



NAP/YOP Agreed Upon Procedures (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.
3. The audit must be specific to NAP/YOP donations and expenses. It **should not** include any non-NAP/YOP funding 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 and clearly separated and identified.**

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:
 - Auditors' report 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 according to line items listed in the approved Final Budget (Final Budget).
 - All receipts and disbursements for the fund should be included. The totals for NAP/YOP donations received and expenses should include receipt of contributions for which tax credit applications have 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 may be required to detail the receipts and disbursements that are unaccounted for.

- All NAP/YOP donations should have been spent during the approved Project Period. Any donations remaining at the end of the Project Period should be shown as ending project net assets on this Statement of Receipts and Disbursements, with previous approval from DED on a means and timeline for expending remaining funds.
- Notes to the project financial statement, including significant accounting policies and procedures.
 - Should include 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.
- Auditors' 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 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 from other agency incomes and expenses.
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 Project Period unless the expenditure is for the audit expense or specifically approved by the Missouri Department of Economic Development.
 - If the project was given written approval to spend donations after the Project Period end date, the response for this question should indicate so and provide a detailed disbursement of these donations. Detail should include expense category and amount per each.

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 should match the line items on the most recent approved budget or Statement of Final Expenditures. Projects must have a Statement of Final Expenditures if the expenditures differ from authorized amounts.
9. NAP/YOP 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 Project Period must have prior approval by the Missouri Department of Economic Development.

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 Project Period (fundraising period).
2. If the audit cannot be completed within 6 months of the Project Period end date, the Organization must seek an audit extension from NAP/YOP staff. Keep in mind, the audit will still be counted as being received late for purposes of assessing any deficiency points on future applications.
3. The reporting package should be mailed to:

Business and Community Services
ATTN: NAP/YOP
PO Box 118
Jefferson City, MO 65102

Frequently Asked Questions

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

Yes. For NAP, the audit itself can be donated for credit if it has occurred during the six (6) 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 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. 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 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?

All NAP/YOP donations should be spent during the approved Project Period (with the exception of any funds held to pay for the project audit). If funds remain at the end of the Project Period, the Organization must provide written documentation to show DED approval of expenditures outside the approved Project Period. NAP/YOP funds not spent during the approved Project Period end date should be listed as Ending Net Assets on the Statement of Receipts and Disbursements.

IF the funds have been spent prior to the completion and submission of the project audit to DED, 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 for a period of 90 days past the Project Period end date, to complete construction.

The ending net assets of \$16,000 (as shown on the Financial Statement) were expended as follows:

Project period end date 6/30/2015

07/15/2014	Construction – Finish work	\$10,200
08/15/2014	Client computers	\$4,750
08/20/2014	Telephone system	\$1,050
Total distributions		\$16,000
Ending Net NAP/YOP Assets		\$ 0

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

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 to 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 (Statement of Final Expenditures) to DED within 30 days of the Project Period end date. The Final budget should reflect the actual expenses and amounts funded with NAP/YOP donations, and will amend any expenditures

that differ from preceding budgets. The project audit (Receipts and Disbursements) and Statement of Final Expenditures should match.

EXAMPLE NAP/YOP AUDIT PACKAGE

The example beginning on the next page is the suggested report format for the NAP/YOP project audit. The 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 AUDITOR'S REPORT

Board of Directors
Example Project
Anytown, Missouri

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

Auditors' 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-XXXXX of ABC Organization for the period July 1, XXXX to June 30, XXXX, in accordance with the financial reporting provisions of NAP/YOP Project #20XX-XXXXX as described in Note X.

Basis of Accounting

We draw attention to Note X of the financial statement, which describes the basis of accounting. The financial statement was prepared by ABC Organization on the basis of the financial reporting provisions of NAP/YOP Project #20XX-XXXXX between ABC Organization and 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 contract referred to above. The financial 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 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 and is not intended to be and should not be used by anyone other than those specified parties.

Firm's Signature
City, State
Report Date

Example: Report on Compliance

NAP/YOP Project Audit – DED Program Compliance

Name of Organization-Project Number

1. NAP/YOP Fund 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 from other agency incomes and expenses.

Response: The administering organization established an 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 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 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 any non-cash contributions 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 Project Period, unless the expenditure is for the audit expense or specifically approved by the Missouri Department of Economic Development. Donations 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 should match the line items on the most recent approved budget or Statement of Final Expenditures. Projects must have a Statement of Final Expenditures if the expenditures differ from authorized amounts.

Response: All expenses matched the approved line items and amounts in the approved budget/Statement of Final Expenditures.

9. NAP/YOP 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 Project Period must have prior approval by the Missouri Department of Economic Development.

Response: \$7,250 remains in the NAP/YOP fund six months after the Project Period end date. These funds have been 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-XXXXX
FOR THE PERIOD JULY 1, XXXX TO JUNE 30, XXXX

Receipts

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

Disbursements - This statement **must list specific 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 (Statement of Final Expenditures) 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-XXX

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 - Neighborhood Assistance Program/Youth Opportunities Program Project #20XX-XXXXXX 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 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.