

Stride Advisors

Guide to Financial Statement Services from your CPA

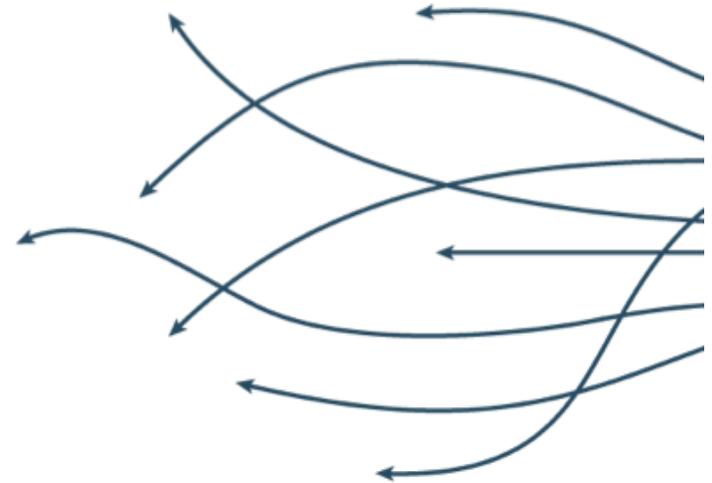


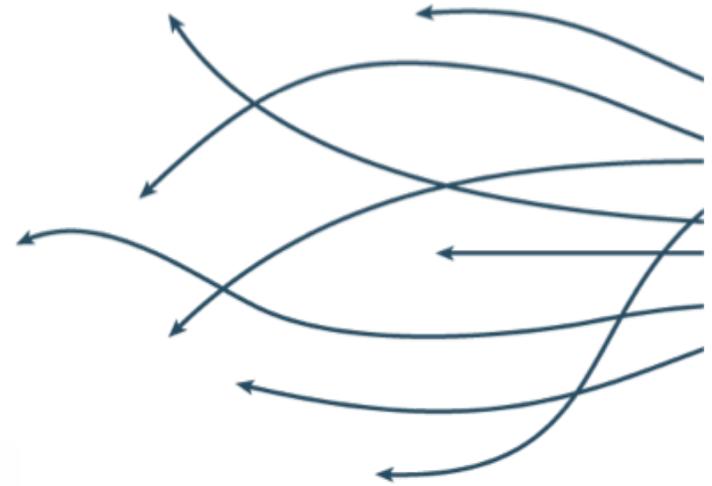


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Levels of Financial Statement Assurance

Decisive steps...*beyond the numbers*





Timely, accurate and understandable financial statements are key

Your CPA is the trusted partner in your financial reporting process

Timely, accurate and understandable financial statements are necessary to gauge how well your business has performed and to assess the strength of its financial position...they are the foundation upon which you make important business decisions.

While small business can prepare the financial statements in house, owners often prefer to have an outside professional prepare the financial statements in accordance with an accounting framework that is appropriate for your business. The certified public accountant (CPA) who performs your general accounting and/or bookkeeping and prepares your annual tax return can also prepare your financial statements. The CPA can also perform the appropriate service in order to meet bank and regulatory requirements.

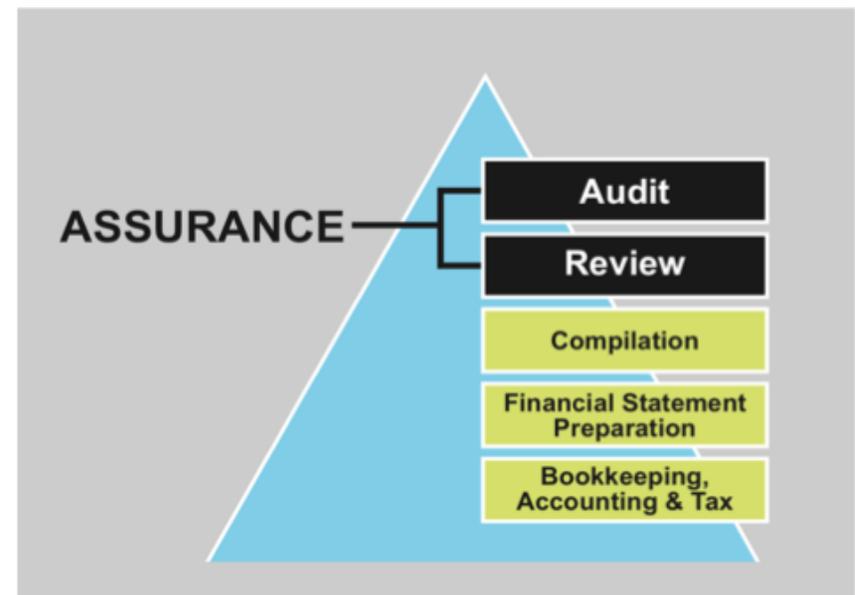
Keep in mind that not all accountants are CPAs -- Only a licensed CPA can perform certain services.

