



New Accounting Standards Could Affect Your Year-end Audit

Recently released guidelines from the Auditing Standards Board (ASB) may impact the year-end audits of nonprofit organizations, requiring more extensive documentation and investigation by the auditor. Statement on Auditing Standards (SAS) numbers 101 and 103, in particular, will be effective for audits of financial statements for periods beginning on or after December 15, 2006.

SAS 101, *Auditing Fair Value Measurements and Disclosures*, requires that the auditor have a thorough understanding of how an entity's management calculates fair value and whether that measurement conforms with Generally Accepted Accounting Principles (GAAP). The auditor must be familiar with the expertise of personnel who performed the measurement, the assumptions they used, how they monitored and revised the assumptions over time and the involvement, if any, of external fair value specialists that have been engaged by management.

SAS 103, *Audit Documentation*, requires the auditor to prepare appropriate audit documentation, including:

- Audit documentation in sufficient detail that an experienced auditor with no previous connection to the audit would have a clear understanding of the work performed.
- Audit evidence that is identified as being contradictory or inconsistent with the final conclusions, and how the auditor addressed the contradiction or inconsistency.

Note that the additional levels of detail and documentation required under these accounting standards may very well increase the complexity (and cost) of your organization's year-end audit. Make sure your audit committee is aware of these changes and discusses their impact with your auditor.