

E-book

# Sage Intacct

## Accelerating Your Nonprofit Audit with Audit-Ready Financials

A guide to achieving an expedient and  
cost-effective audit

**Sage**

 **express info**





## Introduction

# Why audits matter to nonprofits

In the era of the 24-hour news cycle and instant social media amplification of any scandal, nonprofits must be more cautious than ever about their stewardship. Funders have heard too many stories of fraud, malfeasance, and poor financial leadership within the nonprofit industry. Beyond legal compliance, there are four ways an audit can help a nonprofit:

**Reputation:** Audits guard the reputation of a well-managed nonprofit organization.

**Funding:** With greater competition for donors, audits help secure funding.

**Accountability:** Funders rely on audits to confirm accountability and compliance.

**Transparency:** An audit increases transparency into financial management, performance, and impact.





# Does your organization **need an audit?**

**Not all nonprofits are legally required to have an audit, although there are many strong reasons for larger nonprofits (\$250K+ in funding) to prioritize having an audit.**

Here are several scenarios that might require your organization to conduct an audit:

- Your organization receives significant federal funding, either directly or pass-through from a grant.
- State requirements dictate an audit, often when revenue or donations exceed a mandated threshold.
- Many grantors and high-level donors also require routine audits.



## **National Council of Nonprofits**

Use these online resources to determine whether your nonprofit organization is legally required to have an audit:

[\*\*Federal audit requirements\*\*](#)

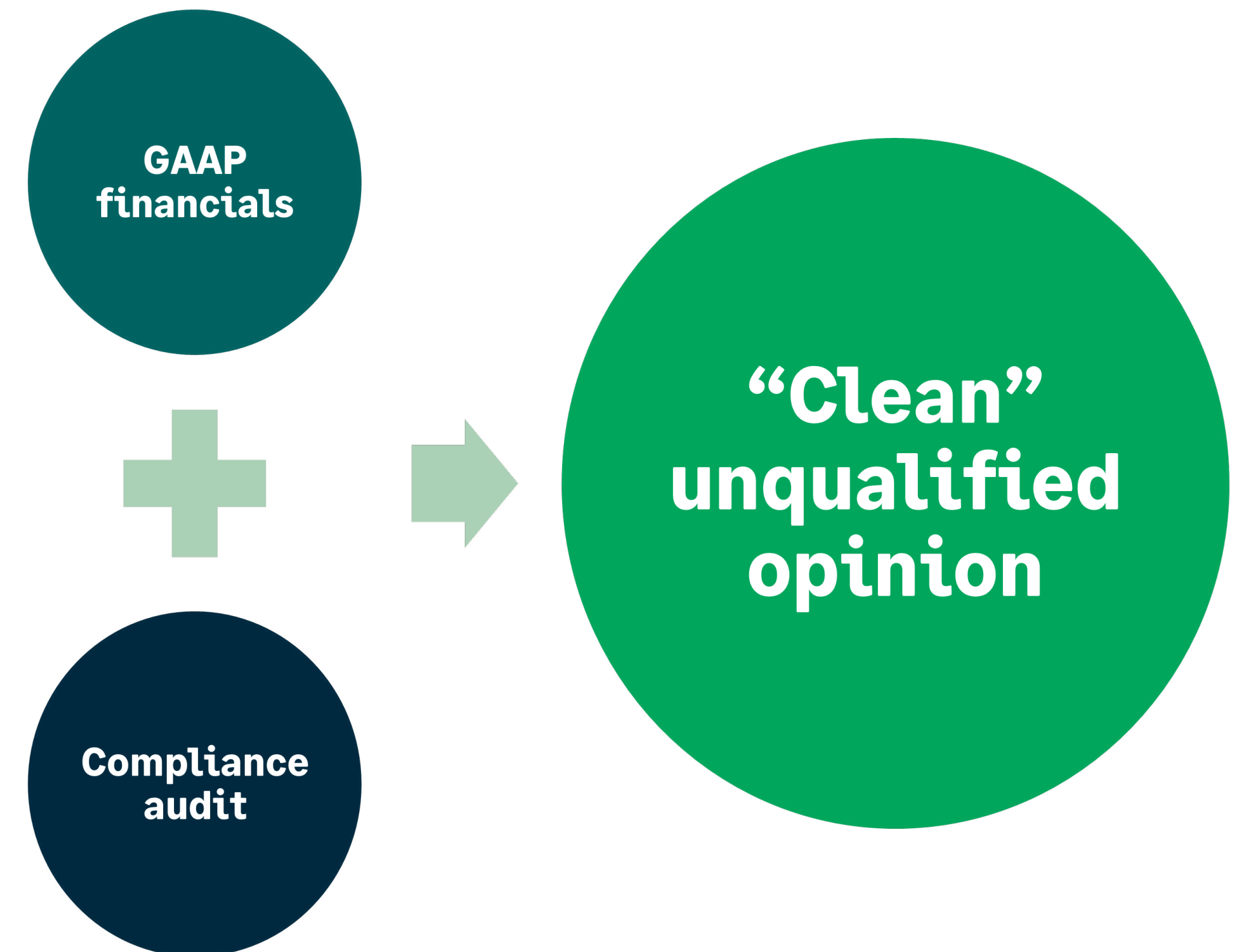
[\*\*State audit requirements\*\*](#)

## Audit process

# What goes into a nonprofit audit?

The audit of a nonprofit organization consists of two parts—an auditor review of your GAAP-compliant financial statements, and a separate compliance audit to assess risk and internal controls.

