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Quite often people contact us asking for an audit, a review, or a compilation. They may say a third party is asking for one of these services, or they might say they feel like a CPA firm is needed to examine the records. With that, let me walk you through the options and tell you more about the differences between each service.

Compiled financial statements are prepared based on the financial information provided. The CPA firm will produce financial statements, which can include footnotes, with a report that states no assurance is given regarding the completeness or accuracy of the information presented. Compiled financial statements are most often required when a business owner is applying for a personal loan or other banking matters.

Reviewed financial statements provide limited assurance that there are no material modifications needed for the financial statements to be in conformity with an applicable reporting framework. Procedures performed include analytical procedures and inquiry and do not include an assessment of internal control or the risk of fraud. Reviewed financial statements can be performed to satisfy lenders, investors, and buyers or when you are looking for a smaller loan or a line of credit.

For the highest-level insurance, although not absolute, is the preparation and issuance of audited financial statements. An auditor will assess risk and, based on those assessments, will design procedures to determine if the information presented is materially correct at a point in time. To identify any misstatements in the records, a variety of procedures will be used during the audit process including gaining an understanding of internal controls and walking through key controls, inquiry substantive procedures, third-party confirmations, and analytical procedures. Audited financial statements may be required when raising equity when planning to sell, when receiving funding from federal or state governments, or when looking for extended credit or significant financing.

To decide which type of financial statement service is the best option for you, discuss your goals with a qualified CPA firm and select the type of service that best fits your needs.

Madison, WI

1221 John Q Hammons Drive
Suite 100
Madison, WI 53717

Phone: (608) 831-8181
Fax: (608) 831-4243

Brookfield, WI

18650 W. Corporate Drive
Suite 200
Brookfield, WI 53045

Phone: (262) 641-6888
Fax: (262) 641-6880

Colorado Springs, CO

P.O. Box 62786
Colorado Springs, CO 80962

Phone: (719) 413-5551

Contact Us:

Email: info@SVAaccountants.com
Web: SVAaccountants.com