on the schedule? [AAG example 4-2, 13.11]	_____	_____	_____

²³ Because of the requirements of GAS, the auditor also has other reporting and communication responsibilities in a Uniform Guidance audit. See the questions in the section titled "Other Reporting and Communication Considerations" in section I of this checklist.

²⁴ AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole* (AICPA, *Professional Standards*), provides requirements and guidance related to issuing an "in relation to" opinion on the schedule of expenditures of federal awards. For more information on the requirements under AU-C section 725, including illustrative report language, see the 2017 AICPA Audit Guide *Government Auditing Standards and Single Audits*.

²⁵ Paragraph 13.13 of the guide recommends that, when possible, the auditor report on the schedule of expenditures of federal awards as supplementary information in the report on the financial statements.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Does the report on the schedule of expenditures include the following elements:			
<i>a.</i> A statement that the audit was conducted for the purpose of forming an opinion on the financial statements as a whole?	_____	_____	_____
<i>b.</i> A statement that the schedule is presented for purposes of additional analysis and is not a required part of the financial statements?	_____	_____	_____
<i>c.</i> A statement that the schedule of expenditures of federal awards 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?	_____	_____	_____
<i>d.</i> A statement that the schedule 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 GAAS?	_____	_____	_____
<i>e.</i> If an unmodified opinion was issued on the financial statements and the auditor has concluded that the schedule is fairly stated, in all material respects, in relation to the financial statements as a whole, a statement that, in the auditor's opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole?	_____	_____	_____
<i>f.</i> If a qualified opinion was issued on the financial statements and the qualification has an effect on the schedule of expenditures of federal awards, a statement that, in the auditor's opinion, except for the effects on the schedule of expenditures of federal awards 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? [AAG example 4-2, 13.11, and examples 13-1-13-6]	_____	_____	_____
5. When the schedule of expenditures of federal awards is not presented with the audited financial statements, is the "in relation to" opinion included in either the report on compliance and on internal control over compliance required by the Uniform Guidance in a separate report) ²⁶ [AAG 13.12 and examples 13-1-13-6]	_____	_____	_____
6. When reporting separately on the schedule of expenditures of federal awards, does the report include, in addition to the elements in part II question 4, all of the following elements:			
<i>a.</i> A reference to the report on the financial statements?	_____	_____	_____
<i>b.</i> The date of the report on the financial statements?	_____	_____	_____
<i>c.</i> The nature of the opinion expressed on the financial statements?	_____	_____	_____

²⁶ An in-relation-to opinion may not be issued if an auditor is engaged to issue a stand-alone opinion on the schedule of expenditures of federal awards, either as part of the report issued to meet the requirements of the Uniform Guidance or separately, and not perform the financial statement audit. (AAG 13.20)

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. Any report modifications? [AAG 13.12 and examples 13-1–13-6]	_____	_____	_____
7. When the auditor’s report on the audited financial statements contains an adverse or a disclaimer of opinion and the auditor has been engaged to report on whether the schedule is fairly stated, in all material respects, in relation to the financial statements as a whole, the auditor is precluded from expressing an opinion on the schedule. In this situation, has the auditor			
a. withdrawn from the engagement to report on the schedule, when permitted by law or regulation?	_____	_____	_____
b. if the auditor chose not to withdraw, does the auditor’s report on the schedule state that because of the significance of the matter disclosed in the auditor’s report, it is inappropriate to, and the auditor does not, express an opinion on the schedule? [AAG 13.14–.15]	_____	_____	_____
8. Is the date of the auditor’s report on the schedule the same date or subsequent to the date on which the auditor completed the procedures described in AU-C section 725, <i>Supplementary Information in Relation to the Financial Statements as a Whole</i> (AICPA, <i>Professional Standards</i>)? [AAG 13.16–.19]	_____	_____	_____
9. If the auditor concludes, on the basis of procedures performed, that the schedule is materially misstated in relation to the financial statements as a whole, has the auditor discussed the matter with management and proposed appropriate revision of the schedule? [AAG 13.14]	_____	_____	_____
10. If the auditor has concluded, on the basis of procedures performed, that the schedule is materially misstated in relation to the financial statements as a whole, has the auditor			
a. modified the auditor’s opinion on the schedule and described the misstatement in the auditor’s report?	_____	_____	_____
b. in the case when a separate report is issued on the schedule, withheld the auditor’s report on the schedule? [AAG 13.14]	_____	_____	_____
11. If the report on the financial statements refers to the work of component auditors, has the auditor considered the need to refer to the major federal programs audited by component auditors in the report on the schedule? [AAG 13.31]	_____	_____	_____
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With the Uniform Guidance			
12. Does the report conform to the standard report language illustrated in the AAG? [AAG examples 13-1–13-6]	_____	_____	_____
13. Does the report contain the following elements:			
a. A subtitle that includes the word <i>independent</i> ?	_____	_____	_____
b. An addressee appropriate for the circumstances of the engagement?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. A section titled "Report on Compliance for Each Major Federal Program"?	_____	_____	_____
d. An introductory paragraph that includes the following:			
i. A statement that the auditor has audited the auditee's compliance with the types of compliance requirements described in the <i>OMB Compliance Supplement</i> that could have a direct and material effect on each of its major federal programs?	_____	_____	_____
ii. Identification of the period covered by the report?	_____	_____	_____
iii. A statement that the auditee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs?	_____	_____	_____
e. A subheading titled "Management's Responsibility" that includes a statement that compliance with the requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to each of the auditee's federal programs is the responsibility of the auditee's management?	_____	_____	_____
f. A subheading titled "Auditor's Responsibility" that includes the following:			
i. A statement that the auditor's responsibility is to express an opinion on compliance for each of the entity's major federal programs based on the audit of the types of compliance requirements?	_____	_____	_____
ii. A statement that the compliance audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in GAS issued by the Comptroller General of the United States and the Uniform Guidance?	_____	_____	_____
iii. A statement that those standards (identified in item ii of this question) and the Uniform Guidance require that the auditor plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that could have a direct and material effect on a major federal program occurred?	_____	_____	_____
iv. A statement that an audit includes examining, on a test basis, evidence about the entity's compliance with those requirements and performing such other procedures as the auditor considered necessary in the circumstances?	_____	_____	_____
v. A statement that the auditor believes that the compliance audit provides a reasonable basis for the auditor's opinion?	_____	_____	_____
vi. A statement that the compliance audit does not provide a legal determination of the auditee's compliance with those requirements?	_____	_____	_____
g. If the auditor is expressing an unmodified opinion on all major programs, a subheading titled "Opinion on Each Major Federal Program" that contains a statement that in the auditor's opinion the auditee complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs for the year ended [<i>specify date</i>]?	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
h.	If instances of noncompliance for a major program are noted that result in an opinion qualification, a subheading titled, "Basis for Qualified Opinion on [<i>Name of Major Federal Program</i>]" that includes the following:			
i.	A statement that, as described in the accompanying schedule of findings and questioned costs, the auditee did not comply with requirements regarding [<i>identify the major federal program</i>]?	_____	_____	_____
ii.	The associated finding number(s) matched to the type(s) of compliance requirements?	_____	_____	_____
iii.	A statement that compliance with such requirements is necessary, in the auditor's opinion, for the auditee to comply with the requirements applicable to the program(s)?	_____	_____	_____
i.	If instances of noncompliance are noted that result in an opinion qualification for one or more major programs, is there			
i.	a subheading with an appropriate title (for example, "Qualified Opinion on [<i>Name of Major Federal Program</i>]") that includes the auditor's opinion that, except for the noncompliance described in the Basis for Qualification paragraph, the auditee complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on [<i>name of major federal program</i>] for the period being audited?	_____	_____	_____
ii.	a subheading with an appropriate title (for example, "Unmodified Opinion on Each of the Other Major Federal Programs") if there are other major programs receiving an unmodified opinion, to be more clear about the programs receiving an unmodified opinion?	_____	_____	_____
j.	If other noncompliance is identified that does not result in a modified opinion but that is required to be reported in accordance with the Uniform Guidance, a subheading titled "Other Matters" containing all of the following:			
i.	A reference to the schedule of findings and questioned costs in which the instances of noncompliance are described, including the reference number(s) of the finding(s)?	_____	_____	_____
ii.	A statement that the auditor's opinion on each major federal program is not modified with respect to the matters?	_____	_____	_____
iii.	A statement that the auditee's response to the noncompliance findings identified are described in the accompanying [<i>insert name of document containing management's response to the auditor's findings, for example "schedule of findings and questioned costs and/or corrective action plan"</i>]?	_____	_____	_____
iv.	A statement that the auditee's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, the auditor expresses no opinion on the response?	_____	_____	_____
k.	A section heading "Report on Internal Control Over Compliance" that includes the following statements and definitions:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
i. A statement that the auditee's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements?	_____	_____	_____
ii. A statement that in planning and performing the compliance audit, the auditor considered the auditee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance?	_____	_____	_____
iii. A statement that the auditor is not expressing an opinion on the effectiveness of internal control over compliance?	_____	_____	_____
iv. The definitions of <i>deficiency in internal control over compliance</i> , <i>material weakness in internal control over compliance</i> , and <i>significant deficiency in internal control over compliance</i> ? ²⁷	_____	_____	_____
v. A statement that the auditor's consideration of internal control over compliance was for the limited purpose described in item ii of this question and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies?	_____	_____	_____
vi. If no material weaknesses in internal control over compliance were identified, a statement that the auditor did not identify any deficiencies in internal control over compliance that are considered to be material weaknesses?	_____	_____	_____
vii. A statement that material weaknesses may exist that have not been identified. (<i>Note:</i> For situations where significant deficiencies or material weaknesses are identified, this statement is revised to indicate that material weaknesses or significant deficiencies may exist that have not been identified?)	_____	_____	_____
viii. If significant deficiencies in internal control over compliance were identified, a statement that no deficiencies in internal control over compliance were identified that are considered to be material weaknesses, however deficiencies in internal control over compliance were identified that are considered to be significant deficiencies, and a description of the significant deficiencies in internal control over compliance or a reference to the accompanying schedule of findings and questioned costs, including the reference number(s) of the finding(s)?	_____	_____	_____

