



NAP/YOP Audit Guidelines/Agreed Upon Procedures

Neighborhood Assistance Program (NAP) and Youth Opportunities Program (YOP) projects utilizing \$25,000 or more in tax credits are required to submit an NAP/YOP Audit/Agreed Upon Procedures (to be called “the audit”). The audit must be completed by a licensed, Missouri Certified Public Accountant (CPA) and must be conducted in accordance with Generally Accepted Auditing Standards. The CPA must be independent of the NAP/YOP organization and objective to the extent that he/she has no vested interest in the audit results.

Specific Requirements

1. **The audit must be specific to NAP/YOP donations and expenses.** It **should not** include any non-NAP/YOP donations or expenses. If the audit is completed as part of a larger organizational audit, a special section must be included to address NAP/YOP, where NAP/YOP donations and expenses are clearly separated and identified.
2. 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.
3. The audit package should consist of the following:
 - Auditor’s letter addressing project financial statements and opinion.
 - Statement of project receipts and disbursements showing project cash and in-kind receipts and disbursements.
 - Disbursements must be shown separately and in accordance with the categories and line items listed in the approved budget.
 - The Statement **should include all NAP/YOP donations, including the receipt of donations for which tax credit applications have not yet been completed and/or filed with the Department of Economic Development (DED).** If any NAP/YOP donations (and corresponding expenses) are not included, an audit addendum may be required to detail the receipts and disbursements that were omitted.
 - All NAP/YOP donations should have been spent during the approved project period. Any NAP/YOP donations remaining at the end of the project period must be shown as ending net assets on the Statement of Receipts and Disbursements, and the organization must have DED approval for a plan and timeline for expending the remaining funds.
 - Notes to the project financial statement, including significant accounting policies and procedures, should include a listing and description of findings and questionable costs, as

applicable. The listing should include all material noncompliance with provisions of laws, program regulations, or the Project Agreement, as well as questioned costs. Whenever possible, identified findings should be quantified and recommendations should be given for resolving instances of noncompliance.

- Auditor's report on compliance, based on the compliance requirements and questions identified below (**DED Program Compliance #'s 1-9**).

DED Program Compliance Requirements

1. NAP/YOP contributions paid to the organization were deposited in a bank or other financial institution located in the state of Missouri and insured by the FDIC or FSLIC.
2. The accounting records of the organization separately tracked NAP/YOP project receipts and disbursements from other agency incomes and expenses.
3. Project disbursements were supported by adequate documentation (e.g. payroll records, purchase orders, vendor invoices, canceled checks, etc.) indicating the nature of the expenses as they related to the approved project budget.
4. Expenditures of NAP/YOP donations were only for the purpose stated in the Project Agreement.
5. Adequate documentation was maintained for all in-kind contributions. (Documentation includes contribution receipts noting the donor name and description of contribution.) In addition, the organization documented how the fair market value of in-kind contributions was determined.
6. NAP/YOP contributions were applied only toward costs incurred during the project period, except for an expenditure for the audit expense or other expense specifically approved by the DED.
 - If the project was given written approval to spend donations after the project period end date, indicate so here and provide a detailed disbursement of the donations. Detail should include date, expense category, and amount per item.
7. Internal contribution records agreed with information submitted to the DED on NAP/YOP Tax Credit Applications.
8. Expenditures included in the project audit matched the line items on the most recent approved budget or the Final Budget (previously called the Statement of Final Expenditures). (A Final Budget is required if actual NAP/YOP expenditures differ from approved amounts.)
9. Any NAP/YOP funds remaining six months after the project period end date must be placed in an escrow account and used specifically for the last expenditures of the project.

Timing

1. Submit one copy of the audit to the DED, no later than six months after the end of the project period, via email, fax, or general mail.
2. If the audit cannot be completed within six months of the project period end date, the organization must request an audit extension from DED staff. The audit will still be counted as being received late for purposes of assessing deficiency points on future applications.

