



## GUIDANCE FOR THE CONDUCT OF AUDITS

December 2021

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## INTRODUCTION

Neighborhood Reinvestment Corporation (d/b/a NeighborWorks® America), in accordance with Section 607 (e) of the Neighborhood Reinvestment Corporation Act, as amended (42 U.S.C. 8101, et.seq.), requires recipients of grant funds provide for an annual financial audit. The annual financial audit requirement as stipulated in the Charter Agreement, is a standard condition for obtaining grants from NeighborWorks® America, is part of all Investment and Grant Agreements and Grant Letters.

The Neighborhood Reinvestment Corporation, doing business as NeighborWorks® America, is a congressionally chartered nonprofit organization. We receive an annual federal appropriation directly; but do not have an Assistance Listing (AL) or Catalog of Federal Domestic Assistance (CFDA) tracking number for our federal appropriation. However, a public law number is regularly issued with annual appropriation. If it is necessary to provide a number on the SEFA form to better identify the sources of the federal funds, we recommended organizations reference the public law number of the statute appropriated the year grant funds were received from NeighborWorks America. For instance, for grants made in FY2021, organizations that receive grant funds from NeighborWorks America are instructed to use AL 116 260.

### Public law numbers for other years:

NeighborWorks America Fiscal Year	Public Law Number	For Reporting Purposes
10/1/2017 to 9/30/2018	115-141	CFDA 115-141
10/1/2018 to 9/30/2019	116-6	CFDA 116-6
10/1/2019 to 9/30/2020	116-94	CFDA 116-94
10/1/2020 to 9/30/2021	116-260	AL 116-260

At the time of publication, the public law number for FY2022 was not known. Please reach out to [oadaudit@nw.org](mailto:oadaudit@nw.org) for current information.

Network organizations are sub-recipients of federal funds. Each organization of the NeighborWorks America network has the responsibility of preparing financial statements that provide separate accountability for all funds provided by NeighborWorks America. Transfers of assets from NeighborWorks may be contributions or, less likely, exchange transactions. Contributions may be conditional or unconditional. It is incumbent upon the recipient to understand the intended purpose of any assets received and the recognition principals promulgated by the Financial Accounting Standards Board in the Accounting Standards Codification. Furthermore, each organization is expected to provide NeighborWorksAmerica with a copy of its audited financial statements, OMB Circular A-133/Uniform Guidance and/or the reports required by Government Auditing Standards (GAS) along with the SAS 114/115 communication and a management letter within 180 days after the organization's fiscal year end.

The following guidelines have been developed to assist organizations and their auditors understand the proper format and minimum content requirements for audits submitted to NeighborWorks® America. We recommend sharing this document with your CFO, finance staff, and your external auditor. Please consider this document when developing the scope of services for your audit Request for Proposal (RFP). There may be additional federal, state or local accounting and reporting requirements, or other grantor stipulations. Thus, organizations should conduct the necessary research to ensure that all audit requirements are met.

Questions and comments regarding the guide should be directed to:

Kent Hawkins, CPA

Senior Director of Financial and Offsite Analysis Organization Assessment Division NeighborWorks® America  
4435 Main Street, Suite 700, Kansas City, Missouri 64111

(816) 714-1214 or [Khawkins@nw.org](mailto:Khawkins@nw.org)

## EFFECTIVE DATE

This guide replaces all previous guides and is effective for audits of fiscal years ending on or after October 31, 2021.

