

2016 NOT-FOR-PROFIT ENTITIES OVERVIEW FOR KNOWLEDGE COACH USERS

PURPOSE

This document is published for the purpose of communicating, to users of the toolset, updates and enhancements included in the current version. This document is not, and should not be used as an audit program to update the audit documentation of an engagement started in a previous version of this product

WORKPAPER UPDATES AND ROLL FORWARD NOTES

General Roll Forward Note:

You must be the current editor of all Knowledge Coach workpapers to update to the latest content, and you must be the current editor upon opening the updated workpaper for the first time to ensure you see the updated workpaper.

The **2016 Knowledge-Based Audits of Not-for-Profit Entities** has been updated to help auditors conduct efficient and effective audit engagements in accordance with U.S. GAAS and is current through the most recent auditing standard, SAS 129, *Letters to Underwriters and Certain Other Requesting Parties*; *Government Auditing Standards (GAGAS) 2011 Revision*; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations (Single Audit or Circular A-133)* (where still applicable, otherwise the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* contained in the 2nd Code of Federal Regulations, Part 200 – 2CFR200); the AICPA Code of Professional Conduct—Revised; changes to ET Section 1.295, *Nonattest Services*, and Chapter 3 of the Yellow Book, including a new framework for independence with conditions, remediation, and safeguards; and guidance in the most recent editions of the AICPA Audit and Accounting Guide, *Not-for-Profit Entities*. Many new tips and examples have been incorporated. The 2016 tools include links to specific guidance that provides instant access to detailed analysis related to the steps and processes discussed in the workpapers. Also included is a revised financial statement disclosures checklist that provides a centralized resource of the current required and recommended U.S. GAAP disclosures and key presentation items, using the style referencing under the FASB Accounting Standards Codification™.

The 2016 edition of *Knowledge-Based Audits of Not-for-Profit Entities* includes the following updates:

Knowledge-Based Audit Documents (KBAs)

