

2018 PREPARATIONS, COMPILATIONS AND REVIEWS FOR 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, a program to update the engagement 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 **2018 Knowledge-Based Preparation, Compilation, and Review of Not-for-Profit Entities** tools have been updated to take into account the latest literature, standards, and guidance applicable to preparation, compilation, and review engagements. The 2018–2019 tools include links 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 required and recommended U.S. GAAP disclosures and key presentation items currently in effect, using the style referencing under the FASB Accounting Standards Codification.TM The tools in this edition of **Knowledge-BasedTM Preparation, Compilation, and Review of Not-for-Profit Entities** are current through Statement on Standards for Accounting and Review Services No. 24 (SSARS-24), *Omnibus Statement on Standards for Accounting and Review Services - 2018*; the AICPA Guide *Preparation, Compilation and Review Engagements*; the revised AICPA Code of Professional Conduct (Code), including ET Section 1.295, *Nonattest Services*; AICPA Statement on Quality Control Standards No. 8 (QC Section 10), *A Firm’s System of Quality Control (Redrafted)*; and AICPA Audit Risk Alert *Developments in Preparation, Compilation, and Review Engagements —2017/18*. This update is current through FASB Accounting Standards Codification as of September 30, 2018, through Accounting Standards Update No. 2018-15.

Preparation Programs (PRPs):

- Modified where applicable with new practice points, practice alerts, and updated references.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
PRP-101 Overall Preparation Program					
Added	Practice Point regarding SSARS 24	Instructions			
Modify	Under “Preliminary Engagement Activities”, modified step to emphasize ethical requirements and professional competence: Perform procedures as necessary to obtain a preliminary understanding of the scope of the engagement and determine that ethical requirements regarding professional competence will be satisfied.	Procedure steps	Enhancement	AAG	Step will reset on roll forward based on content changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Added	Under “Preliminary Engagement Activities”, added step which reads as follows: Determine whether the financial reporting framework selected by management is acceptable.	Procedure steps	Enhancement	AAG	
Added	Under “Performing Preparation Procedures”, added step which reads as follows: Prepare the financial statements using the records, documents, explanations, and other information provided by management.	Procedure steps	Enhancement	AAG	
Added	Under “Performing Preparation Procedures”, added step which reads as follows: If we assist management with the development of significant judgments regarding amounts or disclosures reflected in the financial statements, discuss with management those judgments with management so management understands the significant judgments reflected in financial statements and accepts responsibility for those judgments.	Procedure steps	Enhancement	AAG	
Added	Under “Evaluating and Concluding Procedures”, added step which reads as follows: Ensure that a statement is included on each page of the financial statements indicating, at a minimum, that “no assurance is provided” on the financial statements.	Procedure steps	Enhancement	AAG	
Added	Under “Evaluating and Concluding Procedures”, added step which reads as follows: Draft and issue an appropriate accountant’s disclaimer report, if management refuses to allow the appropriate legend stating “no assurance provided” on each page of the financial statements and related notes.	Procedure steps	Enhancement	AAG	
PRP-201 Pre-Preparation Program: Procedures Performed Prior to a Preparation Engagement					
Added	Practice Point regarding SSARS 24	Instructions	New or Revised Guidance	SSARS No. 24, <i>Omnibus Statement on Standards</i>	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
				<i>for Accounting and Review Services—2018</i>	
PRP-902 Preparation Program: Going Concern					
Modified	Updated instructions to include definition of reasonable period of time	Purpose	New or Revised Guidance	SSARS No. 24, <i>Omnibus Statement on Standards for Accounting and Review Services—2018</i>	

Compilation Programs (CMPs):