Understanding Assurance

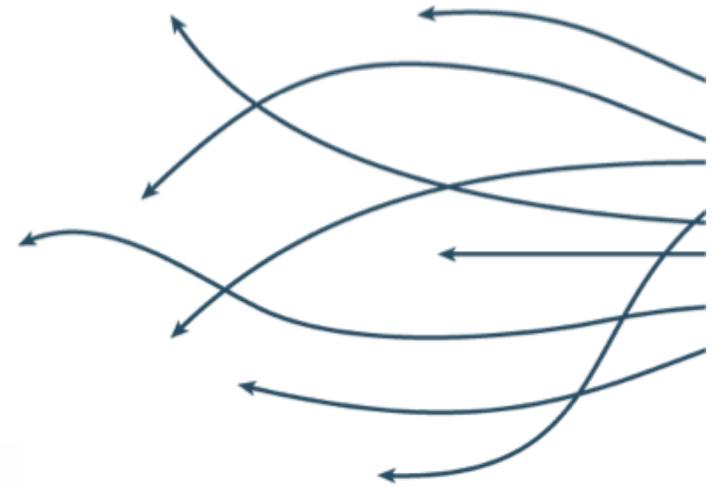
A CPA can provide different levels of “assurance” over the financial statements

The CPA obtains assurance by obtaining evidence. There are different levels of assurance that a CPA can obtain that can range from no assurance at all, to the highest level of assurance, which is an audit. The level of assurance required by lenders is typically based on the size of the loan, the collateral and the overall risk.

Other situations that often require a level of CPA assurance include performance bonding and leasing. Certain trade creditors, outside investors or family owners that are not actively involved in the business may also request or require a level of assurance on your financial statements. If your requirements are unclear, in many cases, your CPA can speak with your lender and others about the level of service that will satisfy their requirements.



Comparison in Levels of Services



Decisive steps...*beyond the numbers*

Compilation

	Intended for use by lenders and other outside parties who may appreciate the business's association with a CPA without requiring a level of assurance on the accuracy of financial statements
	Typically appropriate when initial or lower amounts of financing or credit are sought or significant collateral is in place
	CPA issues compilation report

Compilation of financial statements is a service where the role of the CPA is more apparent to outside parties, and as such, the requirements for performing this service are more explicit. For example, if the CPA is not independent from ownership, management and other circumstances in their relationship to you and your business, he is required to disclose the impairment to her independence in her compilation report. The compilation report is the first page before the actual financial statements and is written by the CPA on the firm's letterhead.

The CPA is also required to read the financial statements in light of the financial reporting framework being used and consider whether the financial statements appear appropriate in form and are free from obvious material misstatements.

However, the CPA does not obtain any assurance for a compilation because he is not required to verify the accuracy or completeness of the information provided or otherwise gather evidence for the purposes of expressing an audit opinion or a review conclusion.

The compilation report states that the CPA did not audit or review the financial statements and accordingly does not express an opinion, a conclusion or provide any assurance on them.

A compilation is typically appropriate when initial or lower amounts of financing or credit are sought or there is significant collateral in place. Though no assurance is provided, outside parties may appreciate your association with a CPA, which is readily apparent in the formal compilation report.

Review

	Intended to provide lenders and other outside parties with a basic level of assurance on the accuracy of financial statements
	Typically appropriate as a business grows and is seeking larger and more complex levels of financing and credit
	CPA issues review report

The review service is one in which the CPA performs analytical procedures, inquiries and other procedures to obtain “limited assurance” on the financial statements and is intended to provide a user with a level of comfort on their accuracy. The review is the base level of CPA assurance services. Similar to a compilation, the CPA is required to determine whether he is truly independent. If he determines that he is not independent, the CPA cannot perform the review engagement.