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
KBA-101 Overall Audit Strategy					
Modify	Minor updates for consistency	Table, Section I	N		Data flows in from KBA-200
Modify	Modified for consistency with Governmental Entities toolset (GAGAS) (independence requirements)	Section I item 4	Y	GAGAS	
New	New TQ, “Will the audit be conducted in accordance with Government Auditing Standards (GAGAS)?” that				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	will show/hide the new table, “Has the auditor prepared documentation related to compliance with the GAGAS independence requirements related to nonaudit/nonattest services? The auditor may also use AID-201 to document these independence considerations.” This new TQ will flow from AUD-100.				
KBA-103 Evaluating and Communicating Internal Control Deficiencies					
Modify	Modified for consistency with CORE	Purpose; Instructions ; column 14 header	N		
Modify	Modified Example (to make it more NFP related.)	Table, other than procedures	N		
Modify	Modified instructions and column header (column 14 and 15).	Instructions ; column heading	N		Column 14 of table will reset on roll forward.
Modify	Instructions for column 15 (customer request) now read: Column 15. Based on the preceding steps, conclude as to whether the control deficiency, either individually or when combined with other deficiencies, should be classified as a material weakness, significant deficiency, or deficiency in internal control.	Instructions	N		
Modify	Instructions for column 14 (customer request)now read: If the control deficiency, either individually, or when combined with other deficiencies, would not be considered a material weakness based on the preceding steps, consider whether the deficiency is nevertheless important enough to merit attention by those charged with governance. If the answer is “Yes”, then the deficiency is a “significant deficiency” that should be reported to management and to those charged with governance. If the answer is “No”, then the deficiency is	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	a “deficiency in internal control” that should be reported to management, if it is of sufficient importance to merit management’s attention and if it has not been communicated to management by other parties.				
KBA-200 Entity Information and Background					
Modify	Step 10 in the table under "Instructions" modified; now reads: Need for statutory, regulatory, or other audit reporting requirements; e.g., GAGAS, OMB Circular A-133(now Uniform Guidance), and expected deadlines and communications with third parties:	Table	Y	Uniform Guidance	
Modify	Minor modifications throughout for consistency with CORE		N		
Delete	Tailoring Question, “Does the entity have an audit committee or equivalent body?” has been removed	TQ Table	N		
Merged	The Question and Table, “The following describes pertinent information about the audit committee members:” has been merged with the Question and Table above, “The following describes pertinent information about those charged with governance (e.g., board of directors; audit committee):”	Procedures	N		All information from Audit Committee table will be retained into table above on Rollforward.
KBA-201 Client/Engagement Acceptance and Continuance Form: Complex Entities					
Modify	Updated for independence requirements and for consistency with CORE; added new item as follows and added descriptions of the various threats, consistent with CORE): a. Have we evaluated client and auditor relationships and circumstances to identify potential threats to independence not identified above including: 1. Adverse interest threat, which is the threat that interests in opposition to the client’s will cause a lack of objectivity?	Section III table	Y		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<ol style="list-style-type: none"> 2. Advocacy threat, which is the threat that the auditor will promote the client's interests to a point of impairing independence? 3. Familiarity threat, which is the threat that the auditor's relationship with the client might cause it to be too sympathetic to the client's interests or to lack professional skepticism when evaluating the client's work? 4. Management participation threat, which is the threat that the auditor will take on the role of client management or will assume management responsibilities for the client? 5. Self-interest threat, which is the threat that the auditor may be inappropriately influenced by some benefit, financial or otherwise, that may result from an interest in, or relationship with, the client? 6. Self-review threat, which is the threat that services previously performed for the client will not be adequately reviewed by the auditor in performing the engagement? 7. Undue influence threat, which is the threat that outside influences will impact the auditor's objectivity, for example, risk that the auditor will subordinate judgment to that of an individual associated with the client or some other party due to their reputation, expertise, or some other factor? <p>Practice Point: The GAO's "bias threat" comprises both the AICPA's "advocacy threat" and "adverse interest threat."</p>				
Modify	<p>Added new item w. as follows:</p> <p>For engagements performed in accordance with GAGAS, has the auditor also evaluated the auditor's relationships and circumstances at the firm, audit engagement, and auditor level to identify potential structural threats</p>	Section III table	Y		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	whereby the audit organization's placement with the government entity will impact the auditor's ability to perform their work and report objectively?				
Modify	<p>Added new item x. as follows:</p> <p>b. For any identified threats to independence, have safeguards been created or implemented so that such threats are eliminated or reduced to an acceptable level? (Also, provide additional documentation in step 7 below.)</p> <p>Practice Point: Safeguards may partially or entirely eliminate a threat or reduce the potential influence of a threat. The nature and extent of the safeguards applied depend on many factors, including the size of the firm. However, to be effective, safeguards should eliminate the threat or reduce it to an acceptable level. The AICPA Code of Professional Conduct identifies the following three broad categories of safeguards:</p> <ul style="list-style-type: none"> • Safeguards created by the profession, legislation, or regulation. • Safeguards implemented by the client; however, it is not possible to rely solely on safeguards implemented by the client to eliminate or reduce significant threats to an acceptable level. <p>Safeguards implemented by the firm, including policies and procedures to implement professional and regulatory requirements.</p>	Section III table	Y		
Modify	<p>Added new item 7:</p> <p>For identified threat(s) to independence, the following describes the circumstances and/or relationships giving rise to the threat(s); the nature of the threat(s), for example advocacy threat, self-interest threat; the safeguards that have been applied; and whether the threat(s) was eliminated or reduced to an acceptable level:</p> <p>Practice Point: When the auditor applies safeguards to eliminate or reduce significant threats to an acceptable level, the</p>	Section III	Y	ET Section 1.310.001	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	auditor should document the identified threats and safeguards applied. Failure to prepare the required documentation would be considered a violation of the "Compliance with Standards Rule" (ET Section 1.310.001).				
KBA-201N Client/Engagement Acceptance and Continuance Form: Noncomplex Entities					
Modify	Added Practice Point in Section III, item 1: Practice Point: AID-201 Nonattest Services Independence Checklist may be used to supplement the information gathered and considered on this form prior to making the decision on whether or not an attest engagement should be accepted or continued.	Section III	N		
KBA-302 Understanding the Entity and Its Environment: Complex Entities					
Delete	Tailoring Question, "Does the entity have an audit committee or equivalent body?" has been removed	TQ Table	N		
Merged	The Question and Table, "The following describes pertinent information about the audit committee members:" has been merged with the Question and Table above, "The following describes pertinent information about those charged with governance (e.g., board of directors; audit committee):"	Procedures	N		All information from Audit Committee table will be retained into table above on Rollforward.
KBA-302N Understanding the Entity and Its Environment: Noncomplex Entities					
Delete	Tailoring Question, "Does the entity have an audit committee or equivalent body?" has been removed	TQ Table	N		
Merged	The Question and Table, "The following describes pertinent information about the audit committee members:" has been merged with the Question and Table above, "The following describes pertinent information about those charged with governance (e.g., board of directors; audit committee):"	Procedures	N		All information from Audit Committee table will be retained into table above on Rollforward.
KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures					
Added	Added a "Potential Error Diagnostic" in KBA-400 to note if an audit area has a significant or fraud risk but no risk	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	has been identified this will notify the user to a potential error.				
Removed	Removed "Potential Error Diagnostic" on last column (Control Understanding / Testing Workpaper) of Table 1 in KBA-400 when the user selects to add a, "Custom Value" option. The user would only select a "Custom Value" option if they're using a memo or non-KC workpaper to document their understanding of activity level controls. This diagnostic will continue to show if the user selects any other options and has not included the recommended workpaper option.	Table	N		
KBA-401 Understanding Entity-Level Controls: Complex Entities and KBA-401N Understanding Entity-Level Controls - Noncomplex Entities					
Modify	Conclusion table answer selections for "Functioning" modified from (Y, N) to (Y, N, N/A)	Table, other than procedures	N		Prior year response to this step will reset on Roll Forward by using the default settings.
KBA-901 Financial Statement Disclosures Checklist					
Modify	Updated for new accounting pronouncements. New items/tables added to the Table of Contents and tables with new items in the checklist.	Procedure steps	Y	Updates and changes for current standards through GASB-73	
KBA-902 Audit Review and Approval Checklist					
Modify	Minor wording modification in step 18; now reads: 18. If applicable, we have reviewed the auditor's reports required by Government Auditing Standards and OMB Circular A-133 (now Uniform Guidance) and ascertained that they are in accordance with the standards and appropriate for this engagement.	Table	Y	Uniform Guidance	