- Modified where applicable with new practice points, practice alerts, and updated references.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
CMP-101 Overall Compilation Program					
Added	Practice Point regarding SSARS 24	Instructions			
Modify	Under “Preliminary Engagement Activities”, modified step to emphasize ethical requirements and professional competence: Perform procedures as necessary to obtain a preliminary understanding of the scope of the engagement and determine that ethical requirements regarding professional competence will be satisfied.	Procedure steps	Enhancement	AAG	Step will reset on roll forward based on content changes.
Added	Under “Preliminary Engagement Activities”, added step which reads as follows:	Procedure steps	Enhancement	AAG	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>Determine whether the financial reporting framework selected by management is acceptable, by obtaining an understanding of the following:</p> <ul style="list-style-type: none"> a. The purpose for which the financial statements are prepared and whether the financial reporting framework applied in the preparation of the financial statements is a fair presentation framework; b. The intended users of the financial statements; and c. The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances. 				
Added	<p>Under “Performing Compilation Procedures” added step which reads as follows: Determine materiality in the context of the applicable financial reporting framework, considering the circumstances of the engagement and the needs of the users of the accountant’s report.</p>	Procedures steps	Enhancement	AAG	
CMP-102 Compilation Program: Prospective Financial Statements					
New	Compilation Program: Prospective Financial Statements	Procedures steps	Enhancement	AAG	
CMP-103 Compilation Program: Pro Forma Financial Information					
New	Compilation Program: Pro Forma	Procedures steps	Enhancement	AAG	
CMP-201 Pre-Compilation Program: Procedures Performed Prior to a Compilation Engagement					
Added	Practice Point regarding SSARS 24	Instructions	New or Revised Guidance	SSARS No. 24, <i>Omnibus Statement on Standards for Accounting and Review</i>	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
				<i>Services—2018</i>	
CMP-902 Compilation Program: Going Concern					
Modified	Updated instructions to include definition of reasonable period of time	Purpose	New or Revised Guidance	SSARS No. 24, <i>Omnibus Statement on Standards for Accounting and Review Services—2018</i>	

Review Programs (REVs)