3. The audit package should be mailed to:

MO Department of Economic Development
ATTN: NAP/YOP
PO Box 118
Jefferson City, MO 65102

NOTICE: 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 audit objectives. These guidelines may not cover all circumstances encountered while performing the NAP/YOP specific audit, and 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.

Frequently Asked Questions

1. Can NAP/YOP credits be used to pay for the audit?

Yes. For NAP, the audit can be donated for tax credits if it is completed during the six month period following the project period. For NAP and 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 project period and must be included on 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 audit cost should be based upon hours of service and billed at the CPA's standard hourly rate. Rates **should not** be inflated to offset the amount of credit received by the auditor.

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 fee 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, divide the amount of NAP/YOP receipts by the total entity revenue and prorate the cost of the overall audit accordingly.

4. What if the NAP/YOP funds were not spent during the NAP/YOP project period?

All NAP/YOP donations should be spent during the approved project period (except funds held to pay for the audit). If funds remain at the end of the project period, the organization must provide written documentation to show DED approved spending outside the project period. Unspent NAP/YOP funds should be listed as Ending Net Assets on the Statement of Receipts and Disbursements.

If Ending Net Assets were spent in the time between the project period end date and the completion and submission of the audit, the expending of Net Ending Assets should be clearly detailed in an audit note (see example).

Example Response - Ending Net NAP/YOP Assets spent prior to audit

completion: Organization provided written documentation of DED’s permission to spend NAP/YOP donations within 90 days after the project period end date to complete construction.

Ending Net Assets of \$16,000 were expended as follows:

07/15/20XX	Construction – Finish work	\$10,200
08/15/20XX	Client computers, telephone system	\$5,800
	Total distributions	\$16,000
	Ending Net NAP/YOP Assets	\$ 0

If NAP/YOP funds are still unspent at the time of audit submission, an additional audit or audit addendum must be submitted to DED to verify final expenditures. Prior DED approval must be obtained.

5. How is interest earned on NAP/YOP funds treated?

Interest earned on NAP/YOP funds is not considered part of the project receipts and is, therefore, unrestricted income that should not be included in the project audit.

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

The organization must submit a Final Budget (previously called the Statement of Final Expenditures) to DED within 30 days of the project period end date if actual NAP/YOP expenditures differ from the amounts listed on the most recently approved project budget. The Final Budget will reflect the actual expenses and amounts funded with NAP/YOP donations and will align with the audit Statement of Receipts and Disbursements.

EXAMPLE NAP/YOP AUDIT PACKAGE

The example beginning on the next page shows the suggested report format for the NAP/YOP audit. The example is for an audit issued separately from the entity wide financial audit, 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 something other than unqualified, and/or there were instances of noncompliance with NAP/YOP project guidelines noted during the audit, the report should be modified according to professional standards.

(Example)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
ABC Organization
Anytown, Missouri

We have audited the accompanying statement of receipts and disbursements - Neighborhood Assistance Program (NAP)/Youth Opportunities Program (YOP) Project #20XX-XXXXXX of ABC Organization (a nonprofit organization) for the period July 1, 20XX to June 30, 20XX and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial provisions of the NAP/YOP Project #20XX-XXXXXX between ABC Organization and Missouri Department of Economic Development. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts and disbursements of NAP/YOP Project #20XX-XXXXXX of ABC Organization

for the period July 1, 20XX to June 30, 20XX, in accordance with the financial provisions of NAP/YOP Project #20XX-XXXXXX as described in Note 1.

Basis of Accounting

We draw attention to the notes to the Statement of Receipts and Disbursements, which describes the basis of accounting. ABC Organization prepared the Statement based on the financial provisions of NAP/YOP Project #20XX-XXXXXX, between ABC Organization and the Missouri Department of Economic Development, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the referenced contract. The Statement is not intended to be a complete presentation of the receipts and disbursements of ABC Organization. Our opinion is not modified with respect to that matter.