### 1. Audit and Financial Statement Requirements

Failure to comply with all criteria will delay an organization's ability to receive funds from NeighborWorks America. The audited financial statements must meet the following criteria:

- A. The audit report must contain an unmodified opinion on the consolidated financial statement and related Schedule of Federal Awards.
- B. All reportable conditions and documented audit findings must be submitted with the audit report, in writing. Reportable conditions will normally be documented in the GAS report, Uniform Guidance report the SAS 114/115 communication or the management letter. If a SAS 114/115 letter was not issued by your auditor the organization should affirm that document was provided by your auditor. This information should be communicated in writing and accompany the audit report.
- C. If the organization expends less than of \$750,000 in federal grants during its fiscal year, applicable GAS and OMB Circular A-133/Uniform Guidance report is not required, the organization should affirm in writing that expenditures of federal funds were less than \$750,000 and an A-133/Uniform Guidance report is not required, the organization should affirm in writing that expenditures of federal fund were less than \$750,000.
- D. All NeighborWorks® America capital finds must be clearly identified as restricted until donor release of (where expressly authorized) as restricted until first use net assets in the consolidated financial statements. This must equal or exceed the relevant, approved Investment and Grant agreement. All NeighborWorks® America grant awards per the Investment and Grant Agreement must conform to reporting guidelines as required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification, i.e., net assets without restriction, or net assets with restrictions. See Exhibit C for more details. All chartered organizations can review our record of restricted fund balances by accessing the grants portal. See page 19 of the "Grants Portal NWO User Manual" for more detail. Don't hesitate to contact the OAD financial analysts for assistance. The audit must confirm that the funds provided by

NeighborWorks® America are being held as restricted until restricted until first use funds or restricted until donor release, and are fully insured either by FDIC insurance adequate collateral, or government securities such as treasury bills, notes or bonds and guidelines.

- E. The audit report and related financial statements must be submitted within 180 days of the organization's fiscal year end.
- F. The organization must submit its IRS Form 990 for the year of the audit year. Note: IRS 990s may not be available upon completion of an audit. If the 990 is not available, an IRS form 8868 must be provided until the 990 is issued. Failure to provide the 990 as filed, by the extended filing deadline will delay an organization's ability to receive funds from NeighborWorks America.

## **AUDITOR SELECTION, AUDIT STANDARDS AND REPORT FORMAT**

NeighborWorks® America encourages organizations to document the selection of the audit firm in the board minutes. Organization should make positive efforts to utilize small businesses, minority-owned firms, and women's enterprises, in procuring audit services where appropriate. In selecting or in selection of an auditor, the firms, experience with non-profits and the complex financing structures associated with these business lines should be taken into consideration. NeighborWorks® America encourages the use of an Audit Committee for the selection and monitoring of the audit process. The committee should be willing to follow up on related audit findings and recommendations. NeighborWorks® America encourages organizations to seek out board members or other volunteers with Audit, Accounting, Finance or Banking backgrounds for the audit committee. The committee or the board should conduct an annual review of the work of its independent auditor for either retention or rotation based upon audit performance, audit quality and timeliness of the audit.

- G. Audits must be performed by a duly licensed independent Certified Public Accountant (CPA). The auditor should be a member in good standing with the American Institute of Certified Public Accountants (AICPA) and Government Accountability Office (GAO) and duly licensed in the states where it conducts business. The auditor must be independent of the organization and must be free of any obligation to - or interest, in the organization. The CPA or firm performing the audit must sign each required report.

Before commencement of each audit the network organization should receive and engagement letter from the auditor. The engagement letter should specify the work to be performed, standards and reporting requirements to be followed (GAAS, GAAP, GAS OMG Circulars, NeighborWorks America, etc.), reports to be issued and the estimated fee for audit services. Audits shall at minimum, be conducted in accordance with General Accepted Auditing Standards (GAAS) as set forth by the American Institute of Certified Public Accountant (AICPA).

- H. Audits in compliance with Government Audit Standards (GAS) established by GAO are preferred and encouraged and, if the organization expends more than \$750,000 directly, in federal funds or indirectly passed through agencies, such as the city or state, in any given year, the organization must also comply with OMB Circular A-133/Uniform Guidance standards. Important: If an organization expends more than \$750,000 but the funds are not from a federal source the organization or auditor should affirm in writing that funds are not federal funds or this issue may delay funding.
- I. A copy of the SAS 114/115 communication or management letter should be provided. If neither of the proceeding documents were issued by your auditor your organization should affirm in writing that no such documents were issued by the auditor.