²⁷ While the definitions of *deficiency in internal control over compliance* and *material weakness in internal control over compliance* are required in all reporting, the definition of *significant deficiency in internal control over compliance* is not required to be included in the report when no significant deficiencies in internal control over compliance have been identified. However, for clarity purposes, the definition of *significant deficiency in internal control over compliance* is included in the example reports found in the AICPA Audit Guide Government Auditing Standards and Single Audits, regardless of the type of deficiencies identified. The definitions included in the example reports are based on the definitions found in AU-C section 935, *Compliance Audits* (AICPA, *Professional Standards*).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
ix. If material weaknesses in internal control over compliance were identified, a statement that deficiencies in internal control over compliance were identified that are considered to be material weaknesses and a description of the material weaknesses in internal control over compliance or a reference to the accompanying schedule of findings and questioned costs, including the reference number(s) of the finding(s)?	_____	_____	_____
x. If applicable, a statement that the auditee’s response to the findings identified in the audit are described in the accompanying [insert name of document containing management’s response to the auditor’s findings], and that the auditee’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, the auditor expresses no opinion on it? ²⁸	_____	_____	_____
xi. A separate paragraph at the end of the section stating that the purpose of the report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose? ²⁹	_____	_____	_____
l. The manual or printed signature of the auditor’s firm?	_____	_____	_____
m. The city and state where the auditor practices?	_____	_____	_____
n. The date of the auditor’s report? [AAG 13.26]	_____	_____	_____
14. If the audit of the auditee’s compliance with requirements applicable to a major program detects material instances of noncompliance with those requirements, does the auditor’s report express a qualified or adverse opinion? [AAG 13.22]	_____	_____	_____
15. If there were scope limitations on the auditor’s testing of the auditee’s compliance with federal statutes, regulations, and the terms and conditions of federal awards,			
a. have those limitations been considered in the opinion on compliance with requirements applicable to each major program?	_____	_____	_____

²⁸ Paragraph .A36 of AU-C section 935 indicates that the auditor may add this statement to the report, but does not require it.

²⁹ This paragraph of the report conforms to paragraph .11 of AU-C section 905, *Alert That Restricts the Use of the Auditor’s Written Communication* (AICPA, *Professional Standards*), which modifies the alert language used for compliance audits performed under GAS. This language should only be included in the internal control over compliance section of combined reports on the entity’s compliance and internal control over compliance in light of the fact that it is the nature of the reporting on internal control over compliance that triggers the required use of alert language (see paragraph .06c of AU-C section 905). If the auditor issues separate reports on the entity’s compliance and its internal control over compliance, this alert should be included in the report on internal control over compliance, but would not be included in the report on compliance.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>b. and if the scope limitations require the auditor to disclaim an opinion on compliance, does the report contain a separate opinion paragraph stating that 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 an audit opinion, and the auditor does not express an opinion? [AAG 13.23–.25]</p>	_____	_____	_____
<p>16. Have the cumulative effects of all instances of noncompliance with federal programs and scope limitations been considered in the opinion on the financial statements? [AAG 13.22–.23]</p>	_____	_____	_____
<p>17. Is the report dated the same as or later than the date of the auditor's report on the financial statements (the date being determined by when the auditor has obtained sufficient appropriate audit evidence to support the report on the audit of compliance)?</p>	_____	_____	_____
<p>a. If the report is dated later than the date of the auditor's report on the financial statements, have appropriate subsequent events procedures been performed? [AAG 13.28]</p>	_____	_____	_____
<p>18. If the audit of federal awards does not encompass the entirety of the auditee's operations expending federal awards, are the operations that are not included identified in a separate paragraph following the first paragraph of the report? [AAG 13.32]</p>	_____	_____	_____
<p>19. If the report on the financial statements refers to the work of component auditors, has the auditor considered the need to refer to the major federal programs audited by component auditors in the report on compliance and on internal control over compliance? [AAG 4.82]</p>	_____	_____	_____
Schedule of Findings and Questioned Costs			
<p>20. Do the component sections of the schedule conform to the example schedule illustrated in the AAG? [AAG example 13-7]</p>	_____	_____	_____
<p>21. Is the schedule presented even if there are no findings to report? (In a situation in which there are no findings or questioned costs, the auditor should prepare the summary of auditor's results section of the schedule and either omit the other sections or include them, indicating that no matters were reported.) [AAG 13.45]</p>	_____	_____	_____
<p>22. Does the report contain the following three sections:</p>			
<p>a. A summary of the auditor's results?</p>	_____	_____	_____
<p>b. Findings related to the financial statements that are required to be reported in accordance with GAS? (See the questions about those findings in section I of this checklist.)</p>	_____	_____	_____
<p>c. Findings and questioned costs for federal awards? [AAG 13.33]</p>	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
23.	Does the summary of auditor’s results include			
a.	the type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP (that is, unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)?	_____	_____	_____
b.	where applicable, a statement that significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements?	_____	_____	_____
c.	a statement on whether the audit disclosed any noncompliance that is material to the financial statements?	_____	_____	_____
d.	where applicable, a statement that significant deficiencies and material weaknesses in the internal control over major programs were disclosed by the audit?	_____	_____	_____
e.	the type of report the auditor issued on compliance for major programs (that is, unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)? (If the audit report for one or more major programs is modified, indicate the type of report issued for each program.)	_____	_____	_____
f.	a statement on whether the audit disclosed any audit findings that the auditor is required to report under the Uniform Guidance? (See section II question 24.)	_____	_____	_____
g.	an identification of major programs? (In the case of a cluster of programs, only the cluster name as shown on the schedule of expenditures of federal awards is required.)	_____	_____	_____
h.	the dollar threshold used to distinguish between type A and type B programs?	_____	_____	_____
i.	a statement on whether the auditee qualified as a low-risk auditee? [AAG 13.34]	_____	_____	_____
24.	Are the following reported as audit findings related to federal awards? [UG 200.516(a); AAG 13.38 and table 13-2]			
a.	Significant deficiencies and material weaknesses in internal control over major programs?	_____	_____	_____
b.	Material noncompliance with federal statutes, regulations, or the terms and conditions of federal awards related to a major program?	_____	_____	_____
c.	Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program?	_____	_____	_____
d.	Known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program?	_____	_____	_____
e.	Known questioned costs that are greater than \$25,000 for programs that are not audited as major?	_____	_____	_____
f.	The circumstances concerning why the opinion in the auditor’s report on compliance for each major program is other than unmodified, if not otherwise reported as an audit finding?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
g. Known or likely fraud affecting a federal award, if not otherwise reported as an audit finding? (An audit finding is not required if the fraud was reported outside the entity as required by GAS.)	_____	_____	_____
h. Instances of material misrepresentation by the auditee of the status of any prior audit findings? [AAG 13.51]	_____	_____	_____
i. Abuse involving federal awards that is quantitatively or qualitatively material to a major program? [AAG 13.40]	_____	_____	_____
25. Does the audit finding detail include			
a. a reference number that meets the numbering format required for FAC submissions (for example, findings identified and reported in the audit of fiscal year 20X1 would be assigned reference numbers 20X1-001, 20X1-002, and so forth)? [UG 200.516(c); AAG 13.44]	_____	_____	_____
b. identification of the federal program and specific federal award, including Catalog of Federal Domestic Assistance, or CFDA, title and number, federal award identification number and year, name of the federal agency, and name of the applicable pass-through entity? ³⁰	_____	_____	_____
c. the criteria or specific requirement upon which the audit finding is based, including the federal statutes, regulations, or the terms and conditions of the federal awards?	_____	_____	_____
d. the condition found, including facts that support the deficiency identified in the audit finding?	_____	_____	_____
e. a statement of cause that identifies the reason or explanation for the condition or factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria)?	_____	_____	_____
f. the possible asserted effect to provide sufficient information to the auditee and federal agency, or pass-through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action?	_____	_____	_____
g. identification of questioned costs and how they were computed?	_____	_____	_____
h. information to provide a proper perspective for judging the prevalence and consequences of the audit findings? ³¹	_____	_____	_____
i. identification of whether the audit finding was a repeat of a finding in the immediately prior audit and if so any applicable prior audit finding numbers?	_____	_____	_____
j. recommendations to prevent future occurrences of the deficiency identified in the finding?	_____	_____	_____

³⁰ When information such as the Catalog of Federal Domestic Assistance (CFDA) title and number or the federal award number is not available, the auditor should provide the best information available to describe the federal award (chapter 7, "Schedule of Expenditures of Federal Awards," of the guide discusses an alternative for presentation if a CFDA number is not available). (UG 200.516(b)(1); AAG 13.41a)

³¹ Where appropriate, the instances identified should be related to the universe and the number of cases examined and be quantified in terms of the dollar value. The auditor should (best practice) report whether the sampling was a statistically valid sample. (UG 200.516(b)(7); AAG 13.41g).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
k. views of responsible officials of the auditee? ³² [UG 200.516(b); AAG 13.41]	_____	_____	_____
26. Do the audit findings not include protected personally identifiable information? [UG 200.512(a)(2); AAG 13.41]	_____	_____	_____
27. Do the audit findings related to federal awards also meet the presentation requirements of GAS? (See the questions about those presentation requirements in section I of this checklist.) [AAG 13.42]	_____	_____	_____
28. Are audit findings and questioned costs that relate to federal awards			
a. presented as one finding if findings (for example, internal control findings, compliance findings, questioned costs, or fraud) relate to the same issue?	_____	_____	_____
b. organized by federal agency or pass-through entity, where practical? [UG 515(d)(3)(i); AAG 13.34c]	_____	_____	_____
29. Are findings that relate to both the financial statements and federal awards reported in both sections of the schedule? (An alternative is to report the finding in one section of the schedule in summary form, with a reference to a detailed reporting in the other section of the schedule.) [UG 200.515(d)(3)(ii); AAG 13.34c]	_____	_____	_____
Data Collection Form ^{33, 34}			
30. Has the auditor completed the applicable date elements of the online data collection form? [AAG 13.56]	_____	_____	_____
31. Has the auditor electronically signed the auditor statement and dated it as of the date on which the auditor completes the form? [AAG 13.56]	_____	_____	_____
32. Does the information on the data collection form that is required to be completed by the auditor agree to the information in the auditor’s reports and the summary of auditor’s results in the schedule of findings and questioned costs? [Federal Audit Clearinghouse, Data Collection Form, No. SF-SAC; AAG 13.56]	_____	_____	_____
33. Has the auditor ensured that their part of the reporting package does not include protected personally identifiable information or other sensitive information? [UG 200.512(a)(2); AAG 13.57]	_____	_____	_____

³² The auditee must prepare, in a document separate from the schedule of findings and questioned costs, a corrective action plan to address each audit finding included in the current year auditor’s report. The corrective action plan must include findings relating to the financial statements required to be reported in accordance with *Government Auditing Standards* (UG 200.511(c); AAG 13.43 and 13.53).(See section I question 17).

