
Understanding Audits and Financial Statements

Participants will be divided into groups based on the number of participants (each table could potentially be a group). Each group will review the following; discuss each implication and make recommendations as appropriate for handling or correcting these issues or situations.

1. The Executive Director, David Johnson, received an e-mail from an accounting firm saying that the organization has been selected for an audit and they would like to begin the audit one month from the date of the e-mail. Mr. Johnson is new to the organization since he has been working there for only 3 months. How should he respond to the auditor and what should be his next steps?
2. The Program Director of “Save the Planet” came across some paid invoices for computers, iPads and other electronics that were paid with the organization’s funds, which she knew were not needed for accomplishing the program activities. She reported it to the Executive Director, but upon subsequent inquiry no internal investigation was performed to date. The Program Director is in a quandary and does not know what to do. What would be your advice and why?
3. You overheard the Accounting Manager talking with the Executive Director about the financial status of the organization. The Executive Director said “Even though the organization’s Net Assets have been negative for the past 6 years, it’s nothing to worry about because we are a non-profit organization and don’t have to worry about making a profit.” Based on that statement, do you believe that he is correct? Explain why.
4. The Little Program has several affiliates that they have an agreement with related to its CNCS grants, which required each affiliate receiving \$100,000 for each program year. During a staff meeting, the Organization’s President indicated these affiliates receive funding from other sources so the funds passed through to them is “a drop in the bucket” of the total funding that they receive; therefore, the major funder for each organization will be responsible for following up on OMB A-133 Audit reports. What would you say to address that statement?