STATE OF NEW YORK DEPARTMENT OF LAW

OFFICE OF ATTORNEY GENERAL ROBERT ABRAMS

MEMORANDUM

TO: REF Attorneys and Legal Assistants

DATE: 1/17/86

FROM: Mary Sabatini DiStephan/Nancy Kramer MSD

RE: Certified Financial Statements
[Replaces memo of 10/22/84]

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13 NYCRR 18.3 (j)(ii) requires that the accountant's certification state:

> "that, in the accountant's opinion, the statement of income and expenses presents fairly the income and expenses of the building for the periods specified in conformity with generally accepted accounting principles applied on a consistent basis."

Standards promulgated by the American Institute of Certified Public Accountants (AICPA) make it clear that cash basis financials are NOT intended to present the financial position in conformity with generally accepted accounting principles. A footnote to that effect is required by AICPA on all cash basis financials.

Therefore, cash basis financials are not acceptable under our regulations.

Please note also that 13 NYCRR 18.3(j)(i) provides that the accountant's certification must:

> " State that the examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and other auditing procedures as are generally considered necessary in the circumstances." (emphasis added).

We consider it acceptable for the certification to state that "the examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances."