



Requirement of Audited or Reviewed Financial Statements

Our Policy: For competitive grants, the Community Foundation requires that the prospective grantee partner organization submit a copy of its Financial Statements that have been Audited or Reviewed by an independent, third party Certified Public Accounting Firm, completed within *12 months* of the submission of a grant application. For the Extraordinary Give, we accept audited or reviewed financial statements completed with the past *24 months*.

Rationale: We believe that a financial statement audit or review provides numerous benefits:

- Conducting an audit or review is generally regarded as a best practice for community benefit organizations to prevent against fraud and mismanagement.
- An audit or review is an effective tool that can be used to demonstrate sound financial management to potential donors, thus aiding in fundraising opportunities.
- One of the Community Foundation's core strategies is responsible stewardship of our resources. Relying on the assessment of auditors helps us to ensure the community that our grant dollars are used effectively by well-run organizations.

What is the difference between an audit, a review, and a compilation?

PANO's (Pennsylvania Association of Nonprofit Organizations) *Standards for Excellence*[®] program provides some useful definitions. PANO states, "An annual audit is an examination of an organization's financial systems and transactions at the end of a year by an independent, certified, professional auditor. The audit assesses whether financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) or Other Comprehensive Basis of Accounting commonly referred to as OCBOA. The audit is an assessment or professional judgment of the financial statements prepared by an organization's management. An auditor seeks to understand the nature of an organization, reviews and evaluates internal control procedures, confirms major transactions and balances, and tests underlying accounting records. An audit states the opinion that financial statements accurately reflect the finances of an organization. An audit may identify weaknesses in an organization's internal control system which the organization can accept and incorporate improvements into its practices and procedures."

"In a financial review, accountants make sure there are no significant departures from GAAP (Generally Accepted Accounting Principles) or OCBOA (Other Comprehensive Basis of Accounting). Reviews assess whether financial statements make sense. In the continuum of

services offered by CPAs, the assurance provided by a review is less comprehensive than that provided by an audit but more comprehensive than that provided by a compilation.”

“In a compilation, CPAs place financial information into a standard financial statement format but do not express an opinion on the organization’s financial statements as is performed in an audit.”

***Please note- The Community Foundation accepts audited or reviewed financial statements, but not a compilation. Additionally, a Form 990/990-EZ is not sufficient.*

Will the Community Foundation provide a recommendation for a certified public accounting firm?

Because there are so many quality firms that do this work, we are not interested in promoting one firm over another. Some firms specialize in different types of work, so while one firm’s size and service lines might be a great fit for one organization, another firm might be a better fit for another organization. We advise all organizations to do their homework and ask lots of questions to prospective firms, because not all prices are standard, and the depth of the work that is performed is not always standard. Be certain you will be working with a reputable firm that will be responsive to your particular needs.