Audit Programs (AUDs)

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
AUD-805 Audit Program: Contributions and Program Service Fees Receivable and Related Support and Program Service Fees Revenues and Agency Transactions					
Modify	Deleted the Practice Point under step 17 and added new substep c: c. We evaluated whether all contributed services received from personnel from an affiliate that directly benefit the recipient organization have been recorded.	Procedures steps	Y	ASU 2013-06	
AUD-808 Audit Program: Intangible Assets					
Modify	Modified steps and substeps for consistency with CORE (but removing content that was added based on CORE which does not apply to nonprofits).	Procedures steps	N		
AUD-908 Interim Review Program: Management Inquiries					
Modify	Modified step 5 under "Revenues and Expenses" for consistency with CORE; modified step now reads: Has an evaluation been made to determine whether the financial statements properly include discontinued operations or items that may be considered infrequent or unusual?				

Auditor's Reports (RPTs)

- **RPT-0934; 0959** – Minor modifications for consistency with CORE as appropriate.
- **RPT-0958** – sample report text and Additional Guidance Notes modified for Uniform Guidance requirements.
- **RPT-0959** – added Practice Alert for ASU No. 2014-10.
- **RPT-1039 – 1044:** Updated Additional Guidance Notes; modified throughout as appropriate in accordance with the requirements of Uniform Guidance.

Correspondence Documents (CORs)

- **COR-901** minor modification - for consistency with CORE.

Practice Aids (AIDs)

- **AID-201** updated in accordance with ET Section 1.295, *Nonattest Services*, of the AICPA Code of Professional Conduct and Chapter 3 of *Government Auditing Standards—2011 Revision* (the Yellow Book) and modified for consistency with the Governmental Entities and CORE toolsets where applicable.

