



ACCOUNTING & FINANCIAL REPORTING

I. Accounting

Accounting measures the results of business transactions. It provides financial information including predictions for making important business decisions. There are two accounting methods: cash basis and accrual basis. Cash basis accounting records revenue and expenses when it is received in cash and paid in cash. Accrual basis accounting recognizes revenue in the period that it is earned and records expenses in the same period that the expenses are incurred. Most business, including APPA, use the accrual method. APPA regions may be using the cash method.

APPA's accounting practice follows the Generally Accepted Accounting Principles (GAAP) for its operation. These Principles provide the basis for all accounting standards and the framework for recording and presenting accounting data.

APPA prepares complete financial statements monthly in a detailed and summary format.

II APPA's Fiscal Cycle

Fiscal Year 4/1 - 3/31

- End of April - Mid May
A formal audit of the previous year's financial result is performed by an independent audit firm. Currently Clifton Larson Allen is APPA's audit firm.
- May or June
Executive Committee reviews the audited financial statements.
- July
The audited statements are presented to the Board.
- October-November
New year's budget is prepared.
- December
Executive Committee reviews the proposed budget.
- February
The board reviews the proposed budget and delivers final approval.

III Financial Statements

1. Balance Sheet - statement of financial position

A balance sheet shows the financial position of a business at a specific date by summarizing assets, liabilities, and net assets (owner's equity).

2. Statement of Revenue and Expenses (income statement or statement of activities)

This statement summarizes the performance of a business by matching its revenue and related expenses for a specific accounting period. It shows the net income or net loss.

3. Statement of Changes in Net Assets

This statement provides comparative information about the residual value of business.

4. Statement of Cash Flow

This statement provides information about the resources of cash receipts and cash payments.

In June 1993, the Financial Accounting Standard Board (FASB) issued the statement of Financial Accounting Standard No. 117. This statement established standards for financial statements of not-for-profit organizations that are prepared for external users such as members, donors, and creditors. The standards require that the net assets be classified as permanently restricted, temporarily restricted, and unrestricted.

IV Audit & Auditor's Report

An audit is a thorough investigation of financial statements presented by a business entity and performed by independent, certified public accountants. Independent CPAs examine organizational documents, including Bylaws, minutes, accounting records, and systems applying generally accepted auditing standards endorsed by the Auditing Standards Board of the AICPA and Statements on Auditing Standards (SASs). As the final result, independent auditors render their professional opinion about whether the financial statements are fairly presented in conformity with generally accepted accounting principles.

There are two types of opinions: unqualified opinion and qualified opinion. Unqualified opinion is a clean opinion certifying fair presentation of the financial statements. Qualified opinion is rendered when auditors have reservations concerning the fair presentation of the financial statements. APPA has been receiving unqualified opinions every year.

In general, an audit does not examine every transaction; accordingly it does not guarantee absolute accuracy of the statements or findings of all mismanagement/fraudulent practices.

V. Primary Reports Required by the Internal Revenue Service (IRS)

1. Form 990, 990EZ, 990-N

These forms are for an annual information return from income tax exempt organizations.

Form 990

Gross receipts greater than or equal to \$200,000 or total assets greater than or equal to \$500,000 at the end of the tax year.

Form 990EZ

Gross receipts less than \$200,000 and total assets at the end of the tax year less than \$500,000.

Form 990-N

Gross receipts less than \$50,000 or less.

These reports are due by the 15th day of the 5th month after the fiscal year ends. For APPA and affiliates it is August 15th.

The amount of gross receipts and total assets may change. The amounts noted above are for the tax year 2011.

2. Form 990T

This form is used for business income tax returns for exempt organizations to report their unrelated business income (UBIT) of \$1,000 or more. Income generated from advertisements in periodicals of exempt organizations is a typical example of unrelated business income.