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In-Depth Audit – Non-Profit Organizations

Type of Organization

Art/Culture, Health, Old Age Home, Charity, Religious, Education, Science, Yeshiva/Kollel, Research, Sport, Welfare, Synagogue.

There are characteristic revenues and expenses for each type of organization.

General

- **Activities versus Objectives:** Do the financial reports show that the organization is working to achieve its objectives as they appear in the registration form?
- **Location of membership lists.**
- **Receipts:** Copies of all types of receipts (contributions, allocations, tuition, membership dues, etc.)
- **Income:** Checking the continuity of receipts.
- **Balance Sheet and Income and Expense Report:** Significant changes should be noted through comparison to previous years.
- **Government License:** Check if relevant - for example: adoption, nursery schools, drug rehabilitation, higher education, military, care of the retarded, etc.
- **Is there a central location where activities take place?** (School, hospital, nursery school, offices, etc.)
- **If the accountant is replaced every year, an explanation should be given.**
- **It should be checked that compensation for members' expenses is at reasonable levels.**
- **It should be ascertained whether any employees are relatives of organization officials and, if so, how close is the relation.**

Balance Sheet

Assets

Cash and Liquid Assets	Bank statements
Misc. Debts and Petty Cash	Balance of petty cash as of December 31. Who manages petty cash, when are funds deposited, bank statement for the present year.
Loans	Recipients, conditions and agreements
Debtors	If an associated organization is involved, the agreement should be obtained.
Closing Inventory	Counting of inventory, method of valuing inventory (who valued inventory, who was present at counting)
Investment in Securities	Are the investments appropriate to the objectives of the organization? Are the investments speculative in nature? Investment in associated organizations.
Fixed Capital	List of assets and their depreciation should be obtained. Are the items listed appropriate to the objectives of the organization?

Liabilities

Overdrafts	Bank statements
Suppliers	The age of debts to suppliers should be checked; a sample of invoices should be examined (does the name of the organization appear on the invoices?)
Employees	When are salaries paid? Are creditors among those receiving salaries?
Creditors	List of creditors; do they include associated organizations, members of the Committee? Changes during the present year.
Loans	List of loans, sources, conditions, agreements/contracts, amortization tables
Reserves for Severance Pay	Are there reserves to cover the organization's obligations?
Net Assets: Deficit	Is the organization in a large deficit and if so how do they intend to eliminate it?

Income and Expense Report

Income

Contributions	From Israel or abroad? Examination of continuity, when funds were received, in shekels or dollars.
Allocations	Are they appropriate to the organization's objectives and are they reasonable in relation to the organization's turnover.
Designated Revenues	Obtain documentation of designated sums. By whom were they designated?
Independent Income	Obtain a detailed account; composition of income
Income from Provision of Services	Obtain a detailed account; composition of income
Sales Revenue	Is it appropriate to the organization's objectives? Are receipts issued as required?
Participation in Expenses	Obtain the agreement with the body participating in expenses and the account.
Financial Income	Check whether it is reasonable

Expenses

In general, it should be checked whether expenses are **qualitatively** and **quantitatively** reasonable with respect to the organization's turnover and objectives.

Grants	List of recipients including name, social security number, sum and method of payment. Criteria for grant approval.
Charity	Obtain detailed account
Lectures/Groups	Are they appropriate to the organization's objectives? Reporting of tax deduction at source to tax authorities.
Meals and	Obtain account; what items are included in this expense

Refreshments	category and are they appropriate to the organization's objectives?
Research	Is it appropriate to the organization's objectives?
Subcontractors	Agreements with the subcontractors; Form 856 for deductions
Salary expenses	Obtain Form 126; cumulative salary expense report including name and function of each worker
Professional/Legal Services	Obtain account; is there legal action pending against the organization?
Car expenses	Check in whose name the vehicles are registered and who uses them after work hours; payment of non-recognized expenses.
Travel abroad	Check travel abroad report; payment of non-recognized expenses.
Professional Training/Seminars	Obtain account; participants, fees, payment of non-recognized expenses.
Advertising	Survey the account. Check whether advertising serves the organization's objectives. Is expense reasonable?
Maintenance	Is expense reasonable vis a vis the organization's activities?
Utilities and Municipal Taxes	Check whether expenses are reasonable and complete (i.e. for 12 months). Under which name is the asset registered?
Rental	Is expense reasonable and to whom is rent paid; obtain rental agreement.
Transportation	Obtain account; who was traveling, to where and in what vehicle. Do the expenses serve the organization's objectives?
Travel	Who traveled and to where. Obtain account.
Depreciation	Is expense reasonable with respect to fixed capital.
Doubtful and Bad Debts	Obtain a list of doubtful and bad debts including the method of valuation.
Financial Expenses	Survey the account; check whether expenses are reasonable.

Report on Net Changes in Assets

1. Cross-checking of sums between the Report on Net Changes in Assets and the Balance Sheet and Income and Expense Report.
2. Attention should be paid that no funds are being inappropriately restricted in order to create an artificial deficit or to hide revenues.

Date of Audit:

Update:

Name of Auditor:

Status:

Organization Number:

Organization Name:

Certificate of Proper Management:

Year of Certification:

Address of Organization:

Location of File:

Mailing Address:

Year	95	96	97	98	99	00
Financial Report:						
Original signatures of Committee members?						
Annual turnover						
If turnover exceeds one million shekels – accountant's original signature?						
Recommendation of Auditing Committee						
Financial reports in accordance with Accounting Standard 69?						
Approval of financial reports by General Assembly						
Minutes of meeting at which Committee members were appointed						
Minutes of meeting at which Auditing Committee (or an accountant in its stead) was appointed						
Minutes of meeting at which signatories were appointed						
List of five highest wage earners						
Is address of organization correct?						
Is organization active?						
Did organization pay annual fee to Registrar?						
Is payment of salaries to Committee members according to guidelines?						