



How to Choose the Right Accounting Services

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“Hi, I’d like an Audit!”



Who's Asking?

Lender

Governing board

Bylaws

Congregation

ECFA accreditation

Transition in
personnel

State requirements
for charitable
organizations for
nonprofits other
than churches

Assurance Services



Compilation



Review



Audit



Other

Compilations

- No assurance provided
- Compiling financial data into GAAP format
- Product:
 - Financial statements
 - Footnote disclosures are optional

Reviews

- Second highest level of assurance
 - “Limited assurance”
 - “Not aware of any material modifications”
- Inquiry and analytical procedures
- Product:
 - Financial statements with required footnote disclosures
 - No letters

Audits

- Highest level of assurance
- Verification and substantiation
- Internal controls assessment
- Product:
 - Financial statements with required footnote disclosures
 - Letter to Governance at the beginning and end of the audit
 - Management or internal control letter

Common Misconceptions

- Audits will help us find fraud.
- Audits will clean up our books.
- Audits will assure people that everything's accurate.
- Audits are simple. How hard can it be?
- Auditors are only focused on the past.
- Saving money by getting a review every other year.

Audit-Readiness Checklist

- Do you have:
 - Written policies and procedures
 - Accurate financial records for two years
 - Internal controls in place
 - Schedules and documentation for balances
 - Someone who understands GAAP
 - A basis for functional expense allocation

Selecting a Firm



Other Options



Agreed-upon procedures



Consulting



Internal audit



Internal control review



Trainings



Phased-in-approach

Considerations

- Use of the product
- Frequency of services
- Readiness for the process
- Budget
- Availability of personnel involved
- Quality of the records
- Basis of accounting (accrual, modified cash, and cash)

Thank you!

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