³³ The auditee must submit a data collection form (Form SF-SAC) that states whether the audit was completed in accordance with the Uniform Guidance and provides information about the auditee, its federal programs, and the results of the audit (UG 200.512(d)).

³⁴ The data collection form and related instructions are available from the Federal Audit Clearinghouse’s (FAC’s) website at <https://harvester.census.gov/facweb/>. The form number is SF-SAC. The FAC requires electronic submission of the data collection form via an online Internet Data Entry System. The Office of Management and Budget periodically revises the data collection form and its accompanying instructions. (AAG 13.54).

Yes No N/A

Note

When an auditee expends federal awards under only one federal program (excluding research and development) and the federal program's federal statutes, regulations, or terms and conditions do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit. A program-specific audit may not be elected for research and development unless all federal awards expended were received from the same federal agency (or the same federal agency and the same pass-through entity) and that federal agency (or pass-through entity, in the case of a subrecipient) approves a program-specific audit in advance.

[UG 200.501(c); AAG 14.02]

Program-Specific Audits

- | | | | |
|--|--------------|--------------|--------------|
| <p>34. If a program-specific audit guide is available and current with regard to the program's compliance requirements, has the auditor issued the reports required by the guide?
[UG 200.517(a); AAG 14.04]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>35. If a program-specific audit guide is not available or not current with regard to the program's compliance requirements, has the auditor issued the following reports:^{35, 36}</p> <p style="margin-left: 20px;"><i>a.</i> A report on the federal program's financial statements that provides an opinion or disclaimer of opinion on the financial statements?</p> <p style="margin-left: 20px;"><i>b.</i> A report on compliance with requirements that could have a direct and material effect on the federal program and on the internal control over compliance in accordance with the program-specific audit option under the Uniform Guidance?</p> <p style="margin-left: 20px;"><i>c.</i> A schedule of findings and questioned costs for the program?
[UG 200.507(b)(4); AAG 14.09-.11]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>36. Do the reports conform to the standard report language illustrated in the AAG?
[AAG examples 14-1-14-2]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |

³⁵ If the financial statement(s) of the program present only the activity of the federal program, the auditor is not required to issue a separate report to meet the reporting requirements of GAS. However, the auditor always has the option of issuing a separate GAS report (in addition to the reports required as part of the program-specific audit) (AAG 14.11).

³⁶ See footnote 23.

Part 5

Accountants' Reports on Compiled Financial Statements or Information or Reviewed Financial Statements Checklist

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

.02 The AICPA Guide *Preparation, Compilation, and Review Engagements* (available at www.AICPAStore.com), features information on implementing the SSARs and includes illustrative engagement and representation letters, sample compilation and review reports, detailed illustrations, and case studies. Additionally, the AICPA Compilation and Review Alert *Developments in Preparation, Compilation, and Review Engagements* (available at www.AICPAStore.com) is published annually to provide CPAs with an update on recent practice issues and professional standards that affect compilation and review engagements. The guide and alert are *interpretive publications*, as defined in AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting Review Services* (AICPA, *Professional Standards*). Interpretive publications have no authoritative status; however, they may help the accountant understand and apply the SSARs.

.03 This checklist is not intended to address all the considerations if an auditor is engaged to compile or review special-purpose financial statements, which are prepared to comply with a contractual agreement or regulatory provision that specifies a special basis of presentation. In most circumstances, these financial statements are intended solely for the use of the parties to the agreement, regulatory bodies, or other specified parties. Refer to paragraphs .18–.21 of AR-C section 80, *Compilation Engagements*, and paragraphs .40–.44 of AR-C section 90, *Review of Financial Statements* (AICPA, *Professional Standards*), for guidance about how the accountant should modify the standard compilation or review report when reporting on these special-purpose financial statements. This checklist does not address standards for reports if financial statements include required supplementary information; generally accepted accounting principles do not currently require supplementary information in the statements of not-for-profit entities (NFPs).

.04 This checklist is divided into two parts. Section I, "Checklist Questionnaire for Compiled Financial Statements, Prospective Financial Information, Pro Forma Financial Information, and Other Historical Financial Information Using AR-C (Clarified) Standards," should be used by accountants engaged to report on compiled financial statements using the AR-C standards. Section II, "Checklist Questionnaire for Review Engagements Using AR-C (Clarified) Standards," should be used if the accountant performs a review of financial statements using the AR-C standards.

.05 Explanation of References:

AR-C = Reference to the section number of the clarified standards in AICPA *Professional Standards*

I. Checklist Questionnaire for Compiled Financial Statements, Prospective Financial Information, Pro Forma Financial Information, and Other Historical Financial Information Using AR-C (Clarified) Standards

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
The Accountant's Compilation Report			
<i>Basic Elements of the Report</i>			
1. Is the report in writing? [AR-C 80.17]	_____	_____	_____
2. Does the compilation report contain the following elements:			
a. A statement that management (owners) is (are) responsible for the financial statements or other financial information?	_____	_____	_____
b. The financial statements or other financial information that have (has) been subjected to the compilation engagement?	_____	_____	_____
c. The entity whose financial statements or other financial information have (has) been subjected to the compilation engagement?	_____	_____	_____
d. The date or period covered by the financial statements or other financial information?	_____	_____	_____
e. A statement that the accountant performed the compilation engagement in accordance with SSARs promulgated by the ARSC of the AICPA?	_____	_____	_____
f. A statement that the accountant did not audit or review the financial statements or other financial information nor was the accountant required to perform any procedures to verify the accuracy or completeness of the information provided by management and, accordingly, does not express an opinion, a conclusion, nor provide any assurance on the financial statements or other financial information?	_____	_____	_____
g. The signature of the accountant or the accountant's firm? [AR-C 80.A20]	_____	_____	_____
h. The city and state where the accountant practices? [AR-C 80.A21]	_____	_____	_____
i. The date of the report, which should be the date that the accountant has completed the procedures required by AR-C section 80? [AR-C 80.17]	_____	_____	_____
<i>Reporting When the Accountant is Not Independent</i>			
3. If the accountant is not independent with respect to the entity, has the accountant indicated the accountant's lack of independence in a final paragraph of the accountant's compilation report? [AR-C 80.22 and .A28-.A30]	_____	_____	_____
4. If the accountant elects to disclose a description about the reasons the accountant's independence is impaired, are all such reasons in the description? [AR-C 80.23]	_____	_____	_____

Yes No N/A

Reporting on Prospective Financial Information

Note

The summary of significant assumptions is essential to the user's understanding of prospective financial information. Accordingly, the accountant should not issue a compilation report on prospective financial information that excludes disclosure of the summary of significant assumptions. Also, the accountant should not issue a compilation report on a financial projection that excludes either (a) an identification of the hypothetical assumptions or (b) a description of the limitations on the usefulness of the presentation. [AR-C 80.24]

5. In addition to the reporting elements required by question 2, has the accountant included the following in the accountant's compilation report on prospective financial information:

a. A statement that the forecasted or projected results may not be achieved? _____

b. A statement that the accountant assumes no responsibility to update the report for events and circumstances occurring after the date of the report? _____

[AR-C 80.25]

Reporting on Pro Forma Financial Information

Note

For purposes of this section, the following term has the meaning attributed as follows:

Pro forma financial information. A presentation that shows what the significant effects on historical financial information might have been had a consummated or proposed transaction (or event) occurred at an earlier date. [SSARS No. 22 par. 4 and A2–A5]

6. In addition to the reporting elements required by question 2, has the accountant included the following in the accountant's compilation report on pro forma financial information:

a. A reference to the financial statements from which the historical financial information is derived and a statement as to whether such financial statements were subjected to an audit, a review, or a compilation engagement? _____

b. A reference to any modification of the audit, review, or compilation report on the historical financial information? _____

c. A description of the nature and limitations of pro forma financial information? _____

[SSARS No. 22 par. 14]

Financial Statements That Omit Substantially All Disclosures

Note

The accountant should not issue an accountant's compilation report on financial statements that omit substantially all disclosures required by the applicable financial reporting framework unless the omission of substantially all disclosures is not, to the accountant's knowledge, undertaken with the intention of misleading those who might reasonably be expected to use such financial statements. [AR-C 80.26]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. When reporting on financial statements that omit substantially all disclosures required by the applicable financial reporting framework, has the accountant included a separate paragraph in the accountant's compilation report that includes the following elements:			
a. A statement that management has elected to omit substantially all the disclosures (and the statement of cash flows, if applicable) required by the applicable financial reporting framework (or ordinarily included in the financial statements if the financial statements are prepared in accordance with a special purpose framework)?	_____	_____	_____
b. A statement that if the omitted disclosures (and the statement of cash flows, if applicable) were included in the financial statements, they might influence the user's conclusions about the entity's financial position, results of operations, and cash flows (or the equivalent for presentations other than GAAP)?	_____	_____	_____
c. A statement that, accordingly, the financial statements are not designed for those who are not informed about such matters? [AR-C 80.27]	_____	_____	_____

Reporting Known Departures From the Applicable Financial Reporting Framework

Note

If the accountant becomes aware of a departure from the applicable financial reporting framework (including inadequate disclosure) that is material to the financial statements and the financial statements are not revised, the accountant should consider whether modification of the standard report is adequate to disclose the departure. [AR-C 80.29]

The accountant should not modify the compilation report to include a statement that the financial statements are not in conformity with the applicable financial reporting framework. If the accountant believes that modification of the compilation report is not adequate to indicate the deficiencies in the financial statements as a whole, then the accountant should withdraw from the engagement and provide no further services with respect to those financial statements. [AR-C 80.32–.33]

8. If the accountant concludes that modification of the standard report is adequate, is the departure disclosed in a separate paragraph of the report? [AR-C 80.30]	_____	_____	_____
9. Are the effects of the departure on the financial statements disclosed if such effects have been determined by management or are readily known to the accountant as the result of the accountant's procedures? [AR-C 80.30]	_____	_____	_____
10. If the effects of the departure have not been determined by management or are not readily known to the accountant as a result of the accountant's procedures, has the accountant stated in the report that such determination has not been made by management? [AR-C 80.31]	_____	_____	_____

Yes No N/A

Supplementary Information That Accompanies Financial Statements and the Accountant's Compilation Report Thereon

Note

Although not required to perform a compilation engagement on supplementary information that accompanies financial statements and the accountant's compilation report thereon, nothing precludes the accountant from performing a compilation engagement on such information if engaged to do so.