Most financial statement risk in any nonprofit comes from errors in judgment or faulty financial management processes. Therefore, an audit will be most beneficial if your auditor can spend more time on your compliance audit to get a better assessment of your organization's risk.





# Risk assessment process

An audit will assess the different types of risk to enable the auditor to become familiar with your internal controls, and your accounting and reporting processes. The auditor will want to understand where your risk lies to issue an informed opinion on your GAAP conformity.

Effective internal controls reduce the risk of a material misstatement, so testing your internal controls will be an important part of the risk assessment. Based on the result of controls testing, the auditor will then test your accounting and reporting process by:

- Checking calculations
- Examining records and source documents to support balances and transactions
- Confirming certain balances and transactions with third parties
- Where applicable, physically observing assets

For audit-ready financials, nonprofits should thoroughly document transactions and balances within a modern financial system.

## Primary risk assessment

- Judgment and estimates



## Controls testing

- Accounting and reporting processes
- Effectiveness of controls



## Control testing results

- Determine the level of substantive testing



## Substantive testing

- Check calculations
- Examine records and source documents
- Ensure balances and transactions are supported

**Accelerating the process**

# How to achieve an expedient and cost-effective audit



## **What an audit should do**

Focus on the riskiest areas of a nonprofit's financial statements—those that involve the most accounting complexity and judgment.

## **What really happens**

The organization's financial statements are not audit-ready, and accounting is not well documented. Auditors spend the bulk of their time unraveling the day-to-day accounting and verifying data flows.

## **The solution**

Prepare audit-ready financials that keep the cost of your audit down while improving its value to your organization and your funders.



## Automation

# How to produce audit-ready financials in the cloud

**Preparing audit-ready financials can be easier in theory than in practice if you lack a modern cloud accounting system.**

When accounting software is outdated or lacks features, the audit process quickly becomes mired in sorting through the accounting records rather than identifying risk. Modern cloud accounting software will save your finance team and your auditor a significant amount of time and prove to your key stakeholders that your financial statements are audit-ready.

Sage



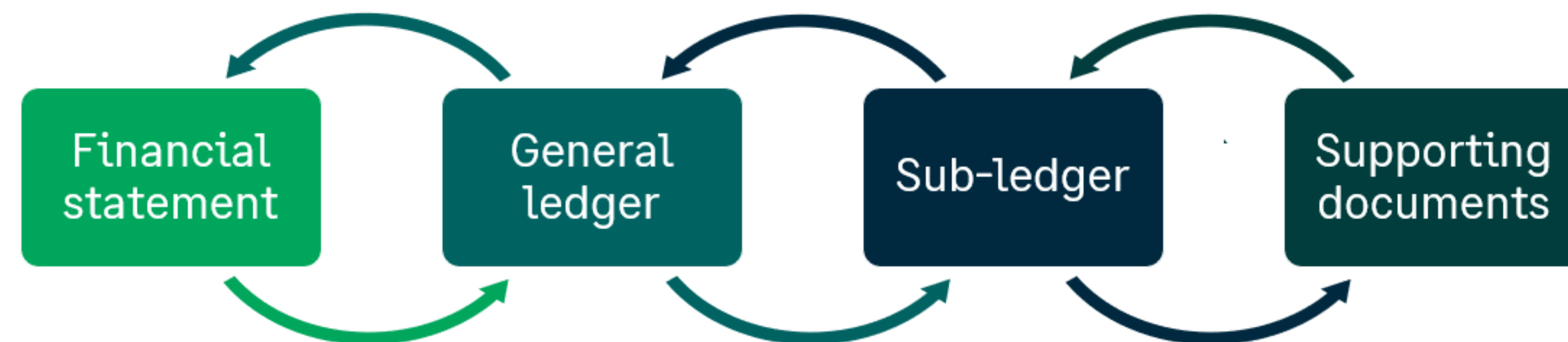
**Modern cloud accounting software streamlines and automates:**

- The organization of funding sources
- The documentation of accounting treatments
- The calculation and reconciliation of all figures
- The closing and consolidation of the books
- The preparation of financial statements

# Get organized

A modern cloud financial management solution, like Sage Intacct, organizes transactions so you and your auditors can easily trace transactions from the financial statements to the general ledger to the sub-ledger to the supporting documents, and back again. Using an accounting system that is purpose-built to manage and

demonstrate the accounting path will set the stage for both you and your auditor to have a positive audit experience. By establishing a clear and complete audit trail from transaction to reporting and reconciliation, auditors will be able to easily and effectively test your organization's accounting processes.





