

The Nonprofit Audit Guide 2024: What's New and What It Means for You

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Today's Presenters



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From National Pipeline Advisory Group Final Report:

Accounting degree completions 2017-2022



Source: [NCES/IPEDS 2021-22 Degrees/Certificates by Field of Study](#)

What the Pipeline Crisis Means to Us

- ▶ Longer wait times.
- ▶ Fewer choices.
- ▶ Higher fees.

Case Study



Carrie Bowden
Finance and Operations Director
Oregon Natural Desert Association



Dana Britto
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Melodi Bunting



**Melodi Bunting, CPA, CMA,
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What is an audit?

- ▶ Audits are typically appropriate and often required for complex financing, such as seeking outside investors, seeking to sell a business or considering a merger. In these scenarios the CPA must be independent. The CPA is required to perform inquiry and analytical procedures, as well as to obtain an understanding of the business's internal controls and assess the risk of material misstatement, including fraud risk. The CPA is also required to perform verification and substantiation procedures. With an audit the CPA obtains high, but not absolute assurance and issues a report that includes the CPA's opinion as to whether the financial statements are in accordance with the financial reporting framework.

<https://www.aicpa-cima.com/professional-insights/video/what-is-the-difference-among-a-compilation-review-and-audit>

What is a review?

- ▶ Reviews are usually appropriate as a business grows and seeks larger levels of financing. Here, the CPA must be independent from the client. Also, the CPA is required to perform inquiry and analytical procedures as a basis for obtaining limited assurance that the financial statements are free of material misstatement. The CPA issues a report as to whether the CPA is aware of any material modifications that should be made to the financial statements for them to be in accordance with the financial reporting framework.

What are advisory services?

- ▶ The AICPA defines advisory services as those services where the practitioner “develops findings, conclusions, and recommendations for client consideration and decision making.” This includes an operational review and improvement study, analysis of an accounting system, assistance with strategic planning, definition of requirements for an information system, and other services customized to the needs of the organization. Advisory reports deliver actionable insights and strategies.

Preparedness

- ▶ Communication throughout the year
- ▶ Engagement letter
- ▶ Planning letter
- ▶ Prepared by client (PBC) list
- ▶ Scheduled fieldwork
- ▶ Governance fiduciary duties

Dana Britto



NFC Moderator and
Founder & Principal of Cultivar
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An Empowered Approach to Audits

- ▶ Don't be afraid to ask stakeholders, especially funders and Board members, why they need an audit and how it will be used
 - Ensure an awareness of what an Audit is and is NOT; *a clean audit doesn't necessarily mean the absence of fraud and/or misuse of funds*
 - Communicate **current market challenges** and how investing in an audit could affect other organizational priorities and activities
- ▶ Educate on alternatives
 - When available, consider other **consulting/advisory work** that may be more useful and potentially more cost effective
 - Ex/ Assessments of fiscal practices, workflows, internal controls, etc. to determine gaps and mitigating strategies

Ensuring Optimal Use of an Audit

When moving forward with an Audit, use it as an opportunity to:

1. Build a broader understanding of your **business model and capital needs** and plan accordingly
 - Understand the structure of your capital (fixed vs. liquid) and its restrictions
 - Determine necessary levels of working capital and reserves
 - Assess trends in revenue, expenses and profitability, especially in looking at multi-year audit data; determine risks and mitigating strategies
2. Get insights and thought-partnership to **inform necessary improvements** to your fiscal function
 - Particularly when deficiencies or weaknesses are identified, get advice to inform solutions and necessary changes

Resources & Wrap Up

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Take Aways

- Audit prices have skyrocketed and they have become very difficult to schedule
- There are alternatives to audits in reviews and structured advisory services
- Funders need to be educated on audit supply problem and either adjust their demands or pay the additional costs
- Preparedness is a critical factor in even being able to contract for an audit
- Every audit, advisory or review opportunity should be used to strengthen systems and understanding of financial variables

Stay Connected on the Forum

YOUR FORUM AWAITS...

Most commons have a forum where community members can meet to surface mutual concerns and exchange resources. At the Nonprofit Financial Commons, THIS is that space. Any question you have about nonprofit finances, whether it has to do with high strategy or granular practice, can be brought here. Here you can glean the rich wisdom of your peers and share your own hard-won insights and knowledge. Be and spread the change you wish to see.

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