Resource Documents (RESs)

- **RES-002** Modified as appropriate for consistency with titles of documents in the update.
- **RES-018** Modified in accordance with QC peer reviewer comments about making benchmarks more related to NFP than COM.
- **RES-GOV** Modified for Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

In addition, forms and practice aids throughout have been updated to include new examples and tips and, where applicable, to take into account:

New literature, standards, and developments, reflected in the following current audit and accounting guidance:

Statements on Auditing Standards (SASs):

SAS-129, Letters for Underwriters and Certain Other Requesting Parties

Government Auditing Standards (GAGAS) 2011 Revision (Yellow Book);

OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations (Single Audit or Circular A-133) (where still applicable, otherwise the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards contained in the 2nd Code of Federal Regulations, Part 200 – 2CFR200);

AICPA Code of Professional Conduct—Revised; changes to ET Section 1.295, *Nonattest Services*, and Chapter 3 of the Yellow Book, including a new framework for independence with conditions, remediation, and safeguards; and guidance in the most recent editions of the AICPA Audit and Accounting Guide, *Not-for-Profit Entities*.

RELATED, FOUNDATIONS AND ASSOCIATION WORKPAPERS FOR THIS TITLE

Related workpapers are Knowledge Coach Word workpapers where information flows in or out of tables within the workpaper. Some of these related workpapers are Foundation workpapers or associated workpapers.

Foundation Workpapers include most of the Communication Hub workpapers, which are central to the Knowledge-Based Audit Methodology used by the Knowledge Coach titles. Associated workpapers require you to associate them with custom values, such as audit areas, specialists, service organizations, and other items. Workpapers require an association when you need to have more than one instance of a particular Knowledge Coach workpaper in your binder for each type of item to which the workpaper is related. Making this association allows Knowledge Coach information to flow properly between workpapers.

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA s	KNOWLEDGE-BASED AUDIT DOCUMENTS		
KBA-101	Overall Audit Strategy	X	
KBA-102	Engagement Completion Document	X	
KBA-103	Evaluating and Communicating Internal Control Deficiencies and Noncompliance	X	
KBA-105	Review of Significant Accounting Estimates	X	
KBA-200	Entity Information and Background	X	
KBA-201	Client/Engagement Acceptance and Continuance Form: Complex Entities		
KBA-201N	Client/Engagement Acceptance and Continuance Form: Noncomplex Entities		
KBA-301	Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts		
KBA-302	Understanding the Entity and Its Environment: Complex Entities		

KBA-302N	Understanding the Entity and Its Environment: Noncomplex Entities		
KBA-303	Inquiries of Management and Others within the Entity about the Risks of Fraud		
KBA-400	Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures	X	
KBA-401	Understanding Entity-Level Controls: Complex Entities		
KBA-401N	Understanding Entity-Level Controls: Noncomplex Entities		
KBA-402	Understanding General Controls for Information Technology		
KBA-403	Understanding Activity-Level Controls: Program Service and Other Revenue, Contributions, Pledges, Receivables, Cash Receipts, and Agency Transactions		
KBA-404	Understanding Activity-Level Controls: Purchases and Inventory		
KBA-405	Understanding Activity-Level Controls: Property, Plant, and Equipment and Contributed Property and Equipment		
KBA-406	Understanding Activity-Level Controls: Other Assets and Collection Items		
KBA-407	Understanding Activity-Level Controls: Accounts Payable and Cash Disbursements		
KBA-408	Understanding Activity-Level Controls: Payroll		
KBA-409	Understanding Activity-Level Controls: Treasury		
KBA-410	Understanding Activity-Level Controls: Income Taxes		
KBA-411	Understanding Activity-Level Controls: Financial Reporting and Closing Process		

KBA-412	Understanding Controls Maintained by a Service Organization		X
KBA-502	Summary of Risk Assessments	X	
KBA-503	Basis for Inherent Risk Assessment		
KBA-901	Financial Statement Disclosures Checklist		
KBA-902	Audit Review and Approval Checklist		
KBA-904	Audit Documentation Checklist		
AUDs	AUDIT PROGRAMS		
AUD-100	Overall Tailoring Questions	X	
AUD-101	Overall Audit Program	X	
AUD-201	Audit Program: Opening Balances and Additional Audit Procedures for an Initial Audit Engagement		
AUD-602	Audit Program: Involvement of a Component Auditor		X
AUD-603	Audit Program: Using the Work of an Auditor's Specialist		X
AUD-604	Audit Program: Using the Work of a Management's Specialist		X
AUD-701	Audit Program: Designing Tests of Controls		
AUD-800	Audit Program: Custom		X