**“Our donors want to see that we receive a clean audit opinion. The internal controls in Sage Intacct are critical. The entire AP and AR cycles are now paperless with an audit trail and an automated approval process built right in.”**

~ Faith Noble, CFO, Toward Employment



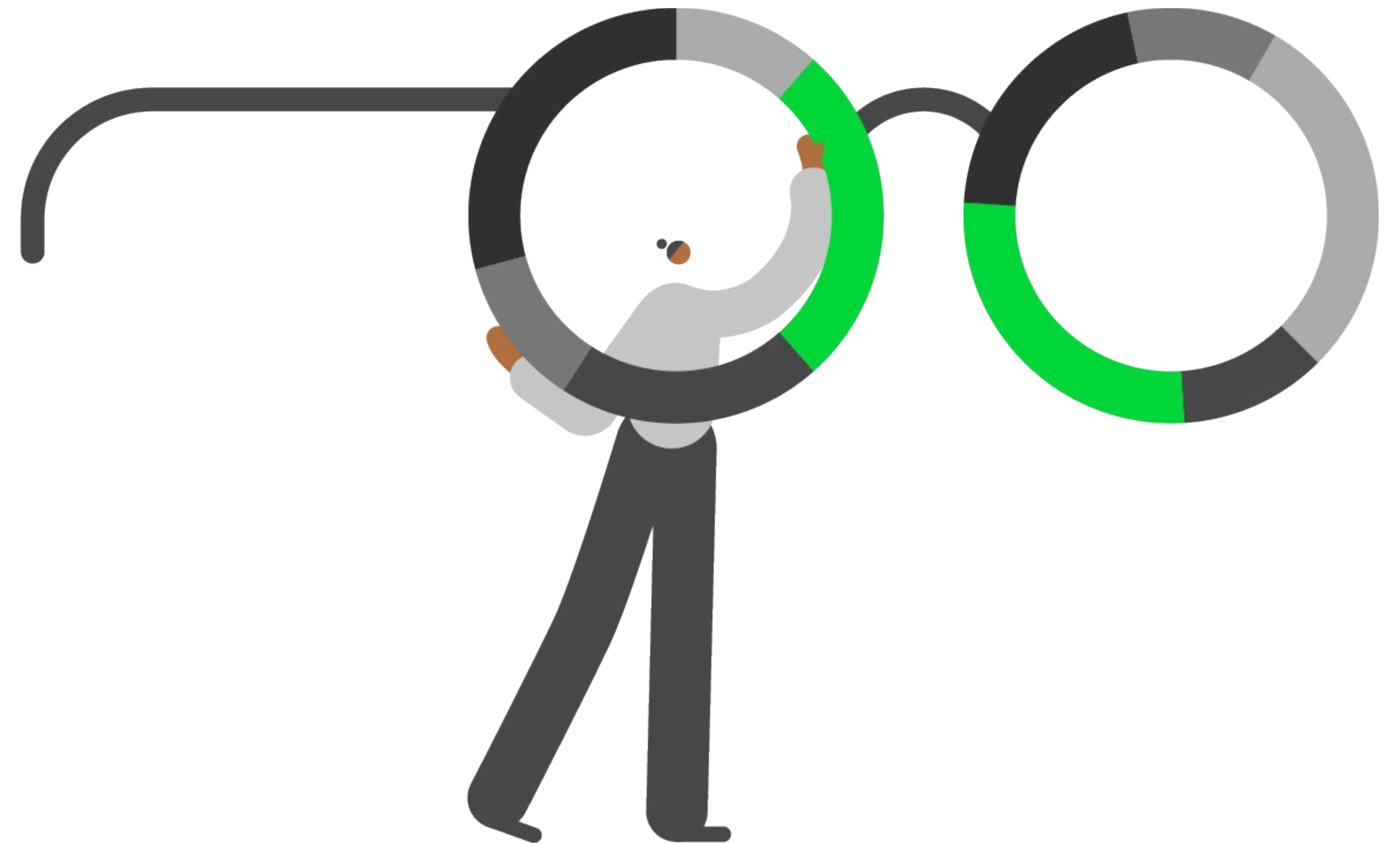


# Gain visibility and transparency

**When your auditor asks for additional information, you need to be able to provide it quickly to keep the audit moving forward.**

