



Neighborhood Assistance Program and Youth Opportunities Program Audit Guidelines

These guidelines are not intended to be a complete manual of procedures, nor are they intended to supplant the auditor's judgment of the work required to meet the audit's objectives. These guidelines may not cover all circumstances encountered while performing the program-specific audit, similarly not all procedures will apply to every situation. Auditors must use their professional judgment in determining the work necessary to render the required opinions.

General Requirements

1. Neighborhood Assistance Program (NAP) and Youth Opportunities Program (YOP) projects which have been issued \$25,000 or more in tax credits shall have a financial and compliance audit of the project.
2. The audit must be completed by an independent Certified Public Accountant (CPA) licensed in the state of Missouri and must be conducted in accordance with generally accepted auditing principles. The CPA must be independent and objective to the extent that there can be no vested interest in the audit results.

Timing

1. One copy of the audit reporting package is to be submitted to the Department of Economic Development **no later than 6 months after the close of the fundraising period**. The reporting package should be mailed to the following address:

Business and Community Services
ATTN: Compliance Officer
PO Box 118
Jefferson City, MO 65102
2. The audit may be performed at the conclusion of the fundraising period or, if the fundraising period extends for more than one year, you may choose to perform an audit annually during the fundraising period.
3. If you choose to have your audit performed in conjunction with an organization wide financial statement audit and the 6-month deadline noted above cannot be met, an extension of time can be requested from the Department of Economic Development. However, the audit cannot be donated for tax credits. In general, extensions are not granted for more than three months after the end of the fundraising period.

Specific Requirements

1. The number and extent of transactions to be tested as part of the audit is a matter of the Certified Public Accountant's professional judgment.
2. The audit reporting package should consist of the following:
 - a. Auditors' report on the project financial statements and report on compliance with the compliance requirements noted below. The reports can be combined or separate.
 - b. Statement of project receipts and disbursements showing project cash and in-kind receipts and disbursements. The statement should also show ending project net assets if there are any. Disbursements must be shown separately according to line items previously approved in budget.
 - c. Notes to the project financial statement including significant accounting policies and procedures.
 - d. **The total of all receipts and disbursements designated to the fund including receipt of contributions for which the tax credit application has not yet been completed and/or filed with DED.** If a complete

record of these transactions is not submitted in the audit package, an audit addendum will be required to detail the receipts and disbursements that are unaccounted for.

- e. A schedule of findings and questionable costs when applicable. The schedule will include all material noncompliance with provisions of laws, program regulations or the Project Agreement and questioned costs. Whenever possible, identified findings should be quantified and recommendations should be given for resolving the noncompliance.

Compliance Requirements

1. NAP/YOP Fund cash contributions paid to the Organization shall be deposited in a bank or other financial institution located in the state of Missouri insured by the FDIC or FSLIC.
2. The accounting records of the Organization must separately track NAP/YOP project receipts and disbursements.
3. Project disbursements must be supported by adequate documentation (e.g. payroll records, purchase orders, vendor invoices, canceled checks, etc.) indicating the nature of the expenses as it relates to the approved project budget.
4. Expenditures of NAP/YOP credit contributions are used only for the purpose stated in the Project Agreement.
5. Adequate documentation is maintained for all in-kind contributions. Documentation should include contribution receipts noting donor name and description of contribution. In addition, the organization should have support for how the fair market value of the contribution was determined.
6. NAP/YOP contributions are applied only toward costs incurred during the fundraising period, unless the expenditure is for the audit expense or specifically approved by the Missouri Department of Economic Development, and must be used only for the expenses indicated in the approved budget.
7. Internal records with regards to contributions must agree with information submitted to the Missouri Department of Economic Development on NAP/YOP Tax Credit Applications.
8. Expenditures listed in the project audit must be within \$500 of the line items in the approved budget. Projects must have an approved revised budget if the expenditures exceed the authorized amount.
9. Any funds remaining 6 months after the fund-raising period must be placed in an escrow account and used specifically for the last expenditures of the project. Expenditures outside of the fundraising period must have prior approval by the Missouri Department of Economic Development.

