

Audit Vs. Financial Review

Financial accountability is a hallmark of a strong, well-run nonprofit. Boards are responsible for the fiscal oversight of their organization and value the extra level of assurance of having an outside organization review the books. Some organizations have the choice of conducting either a financial review or audit, depending on the size of their revenue. The Form 990 from the IRS asks whether an organization's statements have been compiled, reviewed or audited.

Legal Requirements

In New Hampshire, nonprofits must file annual financial reports with the Charitable Trusts Unit. The nature of what they are required to file varies by budget size.

Budget Size	Requirement/Exception
Less than \$10,000	May apply for a suspension of the annual report filing requirements.
Between \$500,000 and \$1 Million	Must file the organizations latest financial statement prepared in accordance with generally accepted accounting principles in addition to the form 990
Over \$1 Million	Must file an audited financial statement

Financial Review

A financial review is a process in which an accountant asks the organization to submit a series of financial documents. The accountant then reviews those documents and presents financial reports to the organization. It is good practice for the Board of Directors to request a presentation from the accountant and then vote to accept the written review presented by the accountant.

Audit

An audit is a more extensive process that involves a review of an organization's accounting systems and practices to determine the reliability of those systems as well as the accuracy of the financial statements generated by those systems. There are two phases to an audit.



Planning Phase

In the planning phase, the auditing firm requests an exhaustive list of information which it examines carefully. The firm then communicates with the Board or designated committee about its assessment during the planning stage.

Onsite Visit

The accountant then comes on site to the nonprofit to verify the accuracy of the documents received. On site visits involve reviewing processes and sometime conducting interviews with staff to verify practices are consistent with stated policies and to witness internal controls.

Following internal visits, the accountant then presents the audit findings to the organization, often to the finance committee or full board. As with Financial Reviews, it is considered good practice for the Board of Directors to vote on the written audit presented by the accountant.

The Sarbanes-Oxley Law affects nonprofits that have budgets over \$2 million and includes audit requirements.