In a review engagement, your CPA is required to understand the industry in which you operate — including the accounting principles and practices generally used in the industry. Your CPA is also required to obtain knowledge about you — including your business and the accounting principles and practices that you use — sufficient to identify areas in the financial statements where it is more likely that material misstatements may arise.

A review is substantially narrower in scope than an audit. A review does not contemplate obtaining an understanding of your business’s internal control; assessing fraud risk; testing accounting records through inspection, observation, outside confirmation or the examination of source documents or other procedures ordinarily performed in an audit.

In a review engagement, the CPA will issue a formal report that includes a conclusion as to whether, based on the review, he is aware of any material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework. A review typically is appropriate as a business grows and is seeking larger and more complex levels of financing and credit. It is also useful when you, as the business owner, are seeking greater confidence in your financial statements for the purpose of evaluating results and making decisions.

Audit

	Intended to provide creditors, investors and other outside parties with a high level of comfort on the accuracy of financial statements
	CPA issues a formal report that expresses an opinion on whether the financial statements are presented fairly, in all material aspects, in accordance with the applicable financial reporting framework
	Typically appropriate and often required when seeking high levels of Financing or outside investors, or when selling a business

The audit is the highest level of assurance service that a CPA performs and is intended to provide a user comfort on the accuracy of the financial statements. The CPA performs procedures in order to obtain “reasonable assurance” (defined as a high but not absolute level of assurance) about whether the financial statements are free from material misstatement.

In an audit, your CPA is required to obtain an understanding of your business’s internal control and assess fraud risk. Your CPA is also required to corroborate the amounts and disclosures included in your financial statements by obtaining audit evidence through inquiry, physical inspection, observation, third-party confirmations, examination, analytical procedures and other procedures.

When performing an audit engagement, the CPA is required to determine whether her independence has been impaired. Similar to a review, if her independence has been impaired, the CPA cannot perform the audit engagement.

The CPA will issue a formal report that expresses an opinion on whether the financial statements are presented fairly, in all material aspects, in accordance with the applicable financial reporting framework. In addition, the CPA is required to report to you any significant or material weaknesses in your system of internal control that are identified during the audit. As the highest level of assurance, an audit typically is appropriate and often required when you’re seeking complex or high levels of financing and credit. An audit also is appropriate if you’re seeking outside investors or preparing to sell or merge with another business.

Comparison of services

A comparison of financial statement preparation, compilation, review and audit services

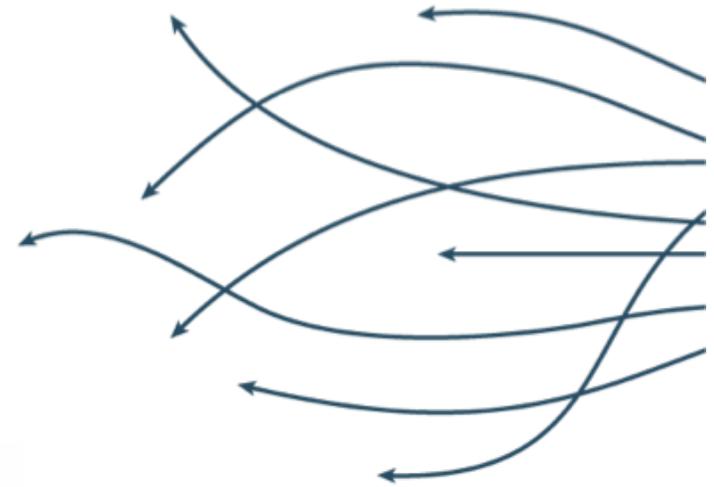
	FINANCIAL STATEMENT PREPARATION	COMPILATION	REVIEW	AUDIT
Level of assurance that the financial statements are not materially misstated	CPA does not obtain or provide any assurance that there are no material modifications that should be made to the financial statements.	CPA does not obtain or provide any assurance that there are no material modifications that should be made to the financial statements.	CPA obtains limited assurance that there are no material modifications that should be made to the financial statements.	The CPA obtains reasonable (defined as high, but not absolute) assurance about whether the financial statements are free of material misstatement.
Objective	To prepare financial statements pursuant to a specialized financial reporting framework.	To apply accounting and financial reporting expertise to assist management in the presentation of financial statements.	To obtain limited assurance as a basis for reporting 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 applicable financial reporting framework primarily through the performance of inquiry and analytical procedures.	To obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement thereby enabling the CPA to express an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework and to report on the financial statements in accordance with the auditor's findings.
The CPA is required to be independent	No	No — but if the CPA is not independent, the CPA is required to indicate lack of independence in the CPA's compilation report.	Yes	Yes
The CPA is required to obtain an understanding of internal controls and assesses fraud risk	No	No	No	Yes