- Modified with new practice points, practice alerts, and updated references throughout where applicable.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
REV-101 Overall Review Program					
Added	Practice Point regarding SSARS 24	Instructions			
Modify	Preliminary Understanding of Scope – added “and determine the ethical requirements regarding professional competence will be satisfied”.	Procedure steps	Enhancement	AAG	Step will reset on roll forward based on content changes.
Added	Under “Preliminary Engagement Activities”, modified step to emphasize ethical requirements and professional competence: Perform procedures as necessary to obtain a preliminary understanding of the scope of the engagement and determine that ethical requirements regarding professional competence will be satisfied.	Procedure steps	Enhancement	AAG	
Modify	Under “Preliminary Engagement Activities”, added step which reads as follows:	Procedure steps	Enhancement	AAG	Step will reset on roll forward based on content changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>Determine whether the financial reporting framework selected by management is acceptable, by obtaining an understanding of the following:</p> <ul style="list-style-type: none"> a. The purpose for which the financial statements are prepared and whether the financial reporting framework applied in the preparation of the financial statements is a fair presentation framework; b. The intended users of the financial statements; and c. The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances. 				
Added	<p>Under “Performing Review Procedures” added step which reads as follows: Determine materiality in the context of the applicable financial reporting framework, considering the circumstances of the engagement and the needs of the users of the accountant’s report.</p>	Procedures steps	Enhancement	AAG	
Modify	<p>Under “Performing Review Procedures” , modified step to discuss significant transactions as follows: Make appropriate inquiries of entity management and other personnel to include, including significant transactions occurring during the period, particularly in the last several days of the period.</p>	Procedures steps	Enhancement	AAG	Step will reset on roll forward based on content changes.
Added	<p>Under “Evaluating, Concluding, and Reporting Procedures”, added step as follows: Accumulate misstatements, including inadequate disclosure, identified or brought to the attention of the accountant and evaluate, whether individually or in aggregate, misstatements, including inadequate disclosure, to determine whether material modification should be made to the financial statements for them to be in accordance with the applicable financial reporting framework.</p>	Procedures steps	Enhancement	AAG	
REV-201 Pre-Review Program: Procedures Performed Prior to a Review Engagement					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Added	Practice Point regarding SSARS 24	Instructions	New or Revised Guidance	SSARS No. 24, <i>Omnibus Statement on Standards for Accounting and Review Services—2018</i>	
REV-801 Review Program: Entity Inquiries					
Added	<p>General Section:</p> <ul style="list-style-type: none"> • In what type of industry (industries) does the business operate and does the entity following industry-specific AICPA guidance or industry publication? • Are there any existing, new, or proposed regulatory policies or practices applicable to the entity? • *Have there been any changes in the entity’s personnel in the accounting or governance functions? • *Have there been any changes in the entity’s related-party relationships or any significant new related-party transactions? • *Does the entity participate in any collaborative arrangements? • *Has the entity entered into any business combinations? • *Have any other matters about which questions have arisen during the course of applying review procedures required additional analysis? • How does management ensure the reliability of the records to which the interim financial information was compared and reconciled? 	Procedures steps	Enhancement	AAG	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Added	Under “General”, modified step 14 to read as follows: <ul style="list-style-type: none"> Do you have knowledge of any fraud or suspected or alleged fraud affecting the entity involving management or others where the fraud could have a material effect on the financial statements, such as communications received from employees, former employees, or others? 	Procedures steps	Enhancement	AAG	
Modified	Under “Property, Plant, and Equipment”, modified step 8 to read as follows: <ul style="list-style-type: none"> What depreciation methods and rates are used in the financial statements and are depreciation methods and rates appropriate and have they been applied in a consistent manner? 	Procedures steps	Enhancement	AAG	Step will reset on roll forward based on content changes.
Added	Under “Intangible Assets” added steps 5-9 as follows: <ul style="list-style-type: none"> *Has the entity elected the accounting alternative to subsume certain intangibles into goodwill? Has the alternative accounting approach for accounting for goodwill, available to nonpublic entities, been elected? If the alternative accounting approach for goodwill, available to nonpublic entities, has been elected, has goodwill been appropriately amortized? If the alternative accounting approach for goodwill, available to nonpublic entities, has been elected, has goodwill been appropriately amortized? If the alternative accounting approach for goodwill, available to nonpublic entities, has been elected, have any triggering events occurred that would result in goodwill being tested for impairment amortized? 	Procedures steps	Enhancement	AAG	
Added	Under “Accounts and Notes Payable and Accrued Liabilities” modified steps 5 and 6 to read as follows:	Procedures steps	Enhancement	AAG	Steps will reset on roll forward based on content changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<ul style="list-style-type: none"> • *Have any of the liabilities been collateralized or subordinated and if so, are they properly disclosed in the financial statements? • *Are there any payables to employees or related parties and if so, are they properly disclosed in the financial statements? 				
Modified	<p>Under “Long-Term Liabilities” modified steps 4 and 5 and added step 9 as follows:</p> <ul style="list-style-type: none"> • Is the entity in compliance with restrictive covenants of loan agreements and have they been properly reflected in the financial statements? • *Have any of the long-term liabilities been collateralized or subordinated, and are they properly disclosed in the financial statements? • Have all material lease agreements been properly reflected in the financial statements? 	Procedures steps	Enhancement	AAG	Steps will reset on roll forward based on content changes.
Modified / Added	<p>Under “Other Liabilities, Contingencies, and Commitments Section” added step 1 and modified steps 7-8 to read as follows:</p> <ul style="list-style-type: none"> • What is the nature of the amounts included in other liabilities? • *Is the entity responsible for any environmental remediation liability and if so, is this liability properly measured and disclosed in the financial statements?” • *Does the entity have any agreement to repurchase items that previously were sold and if so, have the repurchase agreements been taken into account in determining the appropriate measurements and disclosures in the financial statements?” 	Procedures steps	Enhancement	AAG	Steps will reset on roll forward based on content changes.
Added/ Modified	<p>Under “Revenues and Expenses” added step 2 and modified step 5 to read as follows:</p> <ul style="list-style-type: none"> • Are revenues from sales of products and rendering of services recognized in the appropriate reporting period (i.e., when the 	Procedures steps	Enhancement	AAG	Step will reset on roll forward based on content changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>products have been delivered and when the services have been performed)?</p> <ul style="list-style-type: none"> • Are purchases and expenses recognized in the appropriate reporting period (i.e., matched against revenue) and properly classified in the financial statements? 				
Added/ Modified	<p>Under “Other”, Modified steps 4 and 6, added steps 8 and 10, and modified step 11 to read as follows:</p> <ul style="list-style-type: none"> • *Have there been any material transactions between or among related parties and if so, are they properly reflected in the financial statements? • Has the status of material uncertainties previously disclosed been evaluated? Are all uncertainties that could have a material effect on the financial statements properly disclosed in the financial statements? • Does management believes that significant assumptions used by it in making accounting estimates are reasonable? • Has management performed an evaluation of the entity’s ability to continue as a going concern? If so, has management identified conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time and, if so, what are management’s plans to address them? If not, do conditions or events exist that raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time? Is management aware of conditions or events beyond the period of management’s evaluation that may have an effect on the entity’s ability to continue as a going concern? • Are barter or other nonmonetary transactions properly recorded and disclosed? Have nonmonetary asset exchanges involving commercial substance been reflected in the 	Procedures steps	Enhancement	AAG	Steps will reset on roll forward based on content changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	financial statements at fair value? Have nonmonetary asset exchanges not involving commercial substance been reflected in the financial statements at carrying value?				
REV-902 Review Program: Going Concern					
Modified	Modified to provide guidance to accountants who are implementing SSARS-24.	Purpose, Instructions, Procedures	New or Revised Guidance	SSARS No. 24, <i>Omnibus Statement on Standards for Accounting and Review Services—2018</i>	