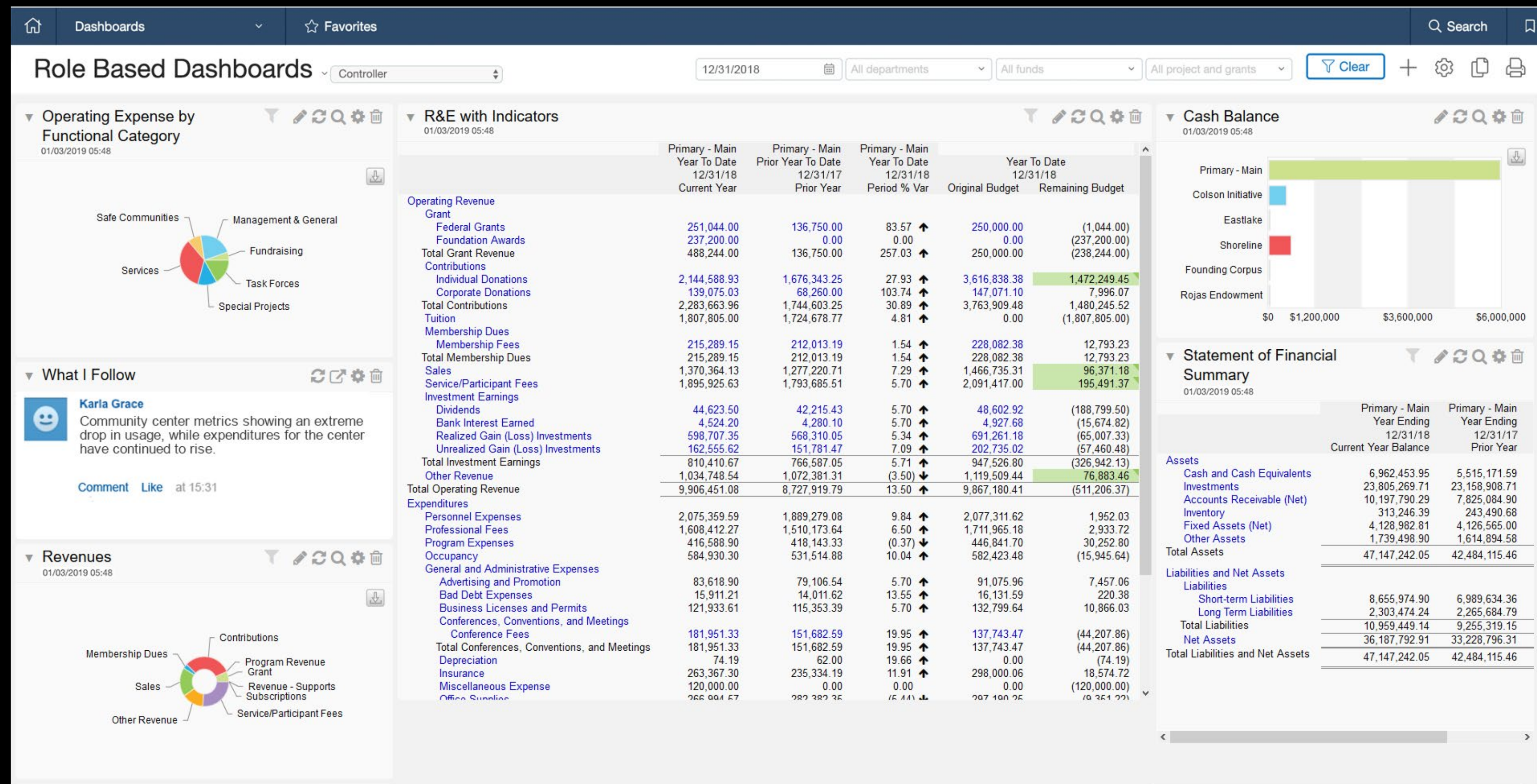
Wading through file cabinets, consulting multiple spreadsheets, or exporting and importing data from another computer program will slow down your audit and make it more costly.

A modern cloud financial management system can provide access to real-time financial data to everyone in your organization that needs it, including your outside auditor. Your team can still work at the same time the auditor is working, minimizing distractions and keeping your team focused on achieving your mission.





# Gain visibility with role-based dashboards



This controller dashboard in Sage Intacct places role-based, real-time data at your fingertips that helps nonprofit financial leaders cut through the noise and more proactively manage their organizations.



**“One of the things that we do is give our auditor a view-only access to Sage Intacct. He can go in and audit every single transaction if he wants to. It cuts down on the time I spend with him. He’s got the access and it makes our audit go so much quicker. I can do an audit in one week with Sage Intacct. Can you believe it? A week. That is huge!”**

~ Donna Dick, Executive Director, North America Transplant Coordinators Organization (NATCO)



