

# **Providing Volunteer Services as a Virginia CPA**

Revised as of December 2019

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*Reference the attached chart and graph for further guidance on volunteer services.*

## Providing Volunteer Services as a Virginia CPA

The Virginia Board of Accountancy receives many inquiries regarding services that a CPA may and may not provide as a volunteer to a not-for-profit entity. Consistent with the mission of protecting the public, the VBOA believes that CPAs can bring valuable knowledge, experience and insights as volunteers to these types of organizations and support their involvement. The information contained herein is intended to provide guidance to CPAs who are serving in volunteer roles and may be asked to provide volunteer services, which may fall under the Virginia accountancy statutes and regulations.

All services provided by licensees are subject to the relevant parts of the standards of conduct and practice in [§ 54.1-4413.3](#). Application of the accountancy statutes and regulations is not affected by whether compensation is received for the service.

### What can CPAs do?

Opportunities abound for CPAs to serve the nonprofit sector in Virginia. The implementation of Statement on Standards for Accounting and Review Services (SSARS) No. 21 (Section 70) has affected volunteer services provided by CPAs to nonprofit organizations. More specifically, Virginia license holders must realize that the preparation of financial statements for such entities by Virginia CPAs may require a firm license, even when performed as a volunteer. Under Virginia law, “Only a firm can provide attest services, compilation services, or financial statement preparation services to persons or entities located in Virginia.” ([Code of Virginia § 54.1-4412.1](#)) Performance of such services may also require enrollment in the Peer Review Program. ([Code of Virginia § 54.1-4412.1.D.6](#))

However, a firm license and peer review enrollment may not be required in some cases, including if the CPA was acting as a member of the governing board or as an officer of the entity.

Nonprofit organizations have long realized that the skills and abilities of CPAs are a valuable resource and that CPAs can provide much needed financial and accounting services. These organizations often call on CPAs to provide assistance on a volunteer basis. Consistent with the VBOA’s mission of protecting the public, the VBOA believes that CPAs can bring valuable knowledge, experience and insights as volunteers and therefore supports such involvement with nonprofit entities.

If a person who only holds a Virginia individual license is asked to provide volunteer services to a nonprofit organization, the CPA must ask two very important questions:

1. What service is to be provided (i.e., for what service has the CPA been engaged)?
2. In what capacity will I be providing the service?

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## What service is to be provided? (i.e., for what service has the CPA been engaged)

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For instance, if a charity requested a CPA to complete a form that is entitled Audit Checklist, the CPA may discover that the steps outlined on the form do not resemble anything close to an audit as that term is defined by auditing standards. For example, the charity may simply be asking that the CPA reconcile beginning and/or ending cash balances to previously issued monthly reports. This service would constitute accounting services, but would not constitute an audit. The individual CPA can sign a statement related to the activities undertaken, but should exercise caution to avoid using the CPA designation in such a statement. In this situation, the CPA would not need a firm license.

In another example, a CPA may be asked to serve as a member of an Audit Committee, which will then examine the financial records and issue a report that they “found nothing out of the ordinary.” In this case, regardless of the nature of the work undertaken or its findings as reported, the individual CPA is not engaged to perform an audit. In reality, the members of the Audit Committee were engaged to perform various auditing-type procedures, but not the individual CPA. The individual CPA can, along with other members of the Audit Committee, sign a statement related to the Committee’s activities, but should exercise caution to avoid using the CPA designation in such a statement. In this situation where it does not require using a CPA designation, the CPA would not need a firm license.

Often, volunteer board members are familiar with some accounting terms, but do not fully understand those terms. For instance, a CPA could be asked as a volunteer to compile the financial statements for the entity. Upon inquiry, the CPA may learn the entity simply wants someone to prepare financial statements, not perform a compilation, as defined by professional standards. Since the preparation of financial statements is a separate professional service distinct from a compilation service, the CPA should thoroughly understand the entity’s needs in the situation.

