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# Nonprofit Insider

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## SSARS No. 21 — Sweeping Changes Coming to Compilation and Reviews

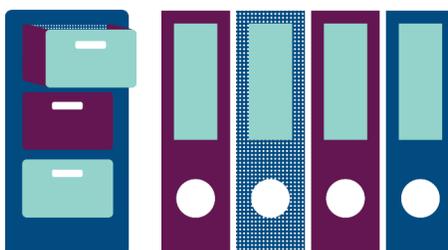
By Carol Shepherd, Manager



For 35 years and through 19 revisions, the Statement of Standards for Accounting and Review Services (SSARS) has provided guidance for reviews and compilations beginning with SSARS No. 1. During October 2014 the Accounting and Review Services Committee issued SSARS No. 21, containing the most sweeping revisions to the SSARS since 1979. Effective for periods ending on or after December 15, 2015, this new SSARS will supersede all existing AR sections with the exception of AR 120 *Compilation of Pro Forma Financial Information*.

Prior to SSARS No. 21, when an accountant submitted financial statements to management, the act of “submitting” was the trigger which determined whether those statements fell under the compilation standard and, therefore, must be compiled. SSARS No. 1 defined *submission* as “presenting to management financial statements that the

accountant has prepared.” Sounds simple, right? At one time it was. In the day of green ledger sheets, paper and pencil, it was simple to determine when the accountant had prepared the financial statements.



Move forward to modern times: cloud computing and complex computerized accounting systems are often integral to producing financial statements. Now it is less clear “who” prepared them, e.g. were they prepared by the accountant, management or the accounting software? The “prepare and present” definition contained in SSARS No. 1 was no longer a sufficient trigger and we were finding ourselves in murky waters.

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## Not-For-Profit Financial Statement Proposed Standards Update

The last overhaul of the not-for-profit financial statement model was over 20 years ago so the Financial Accounting Standards Board (FASB) has taken on a project to improve the current financial statement presentation for not-for-profits (NFPs).

The exposure draft was released in April 2015. Comments can be provided to FASB through August 20, 2015. Once the comment period is closed, the advisory committee will make revisions as deemed necessary.

The objective is to update the model, not overhaul it. The key items include —

- Improved net asset classifications;
- Improved information in the financial statements and notes related to liquidity, financial performance and cash flows; and
- Improved ability to better enable NFPs to tell their financial story to the reader of the financial statements.

We will be providing more information on the specifics regarding the changes when they are ready to be implemented.

*The Next Level of service*

For more information,  
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## SSARS No.21 —Sweeping Changes Coming to Compilation and Reviews *continued from page 1*

SSARS No. 21 aims to eliminate this confusion. Rather than use the submission of the financial statements as the trigger to determine which standard applies, SSARS No. 21 focuses on what the accountant is engaged to do. Therefore, elements of the engagement are driving the level of service.

In addition to clearing the murky waters, SSARS No. 21 also introduces a level of service below the compilation: the Preparation of Financial Statements.

SSARS No. 21 is made up of four sections: 1) Section 60 - General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services; 2) Section 70 - Preparation of Financial Statements; 3) Section 80 - Compilation Engagements; and 4) Section 90 - Review of Financial Statements. Here is a synopsis of all four sections:

### Section 60 - General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services

- This section includes requirements and guidance with respect to ethical requirements, professional judgment, conduct of the engagement in accordance with SSARS, quality control and acceptance and continuation of client relationships and engagements.

### Section 70 - Preparation of Financial Statements

- This new level of service offers no assurance.

- Applies when an accountant is engaged to prepare financial statements, but not compile review or audit those statements.
- Not applicable when —
  - The accountant is engaged to assist in preparing the statements or preparation is a byproduct of other attest service;
  - Preparation is solely for taxing authorities;
  - For inclusion in written personal financial plans prepared by the accountant; and/or
  - In conjunction with litigation services or business valuation services.
- Independence is not a consideration.
- Engagement letter signed by both the accountant and management is required.
- Financial statements can be with or without disclosures.
- No report is required, although a legend appears on each page of the financial statements stating that no assurance is provided. If the accountant cannot include a legend, then the accountant must issue a disclaimer or perform a compilation in accordance with section 80 of SSARS No. 21.

### Section 80 - Compilation Engagements

- Applicable when the accountant is engaged to perform a compilation.
- Engagement letter required to be signed by both management and accountant.

- Main difference between SSARS No. 19 is the report — report shortened to differentiate from assurance reporting. Report is now one paragraph. Additional paragraphs are added when prepared under OCBOA, disclosures are omitted, there is a lack of independence, there are known departures from GAAP, or supplementary information is presented.
- Management-use-only financial statements fall under Section 70 requirements.

### Section 90 - Review of Financial Statements

- No major changes, mostly a clarity redraft of SSARS No. 19.
- Requires an engagement letter signed by both the accountant and management or those charged with governance.
- Requires the use of headings in the accountant's review report.
- Required to name the city and state of the issuing office, or could be on letterhead.

What will this mean for you? The most noticeable differences will be in the accountants' reports and, of course, the ability for your accountant to offer financial statement preparation services under Section 70. However, you should still be aware of any third-party user requirements. For more information on the new SSARS you can download the entire statement at [tinyurl.com/lbn2gq](http://tinyurl.com/lbn2gq) or contact Carol Shepherd at [cshepherd@uhy-us.com](mailto:cshepherd@uhy-us.com).

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