- | | | | |
|---|--------------|--------------|--------------|
| <p>11. If supplementary information accompanies financial statements and the accountant's compilation report thereon, has the accountant clearly indicated the degree of responsibility, if any, the accountant is taking with respect to such information in either (a) an other-matter paragraph in the accountant's compilation report on the financial statements or (b) a separate report on the supplementary information?
[AR-C 80.34]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>12. If the accountant has performed a compilation engagement with respect to both the financial statements and the supplementary information, has the accountant included an other-matter paragraph in the accountant's compilation report or issued a separate report on the supplementary information that states the following:</p> <p style="margin-left: 20px;">a. The information is presented for purposes of additional analysis and is not a required part of the basic financial statements?</p> <p style="margin-left: 20px;">b. The information is the representation of management?</p> <p style="margin-left: 20px;">c. The information was subject to the compilation engagement; however, the accountant has not audited or reviewed the information and, accordingly, does not express an opinion, a conclusion, nor provide any assurance on such information?
[AR-C 80.35]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>13. When the accountant has performed a compilation engagement with respect to the financial statements but the supplementary information was not subject to the compilation engagement, has the accountant included an other-matter paragraph in the accountant's compilation report on the financial statements or issued a separate report on the supplementary information that states the following:</p> <p style="margin-left: 20px;">a. The information is presented for purposes of additional analysis and is not a required part of the basic financial statements?</p> <p style="margin-left: 20px;">b. The information is the representation of management?</p> <p style="margin-left: 20px;">c. The information was not subject to the compilation engagement and, accordingly, the accountant does not express an opinion, a conclusion, nor provide any assurance on such information?
[AR-C 80.36]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |

II. Checklist Questionnaire for Review Engagements Using AR-C (Clarified) Standards

Yes No N/A

Note

The accountant must be independent of the entity when performing a review of financial statements in accordance with SSARSSs. If, during the performance of the review engagement, the accountant determines that the accountant’s independence is impaired, then the accountant should withdraw from the review engagement. [AR-C 90.07]

Basic Elements of the Report

- | | | | | |
|------|--|-------|-------|-------|
| 1. | Is the accountant’s review report in writing?
[AR-C 90.38 and .A62–.A64] | _____ | _____ | _____ |
| 2. | Does the written review report include the following: | | | |
| a. | A title that includes the word <i>independent</i> to clearly indicate that it is the report of an independent accountant? | _____ | _____ | _____ |
| b. | An addressee, as appropriate for the circumstances of the engagement? | _____ | _____ | _____ |
| c. | An introductory paragraph that | | | |
| i. | identifies the entity whose financial statements have been reviewed? | _____ | _____ | _____ |
| ii. | states that the financial statements identified in the report were reviewed? | _____ | _____ | _____ |
| iii. | identifies the financial statements? | _____ | _____ | _____ |
| iv. | specifies the date or period covered by each financial statement? | _____ | _____ | _____ |
| v. | includes a statement that a review includes primarily applying analytical procedures to management’s (owner’s) financial data and making inquiries of company management (owners)? | _____ | _____ | _____ |
| vi. | includes a statement that a review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole, and that, accordingly, the accountant does not express such an opinion?
[AR-C 90.A70–.A72] | _____ | _____ | _____ |
| d. | A section with the heading "Management’s Responsibility for the Financial Statements" that includes an explanation that management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of financial statements in accordance with the applicable financial reporting framework?
[AR-C 90.A70] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>e.</i> A section with the heading "Accountant's Responsibility" that includes the following statements:			
<i>i.</i> That the accountant's responsibility is to conduct the review engagement in accordance with SSARs promulgated by the ARSC of the AICPA?	_____	_____	_____
<i>ii.</i> An explanation that those standards require that the accountant perform the procedures to obtain limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework?	_____	_____	_____
<i>iii.</i> That the accountant believes that the review evidence the accountant has obtained is sufficient and appropriate to provide a basis for the accountant's conclusion?	_____	_____	_____
<i>f.</i> A concluding section with an appropriate heading that includes a statement about whether the accountant is aware of any material modifications that should be made to the accompanying financial statements for them to be in accordance with the applicable financial reporting framework?	_____	_____	_____
<i>g.</i> Identification of the country of origin of the accounting principles, if applicable?	_____	_____	_____
<i>h.</i> The signature of the accountant or the accountant's firm?	_____	_____	_____
<i>i.</i> The city and state where the accountant practices? [AR-C 90.A74]	_____	_____	_____
<i>j.</i> The date of the review report, which should be no earlier than the date on which the accountant completed procedures sufficient to obtain limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework? [AR-C 90.39 and .A78-.A79]	_____	_____	_____

Comparative Financial Statements

3. When comparative financial statements are presented, does the accountant's report refer to each period for which financial statements are presented? [AR-C 90.45 and .A83-.A84]	_____	_____	_____
4. When reporting on all periods presented, has the continuing accountant updated the report on one or more prior periods presented on a comparative basis with those of the current period? [AR-C 90.46 and .A85]	_____	_____	_____
5. If the accountant's report on the financial statements of the prior period contains a changed reference to a departure from the applicable financial reporting framework, does the accountant's review report include an other-matter paragraph indicating the following:			
<i>a.</i> The date of the accountant's previous review report?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The circumstances or events that caused the reference to be changed?	_____	_____	_____
c. If applicable, that the financial statements of the prior period have been changed? [AR-C 90.49 and .A86]	_____	_____	_____
6. If the prior period financial statements were audited and the auditor's report on the prior period financial statements is not reissued, does the review report on the current period financial statements include an other-matter paragraph indicating the following:			
a. That the financial statements of the prior period were previously audited?	_____	_____	_____
b. The date of the auditor's report on the prior period financial statements?	_____	_____	_____
c. The type of opinion issued on the prior period financial statements?	_____	_____	_____
d. If the opinion was modified, the substantive reasons for the modification?	_____	_____	_____
e. That no auditing procedures were performed after the date of the previous report? [AR-C 90.50]	_____	_____	_____
<i>Emphasis of Matter</i>			
7. If the accountant considers it necessary to draw users' attention to a matter appropriately presented or disclosed in the financial statements that, in the accountant's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements, does the accountant's review report include an emphasis-of-matter paragraph (provided that the accountant does not believe that the financial statements may be materially misstated)? [AR-C 90.52 and .A91-.A92]	_____	_____	_____
8. Does the emphasis-of-matter paragraph refer only to information presented or disclosed in the financial statements? [AR-C 90.52 and .A93]	_____	_____	_____
9. When the accountant includes an emphasis-of-matter paragraph in the accountant's review report, does that paragraph			
a. appear immediately after the accountant's conclusion paragraph in the accountant's review report?	_____	_____	_____
b. have a heading "Emphasis of a Matter" or other appropriate heading? [AR-C 90.A94]	_____	_____	_____
c. provide a clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the financial statements?	_____	_____	_____
d. indicate that the accountant's conclusion is not modified with respect to the matter emphasized? [AR-C 90.53 and .A95]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Other-Matter Paragraphs in the Accountant's Review Report</i>			
10. If the accountant considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements and, in the accountant's professional judgment, that matter is relevant to the users' understanding of the review, the accountant's responsibilities, or the accountant's review report, does the accountant's review report include a paragraph with the heading "Other Matter" or other appropriate heading? [AR-C 90.54]	_____	_____	_____
11. Does the other-matter paragraph appear immediately after the accountant's conclusion paragraph and any emphasis-of-matter paragraph? [AR-C 90.54]	_____	_____	_____
<i>Known Departures From the Applicable Financial Reporting Framework</i>			

Note

If the accountant believes that modification of the standard report is not adequate to indicate the deficiencies in the financial statements as a whole, then the accountant should withdraw from the review engagement. The accountant should not modify the standard report to include a statement that the financial statements are not in accordance with the applicable financial reporting framework. [AR-C 90.59-.60 and .A102-.A105]

12. When the accountant becomes aware of a departure from the applicable financial reporting framework (including inadequate disclosure) and that departure is material to the financial statements, if the financial statements are not revised and the accountant concludes that modification of the standard report is adequate to disclose the departure			
a. is the departure disclosed in a separate paragraph of the report under the heading "Known Departures From the [<i>identify the applicable financial reporting framework</i>]?"	_____	_____	_____
b. are the effects of the departure on the financial statements disclosed if such effects have been determined by management or are known to the accountant as the result of the accountant's procedures?	_____	_____	_____
c. if the effects of the departure have not been determined by management or are not known to the accountant as a result of the accountant's procedures, does the accountant's review report state that such determination has not been made? [AR-C 90.56-.58]	_____	_____	_____

Alert That Restricts the Use of the Accountant's Review Report

Note

An accountant's review report should include an alert, in a separate paragraph, that restricts its use when the subject matter of the accountant's review report is based on measurement or disclosure criteria that are (a) determined by the accountant to be suitable only for a limited number of users who can be presumed to have an adequate understanding of the criteria or (b) available only to the specified parties. [AR-C 90.61]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
13. Does the required alert appear in a separate paragraph of the accountant's review report? [AR-C 90.61]	_____	_____	_____
14. If the accountant's report is restricted, does the alert			
a. state that the accountant's review report is intended solely for the information and use of the specified parties?	_____	_____	_____
b. identify the specified parties for whom use is intended?	_____	_____	_____
c. state that the accountant's review report is not intended to be, and should not be, used by anyone other than the specified parties? [AR-C 90.62]	_____	_____	_____
15. If the accountant's report is restricted and other parties are added after the release of the accountant's review report, did the accountant either (a) amend the accountant's review report to add the other parties and, in such circumstances, not change the original date of the accountant's review report or (b) provide a written acknowledgment to management and the other parties that such parties have been added as specified parties and state in the acknowledgment that no procedures were performed subsequent to the original date of the accountant's review report? [AR-C 90.64]	_____	_____	_____

The Accountant's Consideration of an Entity's Ability to Continue as a Going Concern

Note

If the accountant determines 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, then a departure from the applicable financial reporting framework exists. [AR-C 90.68]