AUD-801	Audit Program: Cash		
AUD-802	Audit Program: Investments Including Programmatic Investments		
AUD-803	Audit Program: Accounts Receivable and Revenue		
AUD-804	Audit Program: Split-Interest Agreements and Beneficial Interests in Trusts		
AUD-805	Audit Program: Contributions and Program Service Fees Receivable and Related Support and Program Service Fees Revenues and Agency Transactions		
AUD-806	Audit Program: Inventories and Cost of Sales		
AUD-807	Audit Program: Prepaid Expenses, Deferred Charges, Collection Items, and Other Assets		
AUD-808	Audit Program: Intangible Assets		
AUD-809	Audit Program: Property and Equipment, and Depreciation Including Contributed Property and Equipment		
AUD-810	Audit Program: Accounts Payable and Purchases		
AUD-811	Audit Program: Payroll and Other Liabilities		
AUD-812	Audit Program: Unrelated Business Income and Other Tax Issues		
AUD-813	Audit Program: Debt Obligations and Debt Service		
AUD-814	Audit Program: Net Assets		
AUD-815	Audit Program: Other Income and Expenditures/Expenses		

AUD-816	Audit Program: Journal Entries and Financial Statement Review		
AUD-817	Audit Program: Related-Party Transactions		
AUD-818	Audit Program: Fair Value Measurements and Disclosures		
AUD-819	Audit Program: Commitments and Contingencies		
AUD-820	Audit Program: Accounting Estimates		
AUD-821	Audit Program: Concentrations		
AUD-901	Audit Program: Subsequent Events		
AUD-902	Audit Program: Going Concern		
AUD-903	Audit Program: Consideration of Fraud		
AUD-904	Audit Program: Compliance with Laws and Regulations, Violations of Contract Provisions and Grant Agreements, and Abuse		
AUD-907	Interim Review Program: Review of Interim Financial Information		
AUD-908	Interim Review Program: Management Inquiries		
AIDs	PRACTICE AIDs		
AID-302	Understanding the Entity's Revenue Streams and Revenue Recognition Policies		
AID-601	Considering the Use of the Work of Internal Auditors		

AID-702	Results of Tests of Controls		
AID-801	Audit Sampling Worksheet for Substantive Tests of Details		
AID-901	Differences of Professional Opinion		
AID-903	Audit Report Preparation Checklist		

Additional Information for Associated Workpapers

The following tables list the workpapers that require association in this title, along with the information that must be completed before you can insert each workpaper.

<i>Workpaper Requiring Association</i>	<i>What is it associated with?</i>		
	<i>Workpaper</i>	<i>Table/Question</i>	<i>Association Item (Custom Value)</i>
KBA-412 Understanding Ctrl: Service Org (Custom)	AUD-100 Tailoring Question Workpaper	Does the entity use service organizations? is "Yes" Shows the "Document the service organizations used by the entity." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the service organizations used by the entity.	Service Organization
AUD-602 Audit Program: Component Auditor Involvement (Custom)	AUD-100 Tailoring Question Workpaper	Does the auditor plan to rely on audit evidence provided by a component auditor? is "Yes" Shows the "Document the audit evidence provided by the component auditor(s) that we will rely on in our engagement." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the audit evidence provided by the component auditor(s) that the engagement team will rely on in our engagement.	Audit Firm Name
AUD-603 Audit Program: Auditor's Specialist (Custom)	AUD-100 Tailoring Question Workpaper	Does the auditor plan to use a specialist on this engagement? is "Yes" Shows the "Document the expected use of a specialist(s) on our audit." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the expected use of a specialist(s) on our audit. Then select Auditor's Specialist from the Type of Specialist Column	Specialist Firm Name
AUD-604 Audit Program: Management's Specialist (Custom)	AUD-100 Tailoring Question Workpaper	Does the auditor plan to use a specialist on this engagement? is "Yes" Shows the "Document the expected use of a specialist(s) on our audit." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the expected use of a specialist(s) on our audit. Then select Management's Specialist from the Type of Specialist Column.	Specialist Firm Name
AUD-800 Audit Program: (Custom)	AUD-100 Tailoring Question Workpaper	What financial statement audit areas are applicable to this engagement? "Customize Audit Area" link within the answer selection box.	Custom Audit Area