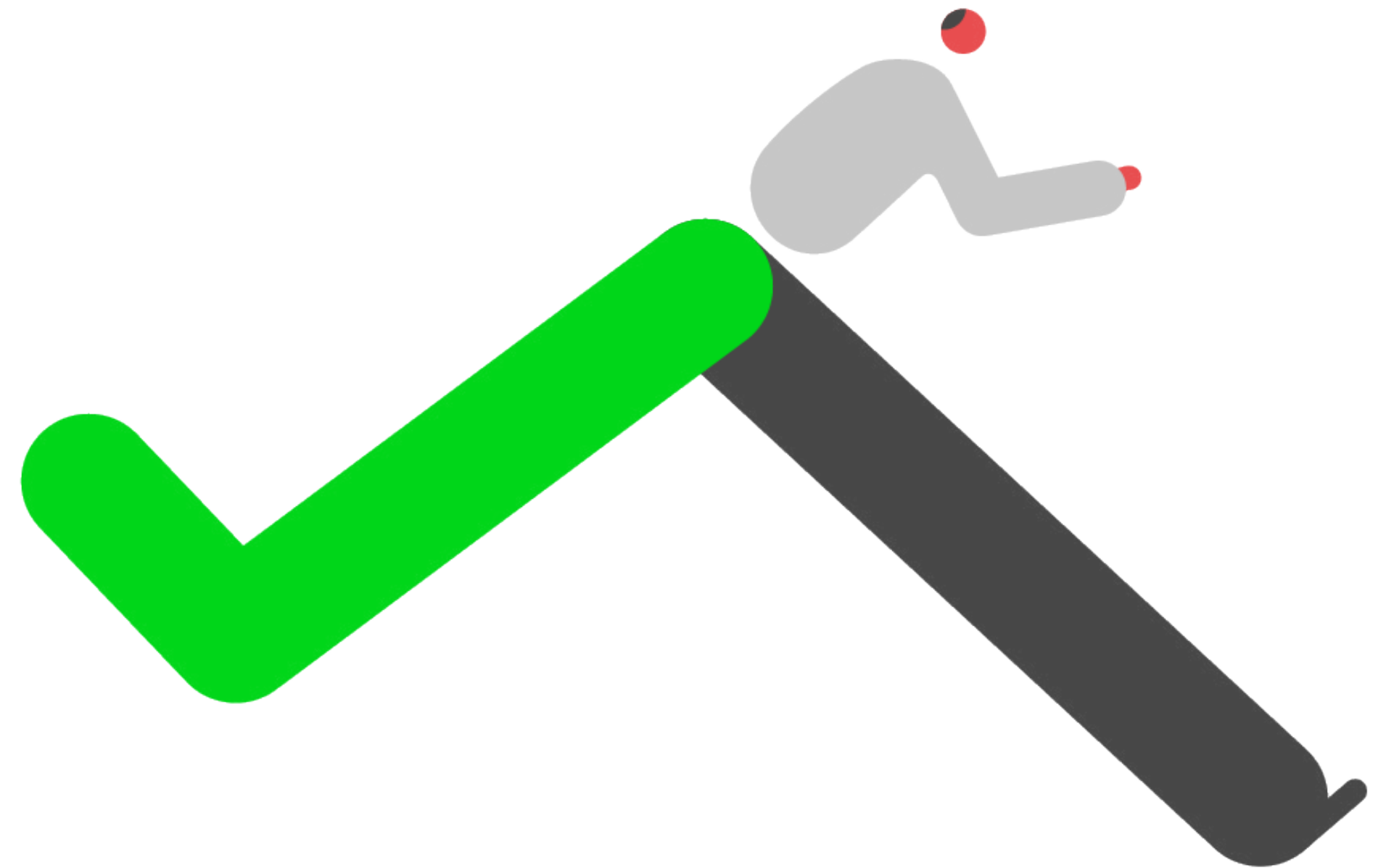


# Speed up the process

## Reducing audit time also reduces audit cost.

After your accounting process is well-documented and auditable, you need to present your financials, reconciliations, and supporting documents to your auditors in a timely manner. Cloud accounting software speeds up accounting period closes through automated calculations that eliminate the inefficiencies and inaccuracies associated with manual spreadsheets.

You can also speed up your close through the use of multiple sub-ledgers for each of your organization's entities or locations. You can close a sub-ledger before you close the full general ledger, allowing your auditor to get started sooner in riskier areas, like receivables. This provides your auditor with extra time for testing in higher risk areas while allowing the audit work and your financial close process to occur simultaneously.





# Save time with compliance dashboards

Compliance (Audit & Tax Prep) 12/31/2018

### FAS 958 Update Applied - Statement of Activities

	Without Donor Restrictions Year Ending 12/31/2018	Total With Donor Restrictions Year Ending 12/31/2018	Total Year Ending 12/31/2018
<b>Operating Revenue</b>			
Grant Revenue	50,000.00	349,000.00	399,000.00
Contributions	2,351,792.75	0.00	2,351,792.75
Tuition	326,000.00	0.00	326,000.00
Special Events	267,292.69	0.00	267,292.69
Processing	1,361,609.57	0.00	1,361,609.57
Rental Income	1,919,291.98	0.00	1,919,291.98
Investment Earnings	816,947.66	0.00	816,947.66
Other Revenue	874,161.52	0.00	874,161.52
<b>Total Operating Revenue</b>	<b>7,967,096.17</b>	<b>349,000.00</b>	<b>8,316,096.17</b>
<b>Expenditures</b>			
Admin Departments	318,597.12	0.00	318,597.12
Event Management	116,000.70	0.00	116,000.70
Faith Based	878,269.66	0.00	878,269.66
Financial Services	366,379.11	0.00	366,379.11
Health Education & Services	593,578.18	0.00	593,578.18
Housing	2,442,405.41	0.00	2,442,405.41
Shared	1,000,313.02	0.00	1,000,313.02
Workforce Development	1,223,093.08	0.00	1,223,093.08
<b>Total Expenditures</b>	<b>6,938,636.28</b>	<b>0.00</b>	<b>6,938,636.28</b>
<b>Change in Net Assets</b>	<b>1,028,459.89</b>	<b>349,000.00</b>	<b>1,377,459.89</b>
+ Net Assets - Beginning	87,912,356.00	7,440,639.30	95,352,995.30
<b>Net Assets - Ending</b>	<b>88,940,815.89</b>	<b>7,789,639.30</b>	<b>96,730,455.19</b>