The following additional reports are required of organizations subject to OMB Circular A-133/Uniform Guidance:

- I. A Report on Compliance and on Internal Control Over Financial Reporting Based on an audit of Financial Statement Performed in Accordance with Government Auditing Standards.

- II. A Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133/Uniform Guidance.
- III. A Schedule of Expenditures of Federal Awards.
- IV. A Schedule of Prior Audit Findings (if any).
- V. A Schedule of Finding and Questioned Costs.
- VI. Written response(s) from the organization's management to the auditor's findings, conclusion and recommendations, including its plan for corrective action. Failure to provide response to corrective action issues cited in the audit report will delay compliance and eligibility for future finding(s).

## FINANCIAL STATEMENT REPORTING CONTENT AND PREFERRED FORMAT

All financial statements must be presented in compliance with the requirements of the Not-for-Profit Entities Topic of the FASB Accounting Standard Codification. The required financial Statement include an:

- J. Consolidated Statement of Financial Position.
- K. Consolidated Statement of Activities.
- L. Consolidated Statement of Cash Flows in compliance with the requirements of the Accounting Standard Update (ASU) 2016-18.
- M. Schedule of functional Expenses.
- N. Accompanying Notes to the financial statements.
- O. If applicable, a Schedule of Federal Awards.

The following separate schedule for NeighborWorks® America restricted funds an:

- A. Statement of Financial Position.
- B. Statement of Activities Funds.

Note: Housing Counseling Stability Program should be shown as a separate item on the supplemental schedules.

Additional schedules requested by NeighborWorks® America but not required include:

- I. Loan Delinquency Aging schedule (loan pool only). The schedule should include a breakdown of loan delinquencies for the entire portfolio by fund. The following four categorizes are requested: (1) Current, (2) 30 - 60 days delinquent, (3) 61- 90 days delinquent, and (4) greater than 90 days delinquent. The number of loan modifications during the past 12 months should be disclosed in the supplemental section of the report.
- II. Statement or Schedule of Financial Position for properties. Information should be provided on a per property and consolidated basis (single and multi- family).

Statement or Schedule of Cash Flows for properties. Information should be provided on a per property and consolidated basis (single and multi-family).

- III. Construction Status Schedules.

### Format of Financial Statements

- A. A comparative 2- year format financial statement is preferred.
- B. The Statement of Financial Position presented in a classified format reflecting current assets, fixed assets etc. is preferred.
- C. The Statement of Activities presented by both functional and natural classification (salaries, rent, etc.).

- D. All financial statements presented in columnar format is preferred.
- E. “Loan and Capital Asset” funds provided by NeighborWorks America must be reflected in the financial statements as “restricted until donor release” or, where expressly authorized, as restricted until first use.
- F. The allowance for loan loss should be clearly shown on the Statement of Financial Position.

Information about posting and reporting Loans Receivables and Interest Earnings on funds provided by NeighborWorks America:

A. Loans Receivable

Some NeighborWorks® America capital funds are until donor release. The write - down of the NeighborWorks® America Capital fund balance requires written pre-approval from NeighborWorks® America. Therefore, any unauthorized reduction in the capital fund noted during the review of the audit will cause a delay in the review process until the issue is resolved. However, organizations should use their best judgement in determining the collectability of outstanding loans receivable, projected cost recoveries or overall projected viability but notify NeighborWorks® America as soon as possible about any permanent impact to the capital funds. For further information on measurement of impairment, related income recognition and disclosure, organizations are encouraged to consult the Contingencies and Receivables Topics of the FASB Accounting Standards Codification.

B. Earnings from Funds Restricted Until Donor Release

It is the position NeighborWorks® America that the earnings from Investment Grant Agreement funds restricted until donor release are unrestricted when earned. Thus, interest revenue should be reported as unrestricted revenue the Statement of Activities in the period earned.

## Presentation of NeighborWorks® America Funds

### NeighborWorks® America Unrestricted Grant Funds

Unrestricted grant funds should be classified as “net assets without restrictions” in the financial statements. Interest earned from the investment of both capital funds and expendable funds provided by NeighborWorks® America should also be classified as unrestricted net assets on the financial statements.