General Questions and Answers

1. Can NAP/YOP credits be used to pay for the audit?
Yes, for NAP only, the audit itself can be donated for credit if it has occurred during the six (6) month period following the project period. For NAP/YOP cash contributions can be used to pay for the audit. However, NAP/YOP funds used to pay for the audit must have been received during the fundraising period being audited and must be shown in the approved budget. Only the cost of the NAP/YOP portion of the audit is eligible for tax credits.
2. If the audit is donated, how is the service valued?
The value of the service is the hours of service billed at the accounting firm's standard hourly rates.
3. If the NAP/YOP audit is conducted in conjunction with an entity wide financial audit, how is the NAP/YOP portion of the audit fees determined?
You may choose one of the following options:
 - a. The auditor may submit an itemized invoice splitting out the NAP/YOP portion of the overall audit fee.
 - b. If the auditor does not submit a detailed invoice, you may divide the amount of NAP/YOP receipts by the total entity revenue and pro-rate the cost of the overall audit accordingly.
4. What if the NAP/YOP funds have not been spent by the time the final NAP/YOP audit for the project is completed?

If the final audit deadline precedes the time that all funds have been spent, the statement of receipts and disbursements would show the balance of unspent funds as ending net assets. Once the money is spent the organization must get an addendum from the auditor verifying expenses. Quarterly reports will continue to be due until all funds have been expended.

5. How is interest earned on the funds treated?

Interest earned on the funds is not considered part of the project receipts and is, therefore, unrestricted income that is not part of the project audit.

6. What if the line items or amounts differ from the budget previously approved?

The project will need to submit a budget amendment form, which agrees with the audit.

Contact Information

Business and Community Services
Compliance Team
ATTN: Marcy Mealy
Harry S. Truman Building, Room 770
PO Box 118
Jefferson City, MO 65102
(573) 751-3600
marcy.mealy@ded.mo.gov

EXAMPLE AUDITORS' REPORT AND STATEMENT

The following is an example of a suggested report format for the NAP/YOP project audit. This example is based on an audit issued separately from an entity wide financial statement, with an unqualified opinion and no instances of noncompliance with NAP/YOP guidelines noted during the audit.

If the actual report is issued with the entity wide financial statement, is other than unqualified, and/or there were instances of noncompliance with NAP/YOP project guidelines noted during the audit, the report would need to be modified according to professional standards.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Example Project
Anytown, Missouri

We have audited the accompanying statement of receipts and disbursements – NAP/YOP Project #XXXX-XXXX of Example Project for the period July 1, XXXX to June 30, XXXX. Example Project's Board of Directors and Management provided the information contained in the statement of receipts and disbursements and are responsible for the accuracy of the information contained therein. Our responsibility is to express an opinion regarding this statement based on the audit performed by our agency.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of receipts and disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates of cash receipts and disbursements – NAP/YOP Project #XXXX-XXXX. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of receipts and disbursements was prepared to comply with the contractual agreement between Example Project and the Missouri Department of Economic Development, as described in Note 1 and is not intended to be a complete presentation of the financial statements of Example Project.

In our opinion, the accompanying statement of receipts and disbursements presents fairly, in all material respects, the receipts and disbursements of the NAP/YOP Project #XXXX-XXXX for the period July 1, XXXX to June 30, XXXX pursuant to the NAP/YOP Agreement referred to in Note 1, in conformity with the basis of accounting described in Note 1.

In connection with our audit, nothing came to our attention that caused us to believe that Example Project failed to comply with the compliance requirements as set forth in the Neighborhood Assistance Program FY XX Agreement.

This report is intended solely for the information and use of the Board of Directors and Management of Example Project and the Missouri Department of Economic Development and should not be used by anyone other than these specified parties.