CPAs should first consider whether the service being provided is an attest, compilation or preparation of financial statement service as those terms are defined by accounting standards. Often, nonprofit entities freely use terms such as audit or review in manners different from that defined in accounting standards.

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## In what capacity will I be providing the service?

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A CPA may provide services to a nonprofit entity as part of the normal practice of public accounting or as a volunteer. If the CPA is a volunteer, they may serve in many capacities, including as a governing board member, officer, committee member (e.g. finance or audit) or simply as a volunteer worker.

When a CPA in public practice provides professional services to any entity for compensation, whether the entity is a for-profit business, a government agency or a nonprofit entity, then clearly relevant standards and regulations apply. Specifically, providing attest, compilation or financial statement preparation services would require that the CPA have a firm license and may need to be enrolled in peer review. All work performed must comply with the profession's technical standards. However, when a CPA is serving as a volunteer, and in that volunteer capacity, is asked to provide attest, compilation or financial statement preparation services, a careful review of both Virginia law and professional standards is required.

### **EXAMPLE**

A not-for-profit entity could appoint a committee or task force consisting entirely of persons who do not hold a license to perform services similar to attest services that are not the practice of public accounting. A common example is performing agreed-upon procedures. The governing body of a church may specify procedures to be performed on the financial statements and communicated to the governing body and ultimately the congregation.

Similarly, the regional body that oversees a church may specify procedures to be performed on the financial statements and communicated to the regional body. Communicating the results of the procedures does not constitute providing an assurance, and the service is not the practice of public accounting.

A church may ask a member who is a licensee to serve as a member of the group. That does not make the service an attest service. The church did not engage the licensee to perform the services. Instead, it appointed the group to provide the services.

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## **Audit, Review and Attest Services**

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If the CPA is serving as a volunteer officer or governing board member of a nonprofit entity, then no audit, review or other attest engagements could be performed by the CPA since these services require independence. These services are defined within the relevant professional standards.

If the CPA is serving solely as a Volunteer Worker for a nonprofit entity, then the CPA could perform audit, review or other attest engagements, if and only if the CPA in his or her professional judgment could establish that independence exists in accordance with professional standards. These services would require that the CPA have a firm license and be enrolled in peer review and all work performed must comply with the profession's technical standards.

These same facts would apply if a CPA who was otherwise employed in business or industry agreed to volunteer to audit the nonprofit entity's records.

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## **Compilation Services**

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While serving as a volunteer officer or governing board member, a CPA could prepare the entity's financial statements. As noted in SSARS No. 21 Section 80, Interpretation 8, "If an accountant is not in the practice of public accounting, the issuance of a (compilation) report under SSARS would be inappropriate."<sup>1</sup> Virginia law defines the practice of public accounting to exclude situations in which the service "is provided by one or more owners, officers, employees, or members of the governing body of the entity or entities about whom the financial information is presented" ([Code of Virginia § 54.1-4400](#)). Therefore, when a CPA serving as a volunteer board member or officer prepares the financial statements of the entity, this does not represent a compilation engagement as that service is defined by SSARS No. 21 Section 80. However, to avoid any misconceptions, it is recommended that the financial statements clearly indicate that no assurance is provided.

A firm license would not be required, nor would the CPA be required to enroll in peer review. The work performed for this service would not be required to meet the profession's technical standards.

If the CPA is serving solely as a Volunteer Worker for a nonprofit entity, they could perform a compilation on a volunteer basis. Independence is not required, but proper disclosure of the lack of independence (if that is judged by the CPA to be the case) would be required and a firm license and enrollment in peer review would be required. All work performed must comply with the profession's technical standards.

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<sup>1</sup> Normally, you would not be engaged to provide compilation or preparation services under SSARS if you are an owner, officer, employee or member of the governing body of a not-for-profit. If you serve a not-for-profit in one or more of these positions, you would normally prepare financial statements for the not-for-profit without regard to SSARS requirements, firm licensing requirements or peer review requirements. The eight-hour A&A CPE requirement would not apply. This is in line with how for-profit controllers, treasurers, CFO's and the like prepare financial statements for their employers. Therefore, preparing financial statements for a not-for-profit as an owner, officer, employee or member of the governing body is not a compilation engagement or a preparation engagement under SSARS.