Auditors should refer to the Not-for-Profit Topic of the FASB Accounting Standards Codification for additional guidance.

### NeighborWorks® America *Investment and Grant Agreement Adjustments*

The Investment and Grant Agreement mandates that NeighborWorks® America be given advance notification of and approve the establishment of an or increase to, a cash loan loss reserve, the write- down of assets restricted until donor release or the transfer or release of assets restricted until donor release.

### Required *Recording and Reporting of Capital Assets (Debt or Equity)*

- P. The Investment and Grant Agreement requires that repayments of loan principal loans from capital projects be returned to the Restricted Until Donor Release, RevolvingLoan or Capital Projects Fund.
- Q. It is permissible to use NeighborWorks® America restricted until donor release Capital Grant Funds as a permanent investment in real property. Real property includes rental property owned by the organization or rental properties in which the organization has a limited partnership interest. The organization must ensure that each fund and/or entity records a long-term receivable/investment or

a liability on its corporate books. Existing and future grants may be deferred if an organization fails to adequately record such transactions.

## NOTE: DISCLOSURES TO THE FINANCIAL STATEMENTS

Because the financial statements alone do not provide a complete financial picture of an organization's financial condition, NeighborWorks® America as well as other funding entities analyze the note disclosures and rely on the narrative for additional context about an organization's financial health.

The notes to the financial statements provide an opportunity for organizations to provide clarity about the organization's financial strength and performance that may not be evident from simply reviewing the financial statements.

NeighborWorks® America encourages organizations to carefully craft note disclosures so that the most accurate financial picture is presented to third parties. Additionally, organizations are encouraged to review and update the notes annually and to consult with the auditor when drafting the notes to the financial statements.

Note: Disclosures should contain the following information

- R. A description of the organization's purpose, structure, and principal programs.
- S. Income tax and exempt organization's status.
- T. A summary of significant accounting policies.
- U. Disclosures on accounting methodology for determining when to write off, impairments, etc.
- V. The debt note needs to clearly articulate what assets the debt finances.
- W. Detail of loan covenants.
- X. Details of any impaired assets, related write-downs, or recoveries.
- Y. Information on property and equipment, including an analysis showing cost and accumulated depreciation according to type of capital asset and source of funds, unless this data is provided in the financial statements.
- Z. Details of the loan portfolio in compliance with ASC 310.  
A description of NeighborWorks® America and federal grants awarded or used during the year, including any restrictions.
- AA. Provided by including relevant details in supplementary schedules (See exhibit C)
- BB. Information about the nature of restrictions of cash equivalents and amounts generally described as restricted cash in compliance with ASU 2016-18.
- CC. Commitments and contingencies at year-end.
- DD. Significant terms and expected annual retirements of notes payable.
- EE. Concentration of Credit Risk Note, including excess FDIC insurance and loans to customers.
- FF. Schedule of Operating and Capital Reserve Balances.
- GG. Related party transactions.

Organizations must comply with the requirements or the Related Party Disclosures of the FASB Accounting Standard Codification in disclosing related party transactions. At a minimum, organizations should:

- I. Disclose the nature of the transaction.
- II. Provide a description of the transaction including amounts.
- III. Disclose the (due to)/ (due from) amounts of related party transactions.
- IV. Disclose changes in terms of related party agreements and their effect on the financial statements.
- V. Disclose the manner of settlement of related party transactions.



State statutes and the Not-for Profit Topic of the FASB Accounting Standard Codification may require additional note disclosures. It is the responsibility of the organization and its auditor to ensure that the additional note disclosures are adequate and are included in the Notes to the Financial Statements.

## **TIMELY SUBMISSION OF DOCUMENTS AND METHOD OF SUBMITTING AUDIT PACKAGE**

The audit reporting package must be forwarded to NeighborWorks® America within 180 days of the organization's fiscal year end (Important). Please submit "unlocked" copies of PDF Audit Reports or the password to change the permission should be made available.

