

State constituent associations shall comply with the Standards of Affiliation by submitting the appropriate documents to National PTA annually.

For a financial compilation, review, or audit:

- ✓ Cover letter (from the CPA in the case of a compilation, review, or audit), or
- ✓ Complete report (from the CPA in the case of a compilation, review, or audit)

OR

For an internal review only:

- ✓ Statement of Financial Position (Balance Sheet), and
- ✓ Statement of Activities (Income Statement)

National PTA recommends that each state constituent association use the table below in determining the level of service needed each reporting year.

Threshold	Level of service from an Independent CPA Firm
If the greater of Total Revenues or Total Expenses is less than \$100,000	None  An <b>internal review</b> must be performed, but not by an independent CPA Firm.
If the greater of Total Revenues or Total Expenses is equal to or greater than \$100,000 and less than \$200,000	Compilation Report
If the greater of Total Revenues or Total Expenses is equal to or greater than \$200,000 and less than \$500,000	Review Report
If the greater of Total Revenues or Total Expenses is greater than \$500,000	Audit Report

*The level of assurance recommended by National PTA does not supplant the requirement to have a higher level of assurance that may be required by your state or other organization. In addition, a state constituent association may choose to use a higher level of assurance than the threshold requires.*

**Internal Review** - When the greater of the total revenues or total expenses is less than \$100,000, it is recommended that a bookkeeper is used to prepare the financial statements and that the bookkeeper review the financial statements with the entire board. In cases where it is not possible to afford a bookkeeper, two officers, other than the authorized check signers, should prepare the financial statements and review the financial statements with the entire board.

National PTA can be available to assist in preparing the required financial statements for those states that do not require a compilation, review, or audit, provided none of the following conditions exist:

- The state PTA was a recipient of grants that require an audit.
- Presence of fraud has been detected or suspected.
- The state PTA maintains an employee retirement fund (e.g., 403(b)).
- The state PTA's total assets are greater than \$250,000.

It is recommended that the financial statements prepared by National PTA be shared with the entire board.

### *Levels of Assurance Defined*

**Audit** – 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 to obtain “reasonable assurance” (defined as a high but not absolute level of assurance) about whether the financial statements are free from material misstatement.

**Review** – 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. This is a financial review that provides less assurance than a full audit. Like an audit, it must be completed by an external independent, qualified accountant.

**Compilation** – 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. The compilation report is the first page before the actual financial statements and is written by the CPA on the firm's letterhead. This is a compilation of financial information that is mathematically accurate, but that provides no assurance as to its verifiability. Unlike an audit or a review, the preparer of a compilation need not be independent or a qualified accountant. The CPA is also required to read the financial statements considering the financial reporting framework being used and to consider whether the financial statements appear appropriate in form and are free from obvious material misstatements.