### FAS 958 Update Applied - Statement of Financial Position

	Primary Year Ending 12/31/2018 Current Year Balance	Primary Year Ending 12/31/2017 Prior Year	Primary Year Ending 12/31/2018 Difference
<b>Assets</b>			
Cash and Cash Equivalents	10,699,056.70	8,968,940.49	1,730,116.21
Investments	25,141,777.56	24,490,439.71	651,337.85
Accounts Receivable (Net)	69,996,693.23	68,682,505.54	1,314,187.69
Inventory	496,040.06	425,634.50	70,405.56
Fixed Assets (Net)	4,517,636.32	4,513,887.32	3,749.00
Other Assets	2,847,468.90	2,245,026.89	602,442.01
<b>Total Assets</b>	<b>113,698,672.77</b>	<b>109,326,434.45</b>	<b>4,372,238.32</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Short-term Liabilities			
Accounts Payable	799,064.07	652,916.90	146,147.17
Accrued Liabilities	5,126,428.42	4,337,399.97	789,028.45
Accrued Taxes	4,308,353.55	3,621,679.19	686,674.36
Deferred Revenue	1,010,496.16	386,457.61	624,038.55
Other Short-term Liabilities	3,466,477.23	2,686,299.19	780,178.04
<b>Total Short-term Liabilities</b>	<b>14,710,819.43</b>	<b>11,684,752.86</b>	<b>3,026,066.57</b>
Long Term Liabilities			
Note Payable - Long Term	2,380,291.68	2,342,186.29	38,105.39
<b>Total Long Term Liabilities</b>	<b>2,380,291.68</b>	<b>2,342,186.29</b>	<b>38,105.39</b>
<b>Total Liabilities</b>	<b>17,091,111.11</b>	<b>14,026,939.15</b>	<b>3,064,171.96</b>
<b>Net Assets</b>			
With Donor Restrictions	7,789,639.30	7,440,639.30	349,000.00
Without Donor Restrictions	89,069,015.89	88,158,799.17	910,216.72
No Restriction	2,720.00	3,500.00	(780.00)
<b>Total Net Assets</b>	<b>96,861,375.19</b>	<b>95,602,938.47</b>	<b>1,258,436.72</b>
<b>Total Liabilities and Net Assets</b>	<b>113,952,486.30</b>	<b>109,629,877.62</b>	<b>4,322,608.68</b>

### 990 Part VIII - Statement of Revenue

Box	Total Revenue	Related/Exempt Rev	Unrelated Biz Rev	Excluded Rev
<b>Contributions, Gifts, Grants, and Other Similar Amounts</b>				
Membership Dues	267,292.69	267,292.69	267,292.69	267,292.69
Government Grants	50,000.00	50,000.00	50,000.00	50,000.00
Other Contributions, Gifts, Grants, and Similar	2,688,792.75	2,688,792.75	2,688,792.75	2,688,792.75
<b>Total Total Contributions, Gifts, Grants, and Other Similar Amounts</b>	<b>3,006,085.44</b>	<b>3,006,085.44</b>	<b>3,006,085.44</b>	<b>3,006,085.44</b>
<b>Program Service Revenue</b>				
Faith Based	548,768.88	548,768.88	548,768.88	548,768.88
Health Education & Services	455,995.89	455,995.89	455,995.89	455,995.89
Housing	544,314.64	544,314.64	544,314.64	544,314.64
Workforce Development	370,212.57	370,212.57	370,212.57	370,212.57
<b>Total Program Service Revenue</b>	<b>1,919,291.98</b>	<b>1,919,291.98</b>	<b>1,919,291.98</b>	<b>1,919,291.98</b>
<b>Medicaid Capitation</b>				
Medicare Preferred	1,034,182.16	1,034,182.16	1,034,182.16	1,034,182.16
<b>Gross Sales of Inventory less Returns</b>	<b>2,049,994.32</b>	<b>2,049,994.32</b>	<b>2,049,994.32</b>	<b>2,049,994.32</b>

### 990 Part IX - Stmt of Functional Expenses

	Year Ending 12/31/2018 (A) Total Expenses	Programs (B) Program Service	Management and General (C) Mgmt & General	Fundraising (D) Fundraising
<b>990 IX Worksheet for Stmt of Functional Expenses</b>				
Salaries and Wages	1,363,083.55	1,078,377.17	198,079.22	86,627.16
Retirement Contributions	112,948.86	50,138.81	62,810.05	0.00
Other Employee Benefits	553,816.17	223,209.54	330,606.63	0.00
Payroll Taxes	248,462.23	108,511.90	139,950.33	0.00
<b>Fees for Services</b>				
Accounting Fees	83,809.92	0.00	83,809.92	0.00
Legal Fees	250,370.00	12,300.00	237,320.00	750.00
Consulting Fees	882,048.97	864,884.29	17,164.68	0.00
Construction	464,182.83	428,102.33	36,080.50	0.00
<b>Total Fees for Services</b>	<b>1,680,411.72</b>	<b>1,305,286.62</b>	<b>374,375.10</b>	<b>750.00</b>
Advertising and Promotion	314,262.70	230,000.00	84,262.70	0.00
Occupancy	554,554.72	446,273.49	96,524.64	11,756.59

Sage Intacct offers prebuilt compliance reports that auditors can view from the compliance and disclosures dashboards.