Knowledge-Based Preparation Documents (KBPs)

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
KBP-902 Preparation: Review and Approval Checklist					
Added	Engagement Partner Review Section: I possess the competence and capabilities to perform the engagement and competence in financial reporting, appropriate to the engagement circumstances.	Procedures steps	Enhancement	AAG	

Knowledge-Based Compilation Documents (KBCs)

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
KBC-902 Compilation: Review and Approval Checklist					
Added	Engagement Partner Review Section:	Procedures steps	Enhancement	AAG	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	I possess the competence and capabilities to perform the engagement and competence in financial reporting, appropriate to the engagement circumstances.				

Knowledge-Based Review Documents (KBRs)

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
KBR-902 Review: Review and Approval Checklist					
Added	Engagement Partner Review Section: I possess the competence and capabilities to perform the engagement and competence in financial reporting, appropriate to the engagement circumstances.	Procedures steps	Enhancement	AAG	

Knowledge-Based Compilation and Review documents (KBCRs)

KBCR-901 - Checklists are current through December 31, 2018, including ASU 2018-20

Reports (RPTs): Reports have been modified and updated to reflect changes based on AICPA guide.

- **RPT-0901 through 0996** Removed header “Independent Accountant’s Compilation Report”
- **RPT-0914, 915, 924, 956, 996, 1081** minor wording changes.
- **NEW RPT-0914A Compilation Report: Prospective Financial Statements— Financial Forecast Supplemented By A Financial Projection**
- **NEW RPT-0959A Compilation Report: Compiled Financial Statements Presented with Prior-Period Financial Statements Compiled by a Predecessor Accountant**
- **NEW RPT-0996A Compilation Report: Comparative Financial Statements Prepared in Accordance with Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance with SSARS and Another Set of Compilation Standards— Intended for Use in the United States of America**
- **NEW RPT-0996B Compilation Report: Comparative Financial Statements Prepared in Accordance with Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance with SSARS and Another Set of Compilation Standards— Intended for Use Only Outside the United States of America**
- **NEW RPT-1006A Review Report: Emphasis of Matter—Uncertainty Related to Going Concern (In Accordance with SSARS 24)**
- **NEW RPT-1081A Review Report: Comparative Financial Statements Prepared in Accordance with a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance with SSARS and Another Set of Review Standards – Intended for Use in the United States of America**
- **NEW RPT-1081B Review Report: Comparative Financial Statements Prepared in Accordance with a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance with SSARS and Another Set of Review Standards – Intended for Use Only Outside the United States of America**

Practice Aids (AIDs): Practice Aids have been modified where applicable with updated and new Practice Points and Practice Alerts, and updated references.