Firm's Signature

City, State and Report Date

NAP/YOP Project Audit-Report of Compliance Requirements

Name of Organization-Reference Number

1. NAP/YOP Fund cash contributions paid to the Organization shall be deposited in a bank or other financial institution located in the state of Missouri insured by the FDIC or FSLIC.

Response: A review of the contributions indicated the contributions were deposited in (Bank Name) which is FDIC insured.

2. The accounting records of the Organization must separately track NAP/YOP project receipts and disbursements.

Response: The administering organization had established a NAP/YOP fund within their accounting system and clearly illustrated which were NAP/YOP donations and expenditures.

3. Project disbursements must be supported by adequate documentation (e.g. payroll records, purchase orders, vendor invoices, canceled checks, etc.) indicating the nature of the expenses as it relates to the approved project budget.

Response: A review indicated that all disbursements were supported by purchases orders, invoices and canceled checks.

4. Expenditures of NAP/YOP credit contributions are used only for the purpose stated in the Project Agreement.

Response: All expenditures of contributions comply with the purpose stated in the Project Agreement.

5. Adequate documentation is maintained for all in-kind contributions. Documentation should include contribution receipts noting donor name and description of contribution. In addition, the organization should have support for how the fair market value of the contribution was determined.

Response: A review indicated that there was one non-cash donation of a van. The van was a NAP/YOP budgeted item and is being used for the project to transport youth.

6. NAP/YOP contributions are applied only toward costs incurred during the fundraising period, unless the expenditure is for the audit expense or specifically approved by the Missouri Department of Economic Development, and must be used only for the expenses indicated in the approved budget.

Response: The fund-raising period for this project is 1/1/20XX-12/31/20XX. There were 30 records for expenditures, all taking place within the time frame. All expenses incurred were in the approved budget.

7. Internal records with regards to contributions must agree with information submitted to the Missouri Department of Economic Development on NAP/YOP Tax Credit Applications.

Response: All records of contributions agree with tax credit applications submitted to the Missouri Department of Economic Development.

8. Expenditures listed in the project audit must be within \$500 of the line items in the approved budget. Projects must have an approved revised budget if the expenditures exceed the authorized amount.

Response: All expenses were within \$500 of the approved line items in the budget.

9. Any funds remaining 6 months after the fund-raising period must be placed in an escrow account and used specifically for the last expenditures of the project. Expenditures outside of the fundraising period must have prior approval by the Missouri Department of Economic Development.

Response: \$7,250 remained in the NAP/YOP fund six months after the fund-raising period. That money was placed in an escrow account and used for expenditures that were outlined in their NAP budget, specifically completion of construction. These expenditures completed the project as proposed. The organization received permission from DED to spend these funds outside of the fundraising period.

EXAMPLE PROJECT

STATEMENT OF RECEIPTS AND DISBURSEMENTS -
NAP/YOP PROJECT #XXXX-XXXXX
FOR THE PERIOD JULY 1, XXXX TO JUNE 30, XXXX

Receipts

Contributions – cash	\$ _____
Contributions – in-kind	\$ _____
Contributions – stock	\$ _____
Total receipts	\$ _____

Disbursements

This statement must list specific budget line items previously approved in the budget (project will need to amend budget if the line items or amounts differ) and the funds disbursed under each line item.

Salaries and benefits	\$ _____
Equipment	\$ _____
Supplies	\$ _____
Total disbursements	\$ _____
Ending net assets - NAP	\$ _____

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

EXAMPLE PROJECT

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS -
NAP/YOP PROJECT #XXXX-XXXXX
FOR THE PERIOD JULY 1, XXXX TO JUNE 30, XXXX

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying statement of receipts and disbursements – NAP/YOP Project #XXXX-XXXXX includes the NAP/YOP activity of Example Project and is presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the modified cash basis of accounting, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. In-kind contributions are treated as receipts and disbursements when received.

The information in this schedule is presented in accordance with requirements of the State of Missouri NAP/YOP Audit Guidelines.

DONATED PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as contributions at their estimated fair market value at the date of donation.