Other Reporting Required by Missouri Department of Economic Development

In connection with our audit, nothing came to our attention that caused us to believe that ABC Organization failed to comply with the compliance requirements as set forth in NAP/YOP Project #20XX-XXXXXX Agreement.

Restriction on Use

This report is intended solely for the information and use of the board of directors and management of ABC Organization and Missouri Department of Economic Development. It is not intended to be, and should not be used, by anyone other than the specified parties.

Accounting Firm Signature
City, State
Report Date

Example: Report on Compliance

NAP/YOP Project Audit – DED Program Compliance
ABC Organization - Project Number

1. NAP/YOP Fund contributions paid to the organization were deposited in a bank or other financial institution located in the state of Missouri and insured by the FDIC or FSLIC.

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

2. The accounting records of the organization separately tracked NAP/YOP receipts and disbursements from other agency incomes and expenses.

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

3. Project disbursements were supported by adequate documentation (e.g. payroll records, purchase orders, vendor invoices, canceled checks, etc.) indicating the nature of each expense and how 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 contributions were only for the purpose stated in the Project Agreement.

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

5. Adequate documentation was maintained for all in-kind contributions. Documentation included contribution receipts noting donor name and description of contribution. In addition, the organization documented how the fair market value of non-cash contributions was determined.

Response: A review indicated 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 were applied only toward costs incurred during the project period, with the exception of the audit expense or expenses specifically approved by the NAP/YOP staff. Donations were used only for the expenses indicated in the approved budget.

Response: The approved project period was 07/01/20XX-06/30/20XX. There were 30 records for expenditures, all taking place within that period. All expenses incurred were in the approved budget.

7. Internal records of NAP/YOP donations agreed with information submitted to the Department of Economic Development on NAP/YOP Tax Credit Applications.

Response: All records of contributions agreed with tax credit applications submitted to the DED.

8. Expenditures listed in the project audit match the line items on the most recent approved budget or Final Budget.

Response: All expenses matched the approved line items and amounts in the approved budget.

9. At DED's discretion, organizations may be required to place NAP/YOP funds remaining six months after the project period in an escrow account, to be used specifically for the last expenditures of the project. Expenditures outside of the project period must have prior approval by the Department of Economic Development.

Response: \$7,250 remains in the NAP/YOP fund six months after the project period end date. These funds were placed in escrow at XYZ Bank, to be used for final construction expenses outlined in the NAP/YOP budget. These expenditures, expected to occur within the next 60 days, will complete the project as proposed. The organization received permission from DED to spend these funds outside of the project period. An audit addendum will be submitted once all funds have been expended to detail the date, expense type, and amount of each expense.

Example: Statement of Receipts and Disbursements

STATEMENT OF RECEIPTS AND DISBURSEMENTS
NAP/YOP PROJECT #20XX-XXXXXX
FOR THE PERIOD JULY 1, 20XX TO JUNE 30, 20XX

Receipts

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

Disbursements - This statement **must list specific NAP/YOP budget expenses** as they are listed on the approved project budget, with the amount of funds disbursed listed for each line item. (Project will need to submit a Final Budget to DED for approval if amounts differ from the original approved budget.) When amounts differ from the original budget, the auditor must use an approved Final Budget in conducting the audit.

Salary expense (NAP/YOP portion only)	\$ _____
Travel expense	\$ _____
Supplies expense	\$ _____
Contract expense	\$ _____

Total NAP/YOP disbursements \$ _____

Ending net assets – NAP/YOP \$ _____

Example: Notes to Statement of Receipts and Disbursements

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

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS

NAP/YOP PROJECT #20XX-XXXXXX

FOR THE PERIOD JULY 1, 20XX TO JUNE 30, 20XX

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying Statement of Receipts and Disbursements - Neighborhood Assistance Program/Youth Opportunities Program Project #20XX-XXXXXX includes the NAP/YOP activity of ABC Organization 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 Neighborhood Assistance Program/Youth Opportunities Program 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.