

# 401k Audited Financial Statement Examples 2021

## AUDITED FINANCIAL STATEMENT

The following standard is found in Chapter IV, Section B – Financial Capability of the ABHES Accreditation Manual, 17<sup>th</sup> Edition.

### SECTION B – Financial Capability

*IV.B.1. An institution demonstrates that it has the financial resources to ensure continuity of operation and to fulfill its obligations to students and employees.*

The financial well-being of an institution requires regular oversight by management. The institution demonstrates it has revenues and assets available to meet the institution's responsibilities, including continuity of service and the accomplishment of overall educational objectives. Institutions will submit audited financial statements. Factors to be considered include but are not limited to ratio of current assets to liabilities for the most recent operating year, history of operating results, and net worth.

In order to achieve or maintain institutional accreditation with ABHES, each initial and renewal applicant institution must submit each year the audited financial statements within six months after the completion of their fiscal year or 30 days after the audit is released, whichever is earlier. The audited financial statement must be emailed to [financial@abhesis.org](mailto:financial@abhesis.org). The subject line must include the ABHES ID# (if applicable) and the institution's name.

**It is advised that institutions provide these guidelines to an outside agency or individual CPA to ensure that the audited statements meet the following criteria:**

- \_\_\_\_\_ The statement is audited and includes a comparative financial statement for the most recent two consecutive years
- \_\_\_\_\_ A balance sheet is included
- \_\_\_\_\_ An income statement covering the most recent twelve-month period is included
- \_\_\_\_\_ A statement of cash flows is included
- \_\_\_\_\_ Appropriate disclosures are included (including footnotes)
- \_\_\_\_\_ The statements have been prepared by an outside agency or individual CPA
- \_\_\_\_\_ The statements are prepared using generally accepted accounting principles (GAAP) on an accrual basis.

**401k audited financial statement examples 2021** are critical documents that provide transparency and assurance to plan participants regarding the management and status of their retirement funds. As 401(k) plans grow in complexity and size, regulatory requirements, including the need for audited financial statements, have become more prevalent. This article will delve into the importance of audited financial statements for 401(k) plans, the components of these statements, and provide examples from 2021.

## Understanding 401(k) Audited Financial Statements

401(k) audited financial statements are comprehensive reports that provide a detailed overview of a retirement plan's financial health. These statements are typically prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are subject to rigorous independent audits. The primary purpose of these audits is to ensure accuracy, compliance, and transparency, thus protecting the interests of the participants.

# Importance of Audits for 401(k) Plans

The significance of having audited financial statements for 401(k) plans cannot be overstated. Key reasons include:

1. **Regulatory Compliance:** Many 401(k) plans are required by the Employee Retirement Income Security Act (ERISA) to have annual audits when they exceed 100 participants.
2. **Transparency:** Audited financial statements offer participants insight into the plan's financial operations, including investments, expenses, and overall performance.
3. **Fraud Prevention:** Regular audits can help deter and detect fraud or mismanagement of funds, thus safeguarding participants' savings.
4. **Credibility:** An independent audit lends credibility to the financial statements, reassuring stakeholders that the reported information is accurate and reliable.

## Components of 401(k) Audited Financial Statements

An audited financial statement for a 401(k) plan typically includes several key components:

1. **Statement of Net Assets Available for Benefits:** This statement lists the plan's assets and liabilities, providing a snapshot of the financial position at a specific date.
2. **Statement of Changes in Net Assets Available for Benefits:** This statement outlines the changes in the plan's net assets over a reporting period, detailing contributions, investment income, and benefit payments.
3. **Notes to Financial Statements:** These notes provide additional context and explanations for the figures presented in the financial statements, including accounting policies and significant transactions.
4. **Independent Auditor's Report:** This report, issued by a certified public accountant (CPA), expresses the auditor's opinion on the fairness and accuracy of the financial statements.

## 401(k) Audited Financial Statement Example Structure

To better understand what a typical 401(k) audited financial statement looks like, we can break it down into a structured format:

1. **Cover Page**
  - Title of the Statement
  - Plan Name
  - Reporting Period
2. **Independent Auditor's Report**
  - Opinion on financial statements
  - Basis for opinion
3. **Financial Statements**
  - Statement of Net Assets Available for Benefits
  - Statement of Changes in Net Assets Available for Benefits

#### 4. Notes to Financial Statements

- Summary of significant accounting policies
- Details on investments
- Participant information

#### 5. Supplemental Schedules (if applicable)

- Schedule of assets held for investment purposes
- Schedule of delinquent participant contributions

## **Examples of 401(k) Audited Financial Statements from 2021**

While actual audited financial statements are often proprietary and not publicly available, we can outline hypothetical examples based on common practices observed in 2021. Below are two fictional examples of 401(k) audited financial statements based on the structure discussed.