**“Having a more sophisticated financial solution reduces the back-and-forth during audits. We simply give a read-only seat to our auditors and they can poke around the system to look at backup for transactions themselves. This easily makes our audits 25% faster.”**

**~ Steve Polinski, Controller, Canine Companions**



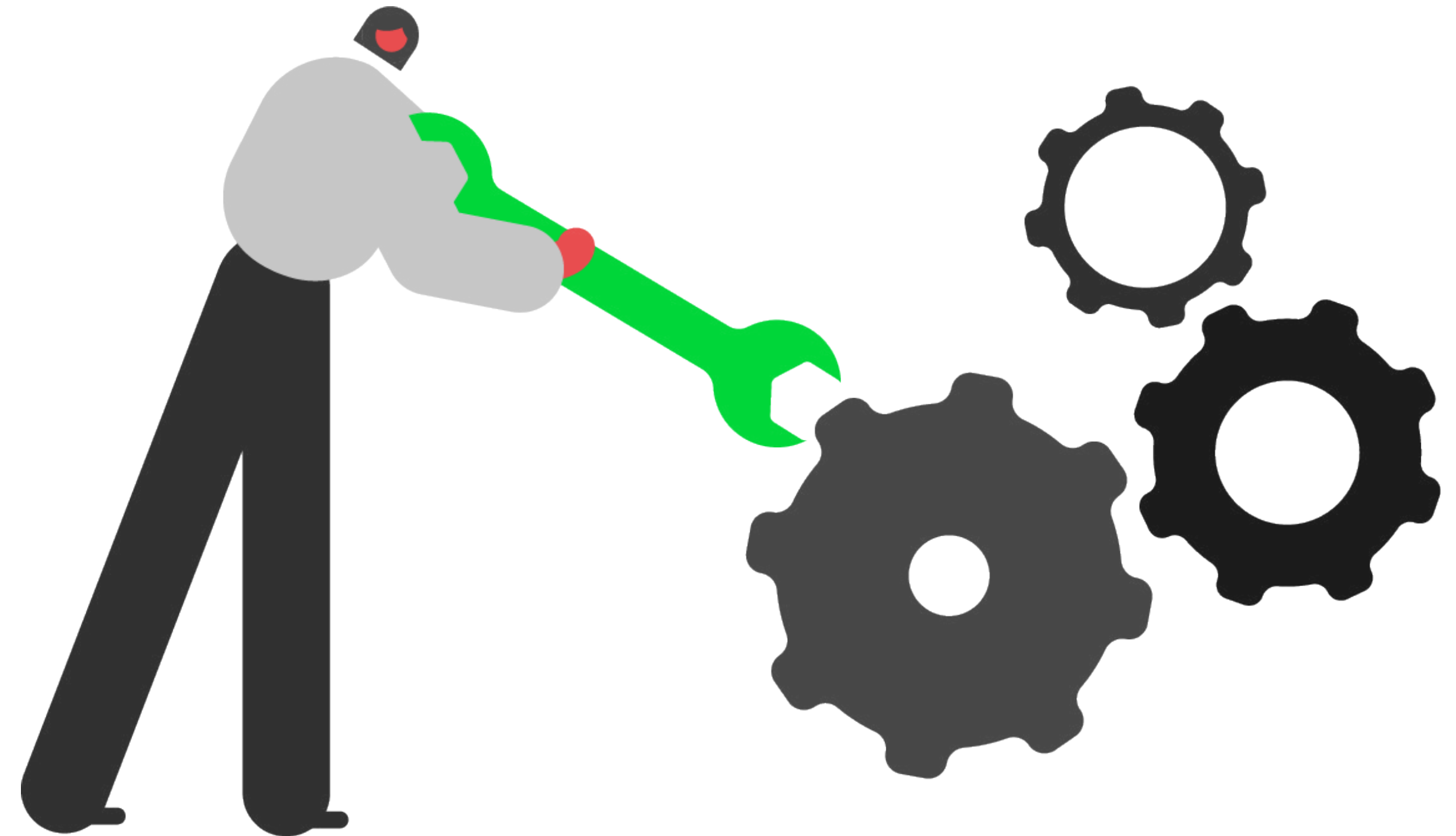


# Leverage automation

**Leverage the power of automation in a cloud accounting system to improve accuracy and lower the time and cost involved in an audit.**

Grant auditors permission to log in from any location and gain read-only access to review all your data for predefined periods. Auditors can click on any figure in the financial statement and drill all the way down to the general and sub ledgers, reports, reconciliations, and original transactions to test key accounting processes. They can run built-in reports and reconciliations on demand, achieving a higher level of confidence in transactions.

Attach supporting documents to any transaction, so the auditor can view source documents. This self-service model for reports and documentation speeds up the audit, allowing the auditor to investigate without coming to you with questions.





# Greater efficiency translates into time and cost savings

These nonprofits (and more) have saved a significant amount of time and money on audit preparation with Sage Intacct—freeing up valuable resources that can be allocated to achieving mission success.



