

## SERVICE COMPARISON

	FINANCIAL STATEMENT PREPARATION	COMPILATION	REVIEW	AUDIT
Level of assurance that the financial statements are not materially misstated	CPA does not obtain or provide any assurance that there are no material modifications that should be made to the financial statements.	CPA does not obtain or provide any assurance that there are no material modifications that should be made to the financial statements.	CPA obtains limited assurance that there are no material modifications that should be made to the financial statements.	The CPA obtains reasonable (defined as high, but not absolute) assurance about whether the financial statements are free of material misstatement.
Objective	To prepare financial statements pursuant to a specified financial reporting framework.	To apply accounting and financial reporting expertise to assist management in the presentation of financial statements.	To obtain limited assurance as a basis for reporting whether the CPA is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework, primarily through the performance of inquiry and analytical procedures.	To obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement thereby enabling the CPA to express an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework and to report on the financial statements in accordance with the auditor's findings.
The CPA is required to be independent	No	No — but if the CPA is not independent, the CPA is required to indicate lack of independence in the CPA's compilation report.	✓	✓

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The CPA is required to obtain an understanding of the entity's internal control and assess fraud risk				✓
The CPA is required to perform inquiry and analytical procedures			✓	✓
The CPA is required to perform verification and substantiation procedures				✓
The CPA issues a formal report on the financial statements		✓	✓	✓
Situations requiring different levels of service	Intended for the management and board use to have the current information needed to know the financial standing of the organization and to make organizational decisions accordingly. Similar to what an in-house controller or CFO would provide for management in a larger company. The financial statements may be shared with third parties.	Typically appropriate when initial or lower amounts of financing or credit are sought or there is significant collateral in place. Outside parties may appreciate the business's association with a CPA, which is readily apparent in the formal compilation report.	Typically appropriate as an organization grows and is seeking larger and more complex levels of financing and credit. It is also useful when organization donors and board are seeking greater confidence in their financial statements to evaluate results and make key organizational decisions.	An audit is typically appropriate and often required when seeking complex or high levels of financing and credit and comply with regulatory requirements.
Differences in cost for each level of service	Varies based on the financial records provided.	Least time consuming of the services in which the CPA issues a formal report.	More time consuming than a compilation but substantially less than an audit.	Involves the most work and, therefore, the most CPA time.