

Audits, Reviews and Compilations

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What is an audit?

- An audit is a prescribed process a Certified Public Accountant applies to your financial statements in order to provide the end user with an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with one of the acceptable methods of accounting in the US.

Key Concepts

- Prescribed Process - Generally Accepted Auditing Standards must be followed by the CPA and include obtaining an understanding of your internal control and assessing fraud risk.
- Your Financial Statements - The statements being audited are yours, not the auditor's, and must be prepared in accordance with an approved method of accounting.

Key Concepts

- End User – The auditor is responsible to the end user, not to the “client”. End users may be banks, donors, grantors, members or the general public.
- Opinion – The auditor’s report may include an opinion, or may include a disclaimer of opinion or an adverse opinion as to whether the financial statements are presented fairly.

Key Concepts

- In Conformity – the financial statements must be in conformity with a recognized method of accounting; GAAP (generally accepted accounting principles), cash basis, modified cash basis or income tax basis.

Who Requires an Audit?

- Banks through loan covenants
- Grantors
- Banks for new financing
- ECFA or other membership
- Governmental Grants
- Bylaws requirement
