I. MAJOR CATEGORIES ARE:
   A. Hospitals
   B. Universities
   C. Voluntary Health & Welfare
   D. “Other” nonprofit organizations e.g., Churches/Conference/Districts

II. NOT-FOR-PROFIT (NONPROFIT) ORGANIZATION FINANCIAL STATEMENTS SHOULD BE PREPARED IN ACCORDANCE WITH GAAP. Accordingly, FASB statements (e.g., FASB 116 and 117), APB opinions, ARB bulletins and other authoritative pronouncements of the profession should be applied in reporting on such financial statements unless they are inapplicable.

   A. Accrual basis accounting should be used.
      1. Cash donations, pledges and revenues from sale of goods and services are all recorded on the accrual basis in accordance with GAAP (e.g., a 3-year pledge would result in pro-rata “revenue,” net of allowance for bad debts at a “present value”).
      2. Depreciation is recorded in accordance with GAAP.

   B. Fund accounting is only appropriate for internal reporting for nonprofit organizations.

III. FINANCIAL STATEMENTS REQUIRED
   A. The “Statements of Activities” are a combination of an income statement and retained earnings statement. The four categories of nonprofit organizations are titled the same. They are not called “Income Statements.” There is no separate statement of retained earnings.
   B. Balance Sheets are prepared for all nonprofit organizations. They have three equity categories for external reporting under FAS 117.
      1. Unrestricted net assets
      2. Temporarily restricted net assets
      3. Permanently restricted net assets
   C. “Statement of cash flows” is required for “voluntary health and welfare” organizations and encouraged for other not-for-profit organizations.

IV. CASH DONATIONS AND PLEDGES
   A. Cash donations and pledges are recorded on the “accrual basis” as “non-operating income.”
   B. “Allowance for uncollectible pledges” should be based in accordance with commercial accounting for accounts receivable.
V. DONATED MATERIAL, SERVICES, AND FIXED ASSETS
A. Donated assets (materials) of significant amounts should be recorded at their fair value when received as "other operating revenue."
B. Donated "services" are generally not recorded. Because of the difficulty of placing a monetary value on donated services, and the absence of control over them, the value of these services is not recorded as contributions and expense unless they:
1. require specialized skills,
2. can be easily measured, and
3. would otherwise need to be purchased.
C. Donated fixed assets are recorded at FMV at "date of gift" with a credit to "Unrestricted Net Assets," unless designated for a restricted purpose. An exception is made in FAS 116 for "works of art" or historical treasures. If the work of art is not to be resold and only exhibited (or if resold, the proceeds are used to purchase other works of art for exhibition), the asset need not be recorded as revenues or be capitalized.

VI. BASIS OF ASSETS (updated by FAS 124 issued Nov. 95)
A. Purchased fixed assets are carried "at cost" as required by GAAP.
B. Investments in marketable securities (debt and equity) are carried at fair (market) value with increases or decreases recognized in the period in which they occur. Gains or losses are included as "changes in unrestricted net assets" in a "statement of activities," unless restricted by donor or by law.
C. Donated assets are recorded at their "fair market value" at the "date of the gift," or later BS date.
D. Depreciation is recorded in accordance with GAAP ("Required" Jan. 1, 1990) for nongovernmental nonprofit organizations.

VII. INVESTMENTS (updated by FAS 124 issued Nov. 95)
A. Investment of unrestricted funds are made to earn additional income until such time as the funds are to be used for program or other purposes.
B. Investments of "endowment" and "other restricted funds," may have been purchased by, or donated to, the organization.
C. "Marketable equity securities" should be reported in separate portfolios for "unrestricted current," "unrestricted noncurrent," "restricted current" and "restricted noncurrent assets," but may be pooled for investment purposes, if gains and losses are equitable allocated to both "realized" and "unrealized" gains and losses.
D. Basis of Valuation
1. Investments purchased should be recorded at cost, which includes brokerage fees, taxes, and other charges directly applicable to the purchase.
2. Securities donated to the organization should be recorded at their fair market value at the date of the gift. The gains are unrestricted if the investment income is unrestricted or temporarily restricted.
3. The carrying value of investments at (fair) market value is now required by FAS124.
4. The basis of carrying investments should be the same in all funds.
STATEMENT OF STANDARDS FOR “ACCOUNTING” AND REVIEW SERVICES NO. 1 (UPDATED FOR SSARS #7)
“COMPILATION” and “REVIEW” of Financial Statements (SSARS #1)
(Issued by the “Accounting & Review Services Committee” of the AICPA)

I. This Statement pertains to the Accountant’s UNAUDITED Financial Statements for a Nonpublic* Company that pertains to:
   A. “Compilation” of Financial Statements. (NOT ACCEPTABLE FOR DISTRICTS)
   C. This precludes the accountant from merely typing or reproducing client-prepared FS (without modification) as an accommodation to the client if the FS will be used in a client-prepared document where the accountant is named.
   D. It requires the accountant to issue a report whenever he completes a compilation or review of the financial statements of a nonpublic entity.
   E. When the accountant performs more than one service (e.g., a “compilation” and an “audit”), he should issue a report appropriate for the highest service rendered.

II. The Following Form of Standard Report is Appropriate for a Review:

<table>
<thead>
<tr>
<th>REVIEW REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Use “date of completion”)</td>
</tr>
</tbody>
</table>

I (We) have reviewed the accompanying balance sheet of XYZ Company as of December 31, 19XX, and the related statements of income, retained earnings, and cash flows for the year then ended, in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management (owners) of XYZ company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I (we) do not express such an opinion.

Based on my (our) review, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Each page of the financial statements reviewed by the accountant should include a reference such as “See Accountant’s Review Report.”
III. REVIEW of Financial Statements – Illustrative Inquiries of appropriate client personnel

The inquiries to be made in a review of FS are a matter of the accountant’s judgment. In determining his inquiries, an accountant may consider:

A. The nature and materiality of the items
B. The likelihood of misstatement
C. Knowledge obtained during current and previous examinations
D. Procedures for recording and summarizing transactions
E. Stated qualifications of the entity’s accounting personnel
F. Extent to which a particular item is affected by management’s judgment
G. Inadequacies in the entity’s underlying financial data

Note: Internal Control inquiries are not part of a “review.”