- **NEW AID-825A Financial Statements: Not-for-Profit (Post Implementation of ASU No. 2016-14 and ASU No. 2016-18)**
- **NEW AID-826A Financial Statements: Presentation of Functional Expenses (Post Implementation of ASU No. 2016-14)**

Correspondence documents (CORs): Modified throughout with updated references and, where applicable, to reflect changes based on AICPA guide.

- **NEW COR-208A Engagement Letter: Compilation—Pro Forma Financial Information Prepared by Client in Accordance with U.S. GAAP**
- **NEW COR-902A Management Representation Letter: Review Engagement (In Accordance with SSARS 24)**

Resource Documents (RESs)

- **RES-001 Knowledge-Based Preparation, Compilation, and Review Methodology Overview** has been modified and updated.
- **RES-002 Index of Engagement Programs, Forms, and Other Practice Aids** has been updated to reflect changes to the toolset.

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

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

- Statement on Standards for Accounting and Review Services No. 24 (SSARS-24), Omnibus Statement on Standards for Accounting and Review Services - 2018);
- AICPA Guide Preparation, Compilation and Review Engagements;
- the revised AICPA Code of Professional Conduct (Code), including ET Section 1.295, Nonattest Services;
- AICPA Statement on Quality Control Standards No. 8 (QC Section 10), A Firm’s System of Quality Control (Redrafted);
- AICPA Audit Risk Alert Developments in Preparation, Compilation, and Review Engagements —2017/18
- FASB Accounting Standards Codification through Accounting Standards Update No. 2018-15

Users of this content should consider guidance issued subsequent to these items to determine their effect on engagements covered by this product

RELATED AND FOUNDATIONS 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.

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>
KBPs	KNOWLEDGE-BASED PREPARATION DOCUMENTS	
KBP-101	Preparation: Significant Matters	X
KBP-201	Preparation: Client/Engagement Acceptance and Continuance Form	
KBP-902	Preparation: Review and Approval Checklist	
KBCs	KNOWLEDGE-BASED COMPILATION DOCUMENTS	
KBC-101	Compilation: Significant Matters	X
KBC-201	Compilation: Client/Engagement Acceptance and Continuance Form	
KBC-902	Compilation: Review and Approval Checklist	
KBRs	KNOWLEDGE-BASED REVIEW DOCUMENTS	
KBR-102	Review: Significant Matters	X
KBR-201	Review: Client/Engagement Acceptance and Continuance Form	
KBR-902	Review: Review and Approval Checklist	

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>
PRPs	PREPARATION PROGRAMS	
PRP-100	Engagement-Level Tailoring Questions	X
PRP-101	Overall Preparation Program	X
PRP-201	Pre-Preparation Program: Procedures Performed Prior to a Preparation Engagement	
PRP-202	Preparation Program: Additional Procedures for Initial Year of Engagement	
PRP-801	Preparation Program: Significant Risks and Uncertainties	
CMPs	COMPILATION PROGRAMS	
CMP-100	Engagement-Level Tailoring Questions	X
CMP-101	Overall Compilation Program	X
CMP-103	Compilation Program: Pro Forma	
CMP-201	Pre-Compilation Program: Procedures Performed Prior to a Compilation Engagement	
CMP-202	Compilation Program: Additional Procedures for Initial Year of Engagement	
CMP-801	Compilation Program: Significant Risks and Uncertainties	
REVs	REVIEW PROGRAMS	
REV-100	Engagement-Level Tailoring Questions	X

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>
REV-101	Overall Review Program	X
REV-201	Pre-Review Program: Procedures Performed Prior to a Review Engagement	
REV-202	Review Program: Additional Procedures for Initial Year of Engagement	
REV-801	Review Program: Client Inquiries	
REV-802	Review Program: Significant Risks and Uncertainties	