

# 401k audited financial statement examples 2022

**401k audited financial statement examples 2022** are essential for both plan sponsors and participants. These statements provide detailed insights into the financial health of 401(k) plans, ensuring compliance with regulatory requirements while offering transparency regarding the management of retirement funds. In 2022, many organizations were required to conduct audits of their 401(k) plans to provide assurance on the accuracy and completeness of their financial statements and to help mitigate risks associated with fraud and mismanagement. In this article, we will explore the purpose of these audited financial statements, the components they include, examples from 2022, and best practices for plan sponsors.

## Understanding 401(k) Audited Financial Statements

401(k) audited financial statements serve multiple purposes. They are intended to:

1. **Ensure Compliance:** The Employee Retirement Income Security Act (ERISA) mandates that certain 401(k) plans undergo an annual audit if they have more than 100 participants.
2. **Promote Transparency:** Providing participants with accurate financial data fosters trust and confidence in the management of their retirement savings.
3. **Assess Financial Performance:** These statements allow stakeholders to evaluate the financial performance of the retirement plan, including returns on investments and expenses incurred.

## Components of a 401(k) Audited Financial Statement

An audited financial statement typically includes several key components:

1. **Independent Auditor's Report:** This is a formal opinion on the financial statements' fairness and compliance with Generally Accepted Accounting Principles (GAAP).
2. **Statements of Net Assets Available for Benefits:** This statement presents the plan's assets and liabilities at a specific point in time, showing the net assets available for participant benefits.
3. **Statement of Changes in Net Assets Available for Benefits:** This statement reflects the inflows and outflows of funds during the reporting period, illustrating how the plan's net assets have changed over time.
4. **Notes to Financial Statements:** These notes provide additional context and detail regarding the financial statements, including accounting policies,

significant assumptions, and other relevant information.

5. Schedule of Delinquent Participant Contributions: This schedule highlights any overdue contributions owed to participants, ensuring transparency in plan management.

## **Examples of 401(k) Audited Financial Statements in 2022**

To better understand what 401(k) audited financial statements look like, let's review some hypothetical examples based on common practices observed in 2022.

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

#### **Independent Auditor's Report**

The auditor expressed an unmodified opinion on the financial statements, stating that they present fairly, in all material respects, the net assets of the XYZ Corporation 401(k) Plan as of December 31, 2022.

#### **Statements of Net Assets Available for Benefits**

- Assets
- Cash and Cash Equivalents: \$2,500,000
- Investments at Fair Value: \$50,000,000
- Receivables: \$500,000
- Liabilities
- Accounts Payable: \$300,000
- Due to Participants: \$200,000
- Net Assets Available for Benefits: \$52,500,000

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

- Additions
- Contributions: \$5,000,000
- Investment Income: \$3,000,000
- Deductions
- Benefits Paid to Participants: \$2,000,000
- Administrative Expenses: \$500,000
- Net Change in Assets: \$5,500,000

#### **Notes to Financial Statements**

- The plan's investment strategy includes a diversified portfolio of stocks, bonds, and mutual funds.
- Administrative expenses have increased due to enhanced compliance measures.

## Example 2: Small Business 401(k) Plan

### Independent Auditor's Report

The auditor issued a qualified opinion due to a lack of sufficient evidence regarding certain transactions, but stated that the overall financial statements are fairly presented.

### Statements of Net Assets Available for Benefits

- Assets
- Cash and Cash Equivalents: \$150,000
- Investments at Fair Value: \$1,200,000
- Liabilities
- Accounts Payable: \$50,000
- Net Assets Available for Benefits: \$1,300,000

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

- Additions
- Contributions: \$300,000
- Investment Income: \$50,000
- Deductions
- Benefits Paid to Participants: \$100,000
- Net Change in Assets: \$250,000

### Notes to Financial Statements

- The plan adopted a conservative investment strategy focused primarily on bonds and fixed-income securities.
- The plan sponsor is reviewing compliance procedures to address the auditor's concerns.

## Best Practices for 401(k) Plan Sponsors

Plan sponsors play a crucial role in the management of 401(k) plans and must adhere to best practices to ensure compliance and to protect participants' interests. Here are several recommendations:

1. **Maintain Accurate Records:** Ensure that all financial transactions are documented and maintained properly to facilitate the auditing process.
2. **Hire a Qualified Auditor:** Select an independent auditor with experience in employee benefit plans to ensure a thorough and compliant audit.
3. **Conduct Regular Reviews:** Regularly review plan operations, fees, and compliance measures to identify areas for improvement.
4. **Educate Participants:** Provide education and resources to help participants understand their benefits and the financial health of the plan.
5. **Stay Informed on Regulatory Changes:** Keep abreast of changes in regulations that may affect the plan's compliance requirements and reporting standards.

# Conclusion

In conclusion, 401(k) audited financial statement examples for 2022 illustrate the critical role that financial transparency plays in retirement plan management. By ensuring compliance with ERISA regulations and providing stakeholders with accurate financial data, plan sponsors can enhance trust and confidence among participants. By following best practices and understanding the components of these statements, sponsors can effectively manage their 401(k) plans and foster a secure financial future for their employees. As the landscape of retirement planning continues to evolve, staying informed and proactive is essential for both plan sponsors and participants alike.

## Frequently Asked Questions

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

A 401k audited financial statement is a comprehensive report that includes the financial status of a 401k retirement plan. It is prepared by an independent auditor to ensure compliance with federal regulations and to provide assurance to plan participants about the accuracy of the financial information.

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

401k plans are required to have audited financial statements to protect participants' interests and ensure that the plan is managed in accordance with the Employee Retirement Income Security Act (ERISA). Audits help to identify any discrepancies and promote transparency in plan management.

### **What key components should be included in a 401k audited financial statement?**

Key components of a 401k audited financial statement 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 letter.

### **How can I obtain examples of 401k audited financial statements from 2022?**

You can obtain examples of 401k audited financial statements from 2022 by visiting the U.S. Department of Labor's website, checking with the plan administrator, or reviewing public filings available through the Form 5500 database.

## **What are common discrepancies found in 401k audited financial statements?**

Common discrepancies in 401k audited financial statements may include incorrect asset valuations, misclassification of transactions, failure to follow proper reporting standards, and inaccuracies in participant account balances.

## **What are the implications of not having an audited financial statement for a 401k plan?**

Not having an audited financial statement can result in regulatory penalties, increased scrutiny from the Department of Labor, and a loss of trust from participants. It may also affect the plan's ability to attract and retain employees.

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