16. If, after considering the evidence or information and management's consideration of the possible effects of a going concern uncertainty on the financial statements			
a. if the accountant determines 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 accountant included a paragraph regarding the departure from the applicable financial reporting framework in the accountant's review report, following the guidance for such departures in paragraphs .56-.60 of AR-C section 90?	_____	_____	_____
b. if the accountant concludes that management has adequately disclosed the issue, did the accountant consider including an emphasis-of-matter paragraph in the accountant's review, following the guidance of paragraphs .52-.53 of AR-C section 90? [AR-C 90.68 and.A114]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Subsequent Events and Subsequently Discovered Facts</i>			
17. If, after considering the evidence or information of subsequent events that require adjustment of, or disclosure in, the financial statements and management's consideration of whether each such event is appropriately reflected in the financial statements in accordance with the applicable financial reporting framework, the accountant determines that the subsequent event is not adequately accounted for in the financial statements or disclosed in the notes, has the accountant included a paragraph regarding the departure from the applicable financial reporting framework in the accountant's review report, following the guidance for such departures in paragraphs .56-.60 of AR-C section 90? [AR-C 90.70]	_____	_____	_____
18. If a subsequently discovered fact becomes known to the accountant before the report release date and management revises the financial statements, has the accountant performed the review procedures necessary in the circumstances on the revision and either (a) dated the accountant's review report as of a later date or (b) included an additional date in the accountant's review report on the revised financial statements that is limited to the revision (that is, dual-date the accountant's review report for that revision), thereby indicating that the accountant's review procedures subsequent to the original date of the accountant's review report are limited solely to the revision of the financial statements described in the relevant note to the financial statements? [AR-C 90.72]	_____	_____	_____
19. If a subsequently discovered fact becomes known to the accountant before the report release date and management does not revise the financial statements in circumstances when the accountant believes they need to be revised, has the accountant modified the accountant's review report, as appropriate? [AR-C 90.73]	_____	_____	_____
20. If a subsequently discovered fact becomes known to the accountant after the report release date, the accountant determines that the financial statements need revision, and the reviewed financial statements (before revision for the subsequently discovered fact) have not been made available to third parties, has the accountant notified management and those charged with governance (unless all of those charged with governance are involved in managing the entity) not to make the reviewed financial statements available to third parties before the necessary revisions have been made and a new accountant's review report on the revised financial statements has been provided? [AR-C 90.76]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>21. If a subsequently discovered fact becomes known to the accountant after the report release date and management revises the financial statements, has the accountant performed the review procedures necessary in the circumstances on the revision and either (a) dated the accountant’s review report as of a later date or (b) included an additional date in the accountant’s review report on the revised financial statements that is limited to the revision (that is, dual-date the accountant’s review report for that revision), thereby indicating that the accountant’s review procedures subsequent to the original date of the accountant’s review report are limited solely to the revision of the financial statements described in the relevant note to the financial statements? [AR-C 90.75]</p>	_____	_____	_____
<p>22. If the accountant’s conclusion on the revised financial statements differs from the accountant’s conclusion on the original financial statements, does the accountant’s review report include an emphasis-of-matter paragraph with all of the following:</p> <p>a. The date of the accountant’s previous report?</p> <p>b. A description of the revisions?</p> <p>c. The substantive reasons for the revisions? [AR-C 90.52–.53 and .75]</p>	_____	_____	_____

Note

If a subsequently discovered fact becomes known to the accountant after the report release date and the accountant determines that the financial statements need revision, then specific procedures are required if the reviewed financial statements (before revision) have been made available to third parties. The accountant should assess whether steps taken by management are timely and appropriate to ensure that anyone in receipt of the reviewed financial statements is informed of the situation, including that the reviewed financial statements are not to be used.

<p>23. If management does not take the necessary steps, has the accountant notified management and those charged with governance (unless all of those charged with governance are involved in managing the entity) that the accountant will seek to prevent future use of the accountant’s review report and, if despite such notification, management or those charged with governance still do not take the necessary steps, has the accountant taken appropriate action to seek to prevent use of the accountant’s review report? [AR-C 90.75–.77]</p>	_____	_____	_____
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Reference to the Work of Other Accountants in an Accountant’s Review Report

<p>24. If other accountants audited or reviewed the financial statements of significant components, such as consolidated and unconsolidated subsidiaries and investees, and the accountant of the reporting entity decides not to assume responsibility for the audit or review performed by the other accountants, does the accountant’s review report include all of the following:</p> <p>a. A clear indication that the accountant used the work of other accountants?</p>	_____	_____	_____
--	-------	-------	-------

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. An indication of the magnitude of the portion of the financial statements audited or reviewed by the other accountants? [AR-C 90.78]	_____	_____	_____
<i>Supplementary Information That Accompanies Reviewed Financial Statements</i>			
25. When supplementary information accompanies reviewed financial statements and the accountant's review report thereon, has the accountant clearly indicated the degree of responsibility, if any, the accountant is taking with respect to such information? [AR-C 90.80]	_____	_____	_____
26. When the accountant has subjected the supplementary information to review procedures applied in the accountant's review of the basic financial statements, does the other-matter paragraph in the accountant's review report on the financial statements or the separate report on the supplementary information state the following:			
a. That the supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements?	_____	_____	_____
b. 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?	_____	_____	_____
c. That the supplementary information has been subjected to the review procedures applied in the accountant's review of the basic financial statements?	_____	_____	_____
d. Whether the accountant is aware of any material modifications that should be made to the supplementary information?	_____	_____	_____
e. That the accountant has not audited the supplementary information and does not express an opinion on such information? [AR-C 90.81]	_____	_____	_____
27. When the accountant has not subjected supplementary information to review procedures applied in the accountant's review of the basic financial statements, does the other-matter paragraph in the accountant's review report on the financial statements or the separate report on the supplementary information state the following:			
a. That the supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements?	_____	_____	_____
b. That the supplementary information is the responsibility of management?	_____	_____	_____
c. That the accountant has not audited or reviewed the supplementary information and, accordingly, does not express an opinion, a conclusion, nor provide any assurance on such information? [AR-C 90.82]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Change in Engagement From Audit to Review</i>			
28. During the audit, did the client permit the auditor to contact legal counsel? (<i>Note:</i> If the answer is "no," the accountant, except in rare circumstances, is precluded from accepting an engagement to review those financial statements.) [AR-C 90.90]	_____	_____	_____
29. If an audit engagement is changed to a review, does the report omit reference to (a) the original engagement, (b) any audit procedures that may have been performed, and (c) any scope limitation that resulted in the changed engagement? [AR-C 90.89]	_____	_____	_____

Part 6

Illustrative Financial Statements, Notes, and Auditor's Report

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

.02 Additional examples of financial statements and disclosures are found in AICPA's *Not-for-Profit Entities—Best Practices in Presentation and Disclosure* (product no. ATTNPO16P [paperback], ATTNPO16E [ebook], or WNT-XX [online]).

.03

Independent Auditor's Report

The Board of Directors

STEM to STEAM and Beyond, Inc.

Report on the Financial Statements

We have audited the accompanying statement of financial position of STEM to STEAM and Beyond, Inc. (the Organization), as of June 30, 20X1, and the related statements of activities, cash flows, and functional expenses for the year then ended, 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 our audit. We conducted our audit in accordance with auditing standards generally accepted in the 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.

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. 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 in the first paragraph present fairly, in all material respects, the financial position of the Organization, as of June 30, 20X1, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

[Signature]

[Auditor's city and state]

September 29, 20X1

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

.04

STEM to STEAM and Beyond, Inc.
Statements of Financial Position
June 30, 20X1

	20X1	20X0 ¹
Assets		
Cash and cash equivalents	\$978,572	\$873,645
Accounts receivable, net	35,752	30,520
Short term investments	1,300,694	
Contributions receivable, net	1,594,053	2,273,761
Prepaid and other assets	151,171	172,712
Note receivable from related party	80,000	
Land, buildings and equipment, net	1,655,368	1,725,538
Endowment and long-term investments	6,457,512	6,402,706
Beneficial interest in trust	2,641,762	2,589,206
Total assets	\$14,894,884	\$14,068,088
Liabilities and net assets		
Accounts payable	\$335,595	258,738
Accrued expenses and other liabilities	594,454	555,238
Asset retirement obligations	148,613	138,811
Obligations under split-interest agreements	337,881	289,734
Notes payable and capital lease obligations	1,513,893	1,512,405
Total liabilities	2,930,436	2,754,926
Net assets:		
Unrestricted	1,175,641	1,296,671
Temporarily restricted	4,328,545	3,613,785
Permanently restricted	6,460,262	6,402,706
Total net assets	11,964,448	11,313,162
Total liabilities and net assets	\$14,894,884	\$14,068,088

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

¹ *Note:* Comparative financial information included in the statement of financial position is provided solely to facilitate the reader's understanding of the statement of cash flows. It is not intended to represent a comparative financial statement presentation in accordance with generally accepted accounting principles, nor would it be included in the single-year financial statements illustrated here.

.05

STEM to STEAM and Beyond, Inc.
Statement of Activities
For the Year Ended June 30, 20X1

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Support, other than annual showcase:				
Contributions—Science Alliance	\$600,000	\$1,400,000	\$—	\$2,000,000
Contributions—gifts in kind	262,440	—	—	262,440
Contributions—other	701,300	244,600	5,000	950,900
Grants from state agencies	215,000	200,000	—	415,000
Grants from federal agencies	<u> </u>	<u>500,000</u>	<u> </u>	<u>500,000</u>
Total support other than annual showcase	<u>1,778,740</u>	<u>2,344,600</u>	<u>5,000</u>	<u>4,128,340</u>
Annual showcase:				
Ticket sales	915,100	—	—	915,100
Direct benefits to donors	<u>(125,900)</u>	<u> </u>	<u> </u>	<u>(125,900)</u>
Net support from annual showcase	<u>789,200</u>	<u> </u>	<u> </u>	<u>789,200</u>
Program service fees	247,630	—	—	247,630
Investment return	20,867	410,788	52,556	484,211
Other revenue	<u>31,100</u>	<u> </u>	<u> </u>	<u>31,100</u>
Other revenues and gains	<u>299,597</u>	<u>410,788</u>	<u>52,556</u>	<u>762,941</u>
Support provided by expiring time and purpose restrictions	<u>2,001,385</u>	<u>(2,001,385)</u>	<u> </u>	<u> </u>
Total revenues, gains, and support	4,868,922	754,003	57,556	5,680,481
Expenses				
Program services:				
Curriculum development and class kits	1,891,927	—	—	1,891,927
Teacher training and awards	1,283,669	—	—	1,283,669
STEAM Saturdays	621,125	—	—	621,125
Collaborative activities and other	<u>391,760</u>	<u> </u>	<u> </u>	<u>391,760</u>
Total program services	4,188,481	—	—	4,188,481
General and administrative	541,765	—	—	541,765
Fundraising	<u>259,706</u>	<u> </u>	<u> </u>	<u>259,706</u>
Total expenses	<u>4,989,952</u>	<u> </u>	<u> </u>	<u>4,989,952</u>
Change in valuation of split-interest agreements	<u> </u>	<u>(39,243)</u>	<u> </u>	<u>(39,243)</u>
Change in net assets	<u>(\$121,030)</u>	<u>\$714,760</u>	<u>\$57,556</u>	<u>\$651,286</u>

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

.06

STEM to STEAM and Beyond, Inc.
Statement of Cash Flows
For the Year Ended June 30, 20X1

Operating activities:	
Change in net assets	\$651,286
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization of land, buildings, and equipment	102,313
Gain on disposal of land, buildings and equipment	(1,100)
Donated equipment	(45,000)
Donated securities for long-term investment	(5,000)
Gift portion of new split-interest agreements	(22,332)
Change in valuation of split-interest agreements	39,243
Net unrealized and realized gains on investments	(140,646)
Change in beneficial interest in trust	(52,556)
Bad debt expense	5,389
Changes in operating assets and liabilities:	
Accounts receivable	(10,621)
Contributions receivable	659,708
Prepaid and other assets	21,541
Accounts payable	76,857
Accrued expenses and other liabilities	39,216
Asset retirement obligations	9,802
Net cash provided by operating activities	<u>1,328,100</u>
Investing activities:	
Proceeds from sales of investments	380,619
Purchases of investments	(1,540,237)
Note receivable provided to related party	(80,000)
Proceeds from sale of land, buildings, and equipment	49,000
Purchases of land, buildings, and equipment	(5,043)
Net cash used by investing activities	<u>(1,195,661)</u>
Financing activities:	
Collections of contributions receivable restricted for long-term investment	20,000
Cash transferred to establish new split-interest agreements	45,000
Payments to beneficiaries of split-interest agreements	(64,000)
Payments of note payable	(23,142)
Payments of capital lease obligations	(5,370)
Net cash used by financing activities	<u>(27,512)</u>
Change in cash and cash equivalents	104,927
Cash and cash equivalents at beginning of year	<u>873,645</u>
Cash and cash equivalents at end of year	<u><u>\$978,572</u></u>

Supplemental disclosures:

Interest paid	<u>\$94,421</u>
Equipment acquired by capital lease	<u>\$30,000</u>
Contribution of equipment	<u>\$45,000</u>
Contribution of securities added to endowment	<u>\$5,000</u>

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

STEM to STEAM and Beyond, Inc.
Statement of Functional Expenses
Year Ended June 30, 20X1

	Curriculum Development and Class Kits	Teacher Training and Awards	STEAM Saturdays	Collaborative Activities and Other Programs	Program Services	General and Administrative	Fund Raising	Total
Salaries	\$730,253	\$574,026	\$247,126	\$146,116	\$1,697,521	\$201,647	\$161,146	\$2,060,314
Employee benefits and payroll taxes	202,328	173,280	92,650	442,315	510,573	58,402	47,374	616,349
Total salaries and related expenses	932,581	747,306	339,776	188,431	2,208,094	260,049	208,520	2,676,663
Professional and consultant services	139,807	53,347	24,014	80,847	298,015	125,489	24,205	447,709
Supplies	231,782	3,588	85,424	40,900	361,694	4,952	10,896	377,542
Telephone and internet services	43,363	18,172	3,243	11,016	75,794	1,145	662	77,601
Postage and shipping	2,750	5,365	4,342	785	13,242	2,083	3,243	18,568
Occupancy	57,216	18,769	1,134	10,780	87,899	40,934	18,555	147,388
Equipment rental and maintenance	17,517	2,435	2,614	858	23,424	6,652	934	31,010
Promotion and printing	118,419	12,302	1,786	30,796	163,303	171	49,746	213,220
Travel and meetings expense	186,425	94,672	76,438	12,558	370,093	15,874	45,757	431,724
Teacher awards	—	225,000	—	—	225,000	—	—	225,000
Insurance	12,032	6,107	17,228	2,152	37,519	16,685	2,343	56,547
Interest expense	34,612	23,952	15,578	7,385	81,527	9,479	4,306	95,312
Depreciation	29,886	20,094	17,327	3,557	70,864	27,577	3,872	102,313
Miscellaneous	85,537	52,560	32,221	1,695	172,013	30,675	12,567	215,255
Total expenses	\$1,891,927	\$1,283,669	\$621,125	\$391,760	\$4,188,481	\$541,765	385,606	\$5,115,852
Direct benefit to donors at showcase							(125,900)	
							\$259,706	

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

STEM to STEAM and Beyond, Inc.
Notes to Financial Statements
For the Year Ended June 30, 20X1

1. Description of Organization

STEM to STEAM and Beyond, Inc. (the organization) strives to inspire and motivate students to pursue careers in Science, Technology, Engineering, Arts, and Math (STEAM) and to engage educators, families, communities and employers to provide students with opportunities to experience STEAM in an interactive way.

- *Curriculum Development and Class Kits.* The organization has developed over fifty hands-on classroom kits that are coordinated with activities that encourage both teachers and students to build and explore STEAM. These activities are designed to demonstrate unusual or unexpected phenomena, spark curiosity, generate questions, and serve as the starting points for deeper classroom explorations. All classroom kits are provided at a minimal charge to schools thanks to the support of our sponsors.
- *Teacher Training and Awards.* The organization's staff of scientists and veteran science educators leads sessions that help teachers develop their skills as facilitators of inquiry-rich, authentic student learning experiences. Each year, more than three hundred teachers attend programs designed to provide opportunities to ask questions as learners, share expertise as practitioners, and develop as leaders. Training takes place via:
 - Daylong conferences, which feature a plenary session, a choice of three hands-on workshops, and a networking wrap-up so teachers can learn from each other, and
 - Summer week-long institutes, in which teachers work alongside staff members of local museums, engineering and science professionals, and expert faculty to learn firsthand how to teach concepts in their classroom and how those concepts are relevant to future technological advances, so they will be better able to share these experiences and knowledge with their own students. Each week-long institute focuses on an area such as applied mathematics, environmental science, or biomedical engineering.

In addition, the organization seeks out educators who have successfully engaged students in a unique manner and provides monetary awards that allow those teachers to continue their exploration of ways to bring STEAM to the classroom. Many award-winning teachers become trainers at our daylong conferences and summer institutes.

- *STEAM Saturdays.* On weekends, the organization takes its classroom kits on the road, reaching out to children who may not experience STEAM activities in the classroom. We set up in shopping malls, local museums, YMCAs, park districts, and other public places where we will be able to engage elementary-aged children in a workshop setting to explore, design and create. Led by our staff and adult and high-school volunteers, children undertake a wide variety of projects, from constructing zoetropes, kaleidoscopes, catapults, and bridges, to wiring circuits or creating musical instruments to take home with them.
- *Collaborative Activities and Other Programs.* The organization collaborates and cooperates nationally within the STEAM community to share with and learn from others. Due in part to President Bush's "America COMPETES Act" and President Obama's "Educate to Innovate" program, there is a nationwide effort committed to making the improvement of STEM education a national priority. Top universities, companies, philanthropists, scientists, engineers, educators, and the private sector are all involved in the effort.

Management and general activities include the functions necessary to provide support for the organization's program activities. They include activities that provide governance (Board of Directors), oversight, business

management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

2. Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

The organization prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Permanently Restricted Net Assets

Permanently restricted net assets are resources whose use by the organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of

time. The portion of the organization's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class, as is the organization's beneficial interest in a perpetual charitable trust held by a bank trustee.

Classification of Transactions

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets. Net losses on endowment investments reduce temporarily restricted net assets to the extent that net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in unrestricted net assets. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in unrestricted net assets.

Cash and Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. The organization maintains cash balances at several financial institutions located in Chicago and its suburbs. Deposit accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. The balances occasionally exceed those limits. Cash equivalents, other securities, and limited amounts of cash held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account, with a limit of \$250,000 for claims of uninvested cash balances. Additional broker-age insurance—in addition to SIPC protection—is provided through underwriters in London. The SIPC insurance does not protect against market losses on investments.

Accounts Receivable

Accounts receivable are primarily unsecured non-interest-bearing amounts due from grantors on cost reimbursement or performance grants. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Short Term Investments

The organization invests cash in excess of its immediate needs in money market funds and U.S Government and Government Agency issues. Short term investments are reported at fair value.

The investment policy specific to these investments is monitored by the Investment Committee of the organization's Board of Directors. The policy requires that investments be readily marketable and nonvolatile. The money market funds must be managed in accordance with Rule 2a-7 of the Securities and Exchange Commission's Investment Company Act of 1940 and have as an objective maintaining a net asset value per share of \$1.00. The U.S. Department of the Treasury issues must have a maturity of 1 year or less at time of purchase.

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Prepaid and Other Assets

Prepaid and other assets are primarily classroom kits, which are reported at cost to assemble. Classroom kits are sold at minimal charge to schools because of the support of our contributors, many of whom donate the materials that are included in the kits. Thus, the cost of the kits exceeds the amount that will be realized upon sale, but the utility of the kits on the financial statement date is not impaired.

Land, Buildings, and Equipment

Land, buildings and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and improvements	40 years
Leasehold improvements	20 years, or remaining lease term, if shorter
Furnishings and equipment	5–10 years
Equipment used under capital leases	5–7 years

Land, buildings and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Endowment and Long-term Investments

Endowment investments consist of investments purchased with the following resources:

- Donor-restricted permanent endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the organization's activities.
- Donor-restricted term endowments, which are contributions restricted by donors to investment for the term specified by the donor. During that term, the donor may either require investment income and appreciation to be reinvested in the fund, or may permit the organization to spend those amounts in accordance with the donor's restrictions on use.
- Board-designated endowments, which are resources set aside by the Board of Directors for an indeterminate period to operate in a manner similar to a donor-restricted permanent endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Directors.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources. Other long-term investments are held under split-interest agreements with donors.

Endowment investments are reported at fair value with changes to fair value reported as investment return in the statement of activities. Purchases and sales of investments are reported on the trade date.

The investment and spending policies for the Endowment Fund are discussed in note 7.

Beneficial Interest in Trust

The organization is the irrevocable beneficiary of a perpetual charitable trust held by a bank trustee. The beneficial interest in the trust is reported at its fair value, which is estimated as the fair value of the underlying trust assets. Distributions of income from the trust assets are restricted to use in the curriculum development program and are reported as investment return increasing temporarily restricted net assets. The value of the beneficial interest in the trust is adjusted annually for the change in its estimated fair value.