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## Financial Statement Preparation Services

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While serving as a volunteer officer or governing board member, a CPA could prepare the entity's financial statements. Accounting standards, as noted in SSARS No. 21 Section 70, define the preparation of financial statements service as pertaining solely to "accountants in public practice engaged to prepare financial statements."<sup>2</sup> Virginia law defines the practice of public accounting to exclude situations in which the service "is provided by one or more owners, officers, employees, or members of the governing body of the entity or entities about whom the financial information is presented" ([Code of Virginia § 54.1-4400](#)). Therefore, when a CPA serving as a volunteer board member or officer prepares the financial statements of the entity, this does not represent the preparation of financial statements as that service is defined by SSARS No. 21 Section 70. However, to avoid any misconceptions, it is recommended that the financial statements clearly indicate that no assurance is provided.

A firm license would not be required, nor would the CPA be required to enroll in peer review. The work performed for this service would not be required to meet the profession's technical standards.

If the CPA is serving solely as a Volunteer Worker for a nonprofit entity, preparation of the entity's financial statements would meet the definition of the service as defined in SSARS No. 21 Section 70, because the CPA does not meet the exception under Virginia law of being an officer or member of the governing board. These volunteer services would require that the CPA have a firm license, but would not need to be enrolled in peer review, as long as no attest or compilation services have been performed. SSARS No. 21 Section 70 would require that the financial statements clearly indicate that no assurance is provided. All work performed must comply with the profession's technical standards.

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## Inactive Status

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Based on VBOA Policy #9, Inactive Status Procedure for Approval/Denial/Appeal – A person who holds a Virginia license with the status of Inactive has the privilege of using the CPA title. However, the individual's current job duties may not require the use of accounting, financial, tax or other skills that are relevant, as determined by the VBOA and therefore is not required to meet the VBOA's CPE requirements.

CPAs who hold the Inactive status generally cannot provide volunteer services since such services typically require the use of accounting or other relevant accountancy skills.

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<sup>2</sup> Professional standards provide that the preparation of financial statements by a licensee who is an owner, officer, employee or member of the governing body of the entity is not a compilation service or financial statement preparation service, as these services are defined by SSARS No. 21, Sections 70 and 80.

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## Definitions

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### **Not-for-Profit Entity**

An entity that possesses the following characteristics, in varying degrees, that distinguish it from a business entity:

- Contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate monetary return.
- Operating purposes other than to provide goods or services at a profit.
- Absence of ownership interests like those of business entities. Entities that clearly fall outside this definition include the following:
  - All investor-owned entities and entities that provide dividends, lower costs or other economic benefits directly and proportionately to their owners, members, or participants, such as mutual insurance entities, credit unions, farm and rural electric cooperatives, and employee benefit plans.

The following definitions are based on [Code of Virginia § 54.1-4400](#).

**Attest Services:** Audit, review, or other attest services for which standards have been established by the Public Company Accounting Oversight Board, by the Auditing Standards Board or the Accounting and Review Services Committee of the AICPA, or by any successor standard-setting authorities.

**Compilation Services:** Compiling financial statements in accordance with standards established by the AICPA or by any successor standard-setting authorities.

**Financial Statement Preparation Services:** Preparing financial statements in accordance with standards that have been established by the AICPA or by any successor standard-setting authorities.

**Financial Statement:** A presentation of historical or prospective financial information about one or more persons or entities.

**Practice of Public Accounting:** The giving of an assurance other than (i) by the person or persons about whom the financial information is presented or (ii) by one or more owners, officers, employees, or members of the governing body of the entity or entities about whom the financial information is presented.

**Assurance:** Any form of expressed or implied opinion or conclusion about the conformity of a financial statement with any recognition, measurement, presentation, or disclosure principles for financial statements.

**Volunteer Worker:** An individual other than a volunteer officer or member of a governing body.