### **Example 1: XYZ Corporation 401(k) Plan**

#### Independent Auditor's Report

We have audited the accompanying statements of net assets available for benefits of the XYZ Corporation 401(k) Plan as of December 31, 2021, and the related statement of changes in net assets available for benefits for the year then ended. In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan.

#### Statement of Net Assets Available for Benefits

- Assets:
- Cash and Cash Equivalents: \$250,000
- Investments: \$5,500,000
- Receivables: \$50,000
- Liabilities:
- Accounts Payable: \$20,000
- Net Assets Available for Benefits: \$5,780,000

#### Statement of Changes in Net Assets Available for Benefits

- Additions:
- Contributions: \$600,000
- Investment Income: \$400,000
- Deductions:
- Benefits Paid: \$300,000
- Administrative Expenses: \$50,000
- Net Increase: \$650,000
- Net Assets Available for Benefits, Beginning of Year: \$5,130,000
- Net Assets Available for Benefits, End of Year: \$5,780,000

#### Notes to Financial Statements

- Note 1: Description of the Plan

- Note 2: Summary of Accounting Policies
- Note 3: Investments

## **Example 2: ABC Tech 401(k) Plan**

### Independent Auditor's Report

We have audited the financial statements of the ABC Tech 401(k) Plan for the year ended December 31, 2021. In our opinion, the financial statements provide a true and fair view of the financial position of the Plan.

### Statement of Net Assets Available for Benefits

- Assets:
- Cash and Cash Equivalents: \$150,000
- Investments: \$4,200,000
- Receivables: \$75,000
- Liabilities:
- Accounts Payable: \$30,000
- Net Assets Available for Benefits: \$4,395,000

### Statement of Changes in Net Assets Available for Benefits

- Additions:
- Contributions: \$500,000
- Investment Income: \$350,000
- Deductions:
- Benefits Paid: \$200,000
- Administrative Expenses: \$25,000
- Net Increase: \$625,000
- Net Assets Available for Benefits, Beginning of Year: \$3,770,000
- Net Assets Available for Benefits, End of Year: \$4,395,000

### Notes to Financial Statements

- Note 1: Plan Description
- Note 2: Summary of Significant Accounting Policies
- Note 3: Investment Risks

## **Conclusion**

In conclusion, 401k audited financial statement examples 2021 highlight the importance of transparency and accountability in retirement plan management. These statements not only fulfill legal obligations but also serve as a vital tool for participants to understand their retirement assets. By regularly reviewing and ensuring the accuracy of financial statements, 401(k) plans can bolster trust among participants, enhance financial literacy, and promote a culture of responsible retirement planning. As regulations evolve, it is crucial for plan sponsors to stay informed and prioritize the integrity of their financial reporting practices.

# **Frequently Asked Questions**

## **What is a 401(k) audited financial statement?**

A 401(k) audited financial statement is a comprehensive report that provides an overview of a company's 401(k) plan financial activities, including assets, liabilities, income, and expenses, which is validated by an independent auditor.

## **Why are 401(k) plans required to have audited financial statements?**

401(k) plans with 100 or more participants are required to have audited financial statements to ensure compliance with the Employee Retirement Income Security Act (ERISA) and to protect the interests of plan participants.

## **What are the key components of a 401(k) audited financial statement?**

Key components include the statement of net assets available for benefits, statement of changes in net assets, notes to the financial statements, and the auditor's opinion.

## **How can I find examples of 401(k) audited financial statements from 2021?**

Examples can typically be found on the U.S. Department of Labor's website, in Form 5500 filings, or through financial institutions that manage retirement plans.

## **What should I look for in a 401(k) audited financial statement?**

Look for clear disclosures regarding plan assets, liabilities, investment performance, fees, and any significant changes from previous years.

## **How do 401(k) audited financial statements differ from regular financial statements?**

401(k) audited financial statements are specifically focused on retirement plan activities and compliance, while regular financial statements pertain to the overall financial position and performance of a business.

## **What role does an independent auditor play in the 401(k) audited financial statement?**

An independent auditor evaluates the accuracy and fairness of the financial statements, ensuring that they comply with applicable accounting standards and regulations.

# What are the consequences of not having an audited financial statement for a 401(k) plan?

Failure to obtain an audited financial statement can result in penalties, disqualification of the plan's tax status, and increased scrutiny from regulatory bodies.

## Can small 401(k) plans also benefit from having audited financial statements?

Yes, even though small 401(k) plans are not required to have audits, obtaining them can enhance transparency, build trust with participants, and help identify potential issues.

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