Those changes in value are reported as increases in permanently restricted net assets because the trust assets will never be distributed to the organization.

Split Interest Agreements

The organization conducts a deferred-giving program that offers gift annuity agreements and irrevocable charitable remainder trusts to donors with the organization serving as trustee. Assets held in the trusts are included in endowment and long-term investments. Contribution revenues are recognized when trusts (or annuity agreements) are established, after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. The liabilities are adjusted annually for changes in the value of assets, accretion of the discount, and other changes in the estimates of future benefits. Additional information about split-interest gifts is found in note 11.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

The organization is a beneficiary under several donors' wills. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid and the organization has an irrevocable right to the bequest.

Gifts-in-Kind Contributions

The organization receives contributions in a form other than cash or investments. Most are donated supplies, which are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the organization's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

The organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the organization's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated services with an estimated fair value of \$24,550 met those criteria and are included in in-kind contributions in the statement of activities. Those services were primarily teaching services used in curriculum development and the teacher training classes.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal

awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the organization.

Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited on the basis of periodic time or usage studies.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Tax Status

The organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

3. Fair Value Measurements

The organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the organization's financial statements are

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of short term investments (note 4).
- recurring measurement of endowment and long-term investments (note 4).
- recurring measurement of beneficial interests in trusts (note 8).

4. Investments

Investments consist of the following at June 30, 20X1:

	<u>Fair Value</u>
Short-term investments:	
Money market funds	\$302,240
U.S. treasury obligations	<u>998,454</u>
Total short term investments	<u>1,300,694</u>
Endowment and long-term investments:	
U.S. corporate bonds	460,450
U.S. common stocks	
Consumer goods	557,146
Technology	418,000
Other	289,733
Mutual funds—fixed income	1,162,350
Mutual funds—large cap value	802,250
Mutual funds—large cap growth	762,709
Mutual funds—small cap	232,778
Mutual funds—international	818,592
Exchange-traded funds	780,622
Real-estate partnership fund	172,882
Total endowment and long-term investments	<u>6,457,512</u>
Total investments	<u><u>\$7,758,206</u></u>

The real-estate partnership fund invests primarily in office, industrial, and retail properties in the United States. This investment cannot be redeemed at will with the fund manager. Instead, distributions will be received from the fund manager as the underlying properties are sold. It is estimated that the underlying properties would be fully liquidated over the next 5–7 years. The organization is committed to a future investment of \$150,000 in January 20X2.

As discussed in note 3 to these financial statements, the organization is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the organization's valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of the June 30, 20X1, including investments measured at net asset value (NAV) if the NAV is determined as the fair value per share (unit)

is published, and is the basis for current transactions. Level 2 is for investments measured using inputs such as quoted prices for similar assets or quoted prices for the identical asset in inactive markets. Level 3 is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any, market activity for the investment.

The organization uses the following ways to determine the fair value of its investments:

Money market funds: Determined by the published NAV per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

U.S. Department of Treasury obligations: Determined using contractual cash flows and the interest rate determined by the closing bid price on the last business day of the fiscal year if the same or an obligation with a similar maturity is actively traded.

Equity securities traded on national securities exchanges: Determined by the closing price on the last business day of the fiscal year.

Equity securities traded on the over-the-counter market: Determined by the last reported bid price, if actively traded.

Open-end mutual funds: Determined by the published NAV per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

Exchange-traded funds: Determined by the published closing price on the last business day of the fiscal year.

Real estate partnership fund: Determined by the NAV per share, as a practical expedient for a fair value measurement, because the underlying general partner's calculation of NAV is fair value based, and the NAV has been calculated by the fund manager as of the organization's fiscal year end date. Net asset value is determined based on appraisals of properties held and are conducted by third party appraisers retained by the general partner. Net asset values provided by the general partner are evaluated by the organization's investment committee and are believed to present a reasonable estimate of fair value.

For investments that are not actively traded at June 30, 20X1, the organization uses a pricing service. The service employs a proprietary market approach method that uses as inputs observed interest rates and yield curves, prices in active markets for similar assets, and prices for identical assets in inactive markets that have been adjusted by observable indexes (level 2).

The following table summarizes the levels in the fair value hierarchy of the organization's investments at June 30, 20X1:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Money market funds	\$ 302,240	\$ 302,240	
U.S. treasury obligations	998,454		998,454
U.S. corporate bonds	460,450	80,459	379,991
U.S. common stocks	1,264,879	1,006,439	258,440
Mutual funds—fixed income	1,162,350	1,162,350	
Mutual funds—large cap value	802,250	802,250	
Mutual funds—large cap growth	762,709	762,709	
Mutual funds—small cap	232,778	232,778	
Mutual funds—international	818,592	818,592	
Exchange-traded funds	780,622	780,622	
	<u>\$7,585,324</u>	<u>\$5,948,439</u>	<u>\$1,636,885</u>
Measured using NAV as a practical expedient	<u>172,882</u>		
Total investments	<u><u>\$7,758,206</u></u>		

There were no significant transfers between the levels during the year, although some investments moved into level 2 when the markets for them became less active. The organization's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized. At June 30, 20X1, the organization does not have any investments measured using level 3 inputs.

The composition of the investment return reported in the statement of activities is as follows:

Interest and dividends	\$60,520
Capital gain distributions	162,645
Investment expenses	(23,700)
Unrealized and realized net gains on investments	<u>162,082</u>
Investment return on short-term and long-term investments	361,547
Investment return credited to split-interest obligations	(50,236)
Distribution from trust (note 8)	120,344
Change in value of beneficial interest in trust (note 8)	52,556
Total investment return	<u>\$484,211</u>

5. Contributions and Grants Receivable

Contributions and grants receivable at June 30, 20X1, are due as follows:

Currently due	\$1,010,000
Less than 1 year	485,950
1 year to 5 years	<u>129,950</u>
	1,625,900
Less:	
Allowance for uncollectible contributions receivable	(20,837)
Unamortized discount, at rates ranging from 2.55% to 4.45%	<u>(11,010)</u>
	<u>\$1,594,053</u>

At June 30, 20X1, the organization is attempting to raise \$125,000 to create a space in the County Library's teen area. If the organization is able to do so before January 1, 20X2, those funds will be matched by a corporate donor, so that \$250,000 would be available for the program. At June 30, 20X1, donors have promised \$25,000 toward this goal, of which \$10,000 has been collected.

6. Land, Buildings and Equipment

Land, buildings and equipment at June 30, 20X1, are as follows:

Land and land improvements	\$209,205
Buildings and improvements	2,431,807
Leasehold improvements	238,631
Furnishings and equipment	457,660

Equipment acquired by capital lease	79,197
	<u>3,416,500</u>
Accumulated depreciation and amortization	(1,761,132)
Total land, buildings, and equipment, net	<u>\$1,655,368</u>

7. Accounting for Endowments

The organization's endowment consists of 12 individual funds established either by donors (referred to as *donor-restricted endowment funds*) and or by resources set aside by the Board of Directors to function as endowments (referred to as *board-designated endowment funds*). Donor-restricted endowment funds are further divided into those that provide a perpetual source of support for the organization's activities (referred to as *permanent endowments*) and those that are restricted by donors to investment for a specified term (referred to as *term endowments*). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Included in the organization's endowment is a perpetual charitable trust held by a bank trustee (note 8). The trust's management, including investment policies and distribution policies, are determined by the donor's trust agreement with the bank trustee. The discussion below describes only the endowment funds that are under the organization's management.

The state of Illinois enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective June 30, 2009. UPMIFA establishes law for the management and investment of donor-restricted endowment funds. The Board of Directors of the organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted permanent endowment funds unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the organization classifies as permanently restricted net assets (a) the original value of gifts donated to all donor-restricted permanent endowments, (b) the original value of any subsequent gifts to donor-restricted permanent endowments, and (c) the original value of accumulations to donor-restricted permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of a donor-restricted permanent endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization. All donor-restricted term endowments are classified as temporarily restricted net assets until the term expires and they are used in accordance with the donor's restrictions on use.

UPMIFA permits the organization to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making its determination to appropriate or accumulate, the organization must act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and it must consider, if relevant, the following factors:

- The duration and preservation of the endowment fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policy of the organization

The net asset composition of the endowment as of June 30, 20X1, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Type of Endowment Fund				
Donor-restricted funds				
Permanent endowment	\$(8,335)	\$1,422,835	\$3,818,500	\$5,233,000
Term endowment		44,070		44,070
Perpetual charitable trust			2,641,762	2,641,762
Board-designated endowment	371,326	—	—	371,326
Total	<u>\$362,991</u>	<u>\$1,466,905</u>	<u>\$6,460,262</u>	<u>\$8,290,158</u>

One donor-restricted permanent endowment fund, created in 20Y8, currently has a value that is less than the amount of the original gift (the permanently restricted portion of the fund). The deficiency of \$8,335 at June 30, 20X1, is reported in unrestricted net assets.

Investment and Spending Policies

The organization has an investment policy specific to its Endowment Fund, which is monitored by the Investment Committee of its Board of Directors. The investment policy describes the objective for the fund and sets ranges for asset allocation. The objective of the Endowment Fund is to earn the highest possible total return consistent with a level of risk suitable for these assets. At a minimum, long term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment Fund assets, to provide necessary capital to fund the spending policy, and to cover the costs of managing the Endowment Fund investments. The desired minimum rate of return is equal to the Consumer Price Index plus 500 basis points on an annualized basis. Actual returns in any given year may vary from this amount. In light of this return requirement, the portfolio is constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time. The assets are invested for the long term, and a higher short term volatility in these assets is to be expected and accepted. The organization limits its investments in so-called alternative investments—investments in the form of limited partnerships, limited liability companies, or joint ventures, which might commit the organization to future investments or have legal restrictions that prevent the sale or redemption of the investment for more than a year.

The following is a summary of the asset allocation guidelines, with allowable ranges for each asset type.

<u>Asset Category</u>	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
Cash	0%	0%	10%
Domestic fixed income	10%	5%	15%
Equity—Mutual funds	60%	55%	75%
Fixed income	20%	10%	30%
Domestic large cap	20%	10%	30%
Large cap growth	10%	5%	20%
Large cap value	10%	5%	20%
Domestic small cap	5%	0%	20%
International	15%	5%	20%
Exchange-traded funds	15%	0%	20%
Domestic common stock	10%	0%	20%
Alternative investments	5%	0%	10%

The organization uses an endowment spending formula based on total return of the investments for determining the amount to spend from the Endowment Fund each year. The appropriation is 5 percent of the average fair value of the Endowment Fund investments for the prior 12 quarters calculated at March 31 of each year. In establishing this policy, the organization considered the long term expected return on its Endowment Fund investments and set the rate with the objective of maintaining the purchasing power of its donor-restricted permanent endowment funds over time.