**25%**  
saved in audit  
cost



**50%**  
faster audit

**KORET**  
FOUNDATION

**60%**  
faster audit



**60%**  
faster audit



**62%**  
faster audit



**92%**  
faster audit



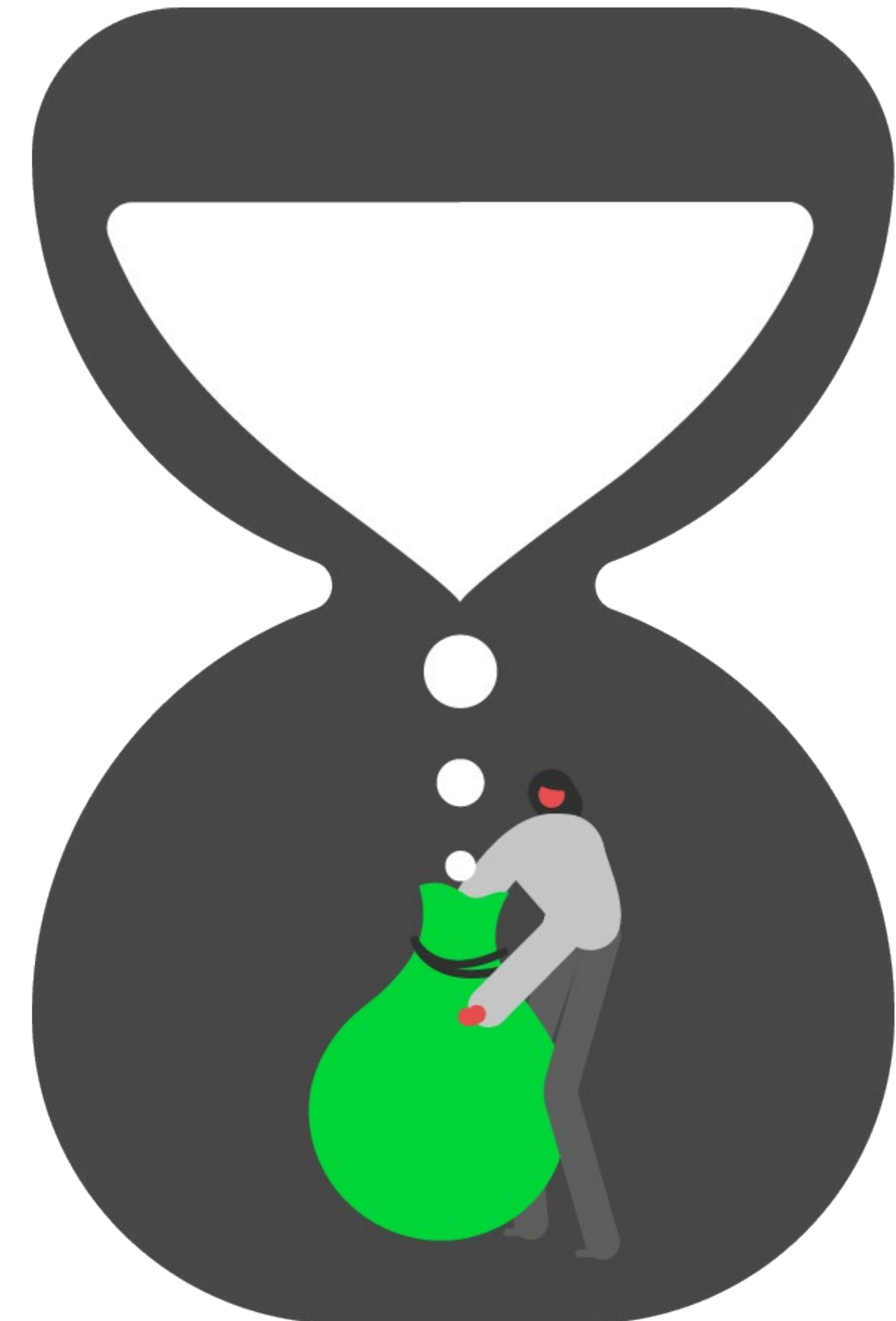
## Conclusion

# Reap the benefits of audit-ready financials

Audits are never fun, but they are necessary to achieve funding and provide the transparency and compliance expected of well-managed nonprofit organizations. A modern cloud accounting system can help you prepare audit-ready financials and improve the efficiency and cost-effectiveness of an audit while minimizing the day-to-day disruption.

Sage Intacct helps you establish solid accounting processes, automate financial calculations and financial statement preparation, and provide clear audit trails and documentation to support your accounting treatment decisions to an auditor.

By showing the accounting path and enabling auditors to easily trace transactions and call up their own reports and reconciliations, Sage Intacct helps speed up your audit and potentially reduces its cost, enabling your organization to focus its time and money on advancing your mission.





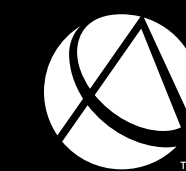
# About Sage Intacct

**Sage Intacct is the AICPA's preferred provider of cloud financial applications.**

Specializing in helping nonprofits of all types—including health and human services, NGOs, charities, trade and membership associations, cultural institutions, and faith-based organizations—Sage Intacct streamlines grant, fund, project, and donor accounting, while delivering real-time visibility into the metrics that matter.

Our modern, true cloud solution, with open APIs, gives nonprofits the connectivity, visibility, and efficiency they need to do more with less. At Sage Intacct, we help nonprofits strengthen stewardship, build influence, grow funding, and achieve mission success.

In addition to intuitive software solutions, Sage Membership provides members with access to actionable human advice from experts and peers through exclusive content and tools to help you make even better mission-critical decisions.



**AICPA**

**Business Solutions**

Preferred Provider of Financial Applications