Comparison of services (con't)

A comparison of financial statement preparation, compilation, review and audit services

	FINANCIAL STATEMENT PREPARATION	COMPILATION	REVIEW	AUDIT
The CPA is required to perform verification and substantiation procedures	No	No	No	Yes
The CPA issues a formal report on the financial statements	No	Yes	Yes	Yes
Situations requiring different levels of service	Intended for the business owner's own use to have the current information needed to know the financial standing of the business and to make business decisions accordingly. Similar to what an in-house controller or CFO would provide for management in a larger company. The financial statements may be shared with third parties.	Typically appropriate when initial or lower amounts of financing or credit are sought or there is significant collateral in place. Outside parties may appreciate the business's association with a CPA, which is readily apparent in the formal compilation report.	Typically appropriate as a business grows and is seeking larger and more complex levels of financing and credit. It is also useful when business owners themselves are seeking greater confidence in their financial statements to evaluate results and make key business decisions.	An audit is typically appropriate and often required when seeking complex or high levels of financing and credit. Also appropriate when seeking outside investors, seeking to sell the business or considering a merge.
Differences in cost for each level of service	Varies based on the financial records provided.	Least time consuming of the services in which the CPA issues a formal report.	More time consuming than a compilation but substantially less than an audit.	Involves the most work and, therefore, the most CPA time

How Stride Advisors can assist



Decisive steps...*beyond the numbers*

Services provided by Stride Advisors

Stride Advisors serves financial reporting needs of small businesses

We specialize in Bookkeeping, Accounting and Tax

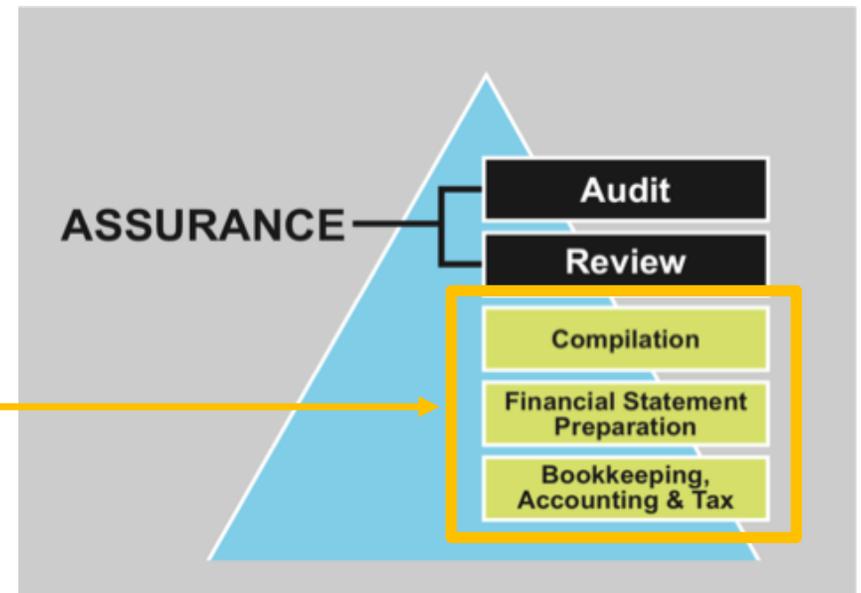
- Monthly closing processes
- Effective use of technology
- Tax planning and compliance

We also perform Financial Statement Preparation

- Monthly reporting packages
- Financial analysis
- Key performance and budget tracking

When needed, we also provide Compilation reports

- We do not express an opinion or a conclusion
- We do not provide financial statements assurance



We will help determine when an Audit or Review is needed and team with other firms to provide those services