The changes in endowment net assets for the year ended June 30, 20X1, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 20X0	\$438,695	\$1,294,300	\$6,402,706	\$8,135,701
Investment return:				
Investment income	9,265	175,235		184,500
Investment expenses	(860)	(18,375)		(19,235)
Perpetual trust return		120,344	52,556	172,900
Net gains (realized and unrealized)	<u>7,062</u>	<u>133,584</u>		<u>140,646</u>
Total investment return	15,467	410,788	52,556	478,811
Contributions			5,000	5,000
Appropriation of endowment assets for expenditure— spending rate	(11,171)	(238,183)		(249,354)
Appropriation of endowment assets from board-designated endowment for note receivable to related party	<u>(80,000)</u>			<u>(80,000)</u>
Endowment net assets, June 30, 20X1	<u>\$362,991</u>	<u>\$1,466,905</u>	<u>\$6,460,262</u>	<u>\$8,290,158</u>

8. Beneficial Interest in Trust

The organization is the irrevocable beneficiary of a perpetual charitable trust held by a bank trustee. These resources are neither in the possession of, nor under the control of, the organization. The terms of the trust provide that the organization is to receive an annual distribution from the trust, the amount of which is at the discretion of the trustee, but will not be less than 3 percent or more than 7 percent of the trust assets at the beginning of the trust's fiscal year. The beneficial interest in the trust is reported at its fair value, which is estimated as the fair value of the underlying trust assets. As discussed in note 3, because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the organization is a level 3 fair value measure.

Beneficial interest in trust, beginning of year	\$2,589,206
Investment return earned by trustee	172,900
Amount distributed to the organization	<u>(120,344)</u>
Beneficial interest in trust, end of year	<u>\$2,641,762</u>

The distributions from the trust are available for the teacher training program and are included in temporarily restricted investment return in the statement of activities. The change in the fair value of the beneficial interest in the trust is recognized as permanently restricted investment return in the statement of activities.

9. Note Payable and Capital Lease Obligations

Note payable and capital lease obligations at June 30, 20X1, are as follows:

Note payable to First Main Bank of Chicago in the original principal amount of \$1,650,000, due on December 1, 2029. Fixed interest rate of 6.125%, payable in monthly principal and interest payments of \$10,757.41, beginning January 1, 2005. The bonds are secured by the organization's buildings in Ottawa, Illinois and Davenport, Illinois.	\$1,463,993
Various capital leases for equipment that may be purchased for a nominal amount at expiration of the leases. The interest rate implicit in these leases are 6% to 7.5%. Monthly payments at June 30, 20X1, are \$1,767 and leases expire at varying dates through May 1, 20X6. Secured by equipment with an original purchase price of \$79,197 and accumulated amortization of \$40,687.	<u>49,900</u>
Total note payable and capital lease obligation	<u><u>\$1,513,893</u></u>

	<u>Note Payable</u>	<u>Capital Lease</u>
Year ending June 30,		
20X2	\$40,540	\$21,200
20X3	43,093	13,200
20X4	45,808	11,050
20X5	48,693	6,750
20X6	51,762	6,350
Thereafter	<u>1,234,097</u>	<u>—</u>
Total payments	1,463,993	58,550
Less portion representing interest	_____	<u>(8,650)</u>
Note payable or capital lease obligation	<u>\$1,463,993</u>	<u>\$49,900</u>

In addition, the organization has a \$175,000 unsecured revolving line of credit with a local bank, which has an expiration date of June 24, 20X2. As of June 30, 20X1, there are no amounts outstanding under the line. Interest expense incurred during 20X1, was \$480 on borrowings under this line of credit. Interest is based on the monthly London Interbank Offered Rate, or LIBOR, plus 125 basis points. At June 30, 20X1, that rate was 0.54 percent.

10. Asset Retirement Obligation

The organization has legal obligations to perform certain activities upon the renovation of certain buildings that contain asbestos or upon the abandonment of certain leasehold improvements. The obligations (referred to as asset retirement obligations) were initially recorded at fair values, which were estimated as the present values of the estimated costs of remediation or removal. Concurrent with the recognition of the obligation, the costs of the corresponding long-lived assets were increased. The capitalized costs are being depreciated over the remaining useful life of the assets. Annually, the obligation is adjusted for the time value of money and for new information, if any, about the future costs of remediation or removal. The changes in the obligation, which were \$9,802 for the year ended June 30, 20X1, are reported as part of occupancy costs and allocated to the programs and management and general activities that benefit from the use of those buildings and leasehold improvements.

11. Split-interest Agreements

The organization conducts a deferred-giving program in which a donor makes an irrevocable transfer of assets to the organization. In exchange, the donor (or a beneficiary named by the donor) receives periodic payments for his or her lifetime. The payments to the individuals are fixed amounts (annuities) or are a percentage of the fair value of the trust assets (charitable remainder unitrusts). The obligations to the individuals are determined using present value techniques, mortality information in the 2012 Individual Annuity Reserving Table, and interest rates of 2–4% (dependent upon market rates when the agreement was signed). The obligations are adjusted annually for changes in mortality, investment returns, and the time

value of money, and the adjustment is reported in the statement of activities as the change in the value of split-interest agreements.

At June 30, 20X1, the organization held investments of \$854,050 relating to split-interest agreements with obligations of \$337,881. The remainder interests of \$516,169 are classified as temporarily restricted net assets because they are unavailable for spending until the deaths of the donors or other beneficiaries.

There was the following activity in the split-interest obligation during the year ended June 30, 20X1:

Split-interest obligations, June 30, 20X0	\$289,734
New agreements signed, gift portion of \$22,332	22,668
Investment return	50,236
Payments to beneficiaries	(64,000)
Change in valuation of split-interest agreements	<u>39,243</u>
Split-interest obligations, June 30, 20X1	<u>\$337,881</u>

12. Operating Lease Commitments

The organization has various operating leases for several meeting room facilities. The following is a schedule of future minimum rental payments:

Year ending June 30:	
20X2	\$19,200
20X3	19,200
20X4	12,000
20X5	12,000
20X6	<u>6,000</u>
Total future minimum rental payments	<u>\$68,400</u>

Rent expense for meeting rooms, which is included in occupancy costs in the statement of functional expenses, was \$24,000 for the year ended June 30, 20X1.

13. Retirement Plan

The organization participates in a defined contribution, individual account, money purchase, retirement plan that covers substantially all of its full-time employees. This plan is available for the benefit of all full-time employees of the organization who have completed one year of service to the organization.

In accordance with the plan agreement, the organization makes contributions to the plan, which are determined based on a percentage of the participating employee's salary and the amount of an employee's elective contributions. The organization's contributions, which are included in employee benefits in the statement of functional expenses, were \$98,100 for the year ended June 30, 20X1.

14. Restricted Net Assets

Temporarily restricted net assets at June 30, 20X1, are available for the following purposes or periods:

Purpose restrictions, available for spending:	
Curriculum development	\$756,680
Teacher training	583,275
Teacher awards	175,000
STEAM Saturdays	236,463
Maker space in County Library	<u>10,000</u>
Total purpose-restricted net assets	<u>1,761,418</u>

Time restrictions:

Contributions receivable, which are unavailable for spending until due, some of which are also subject to purpose restrictions	584,053
Split-interest agreements, which are unavailable for spending until the deaths of the beneficiaries	516,169
Unspent appreciation of Endowment Funds, which must be appropriated by the Board of Directors before use:	
Donors specified for the unrestricted use of the organization, time restricted until appropriated	938,819
Donors restricted to the following purposes:	
Curriculum development	329,525
Teacher training	198,561
Total unspent appreciation	1,466,905
Total temporarily restricted net assets	<u>\$4,328,545</u>

Permanently restricted net assets at June 30, 20X1, are resources invested in perpetuity, the income of which is available for the following purposes:

Donors specified the investment return is for the unrestricted use of the organization	\$2,450,000
Donors restricted to the following purposes:	
Curriculum development	850,000
Teacher training	518,500
Beneficial interest in trust for curriculum development	2,641,762
Total permanently restricted net assets	<u>\$6,460,262</u>

15. Commitments and Contingencies

The organization has entered into contracts with the Greater Midwest Convention Center for its 20X1 and 20X2 Showcases. These contracts contain cancellation penalties determined on a scale based on the number of days prior to the scheduled event, with the penalty increasing as the time period decreases. The penalties for cancellation under these contracts would be:

	<i>As of June 30,</i> <u>20X1</u>	<u>Maximum Penalty</u>
20X1 Showcase	\$90,000	\$100,000
20X2 Showcase	\$25,000	\$100,000

16. Concentrations of Risk

A significant portion, approximately 35 percent, of the organization's annual funding comes from the Science Alliance of Metropolitan Chicago. At June 30, 20X1, \$510,000 is receivable from Science Alliance.

The majority of the organization's contributions and grants are received from corporations, foundations, and individuals located in the greater Chicago metropolitan area and from agencies of the state of Illinois. As such, the organization's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of Illinois.

The organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts re-

ported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes (see notes 4 and 7) should mitigate the impact of changes in any one class.

17. Related-Party Transactions

In January 20X1, the organization advanced \$80,000 to Chicago STEAM Outpost, a newly established 501(c)(3) organization that will blend the Girl and Boy Scouts' time-tested character-building qualities with hands-on STEAM modules. STEAM Scouts will involve boys and girls in elementary, middle, and high schools. A member of the organization's board of trustees is also a member of the Chicago STEAM Outpost's governing body. The note, which bears interest at 6% per year payable quarterly, is due on December 31, 20X3, in a lump-sum payment. Management believes the note to be fully collectible; therefore, no allowance for uncollectible amounts is recorded.

In 20X0, the organization entered into a three-year lease agreement for meeting rooms in a building owned by a member of the board of trustees. Rent is for \$10,000 per year. That lease agreement expires on June 30, 20X3. The lease agreement was approved by the organization's board of trustees; the board member who owns the building recused herself from the discussion and vote.

At June 30, 20X1, contributions receivable included \$75,000 (present value of promised cash flows \$71,355) from members of the organization's board of trustees.

18. Subsequent Events

Subsequent events have been evaluated through September 29, 20X1, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