- A. The audited financial statements, including the OMB Circular A-133/Uniform Guidance report (if required and GAS Report (Internal Control Letter).
- B. All required communications from the auditor (SAS 114/115 letters) and any other "management letter". If no such letter was issued, attach a letter from the auditor confirming.
- C. IRS form 990 for the year of the audit year. Note: IRS 990s may not be available upon completion of an audit. If the 990 is not available and IRS form 8868 must be provided until the 990 is issued. Failure to provide the 990 as filed by the extended filing deadline delay an organization's ability to receive funds.
- D. Reconciliation Schedule of NeighborWorks® America First Use and Restricted Until Released Funds.

Submit via email to [OAdaudit@nw.org](mailto:OAdaudit@nw.org). Please note that this method is limited by file size which may prohibit the transmission of larger documents.

Or

Submit via the FTP site which is located at:

<http://external.nw.org/sites/member/prepforaudit/Pages/default.aspx>

See appendices, Exhibit B for instructions on how to upload your reporting for package via the YousendIt FTP Service. Submitting via the FTP service is the preferred method as it allows the transmission of larger files.

## **NeighborWorks® America Audit Notifications**

### Audit Late Notice

If NeighborWorks® America fails to receive the required audit due within 180 days of the organization's fiscal year-end, an Audit Late Notice will be issued directly to the organization within ten (10) days of due date. When audit information is received and reviewed, NeighborWorks® America will issue one of the following letters to the organization:

### Audit Compliance Notice

When all audit requirements are met, NeighborWorks® America issue and Audit Compliance Notice to the organization.

### Audit Deferral Notice

If any audit requirements are not met, NeighborWorks® America will issue an Audit Deferral Notice to the organization noting where the organization failed to meet audit requirements. Grant eligibility will be suspended until all requirements are met. Subsequently NeighborWorks® America will work with the organization to resolve all non-conforming criteria.

## NEIGHBORWORKS® AMERICA WEBSITE

NeighborWorks® America maintains a public website. This guide can be downloaded from the NeighborWorks Member site <https://member.nw.org/prepforaudit/Pages/default.aspx> and retrieved using Adobe Acrobat Reader (www.adobe.com).

## APPENDICES

### EXHIBIT A - FREQUENTLY ASKED QUESTIONS (FAQ'S)

1. How will my organization know if we are audit compliant?
  - a. NeighborWorks® America will issue an Audit Compliance Notice directly to the Organization's Executive Director or CEO via electronic mail. Notification is also sent via email to the corresponding Regional Vice President.
2. Does receiving an Audit Compliance Notice from NeighborWorks® America guarantee that my organization will receive funding?
  - a. No, meeting NeighborWorks® America's audit requirements are only one aspect of the compliance process. A NeighborWorks organization's grant application and/or funding may still be deferred for other reasons, such as the organization's failure to submit required quarterly/annual reports on time or for serious violations of Investment Grant Agreements.
3. What if my auditor does not provide a management Letter or SAS 114/115?
  - a. To avoid any misunderstanding that may prolong the audit review process, the organization should affirm that a Management Letter was not provided by the organization's auditor. This information should be communicated in writing and accompany the audit report.
4. Last year, our audit year changed. This year, we are having difficulty completing the required audit. It appears our organization will not be able to meet the 180-day audit reporting requirement established by NeighborWorks® America. What should we do?
  - a. NeighborWorks® America does not allow extensions for delayed audit. However, please alert your NeighborWorks® America Regional Vice President and the Organizational Assessment Division's Senior Director of Financial & Offsite Analysis of your situation as soon as possible to reduce any potential ramifications to pending grant disbursements.
5. NeighborWorks® America is not currently listed in The Catalog of Federal Domestic Assistance. What CFDA catalog number should be used for all NeighborWorks® America grant funds expended by my organization?

See Section 1 of this guide
6. Are there options other than FDIC Insurance for insuring our cash?
  - a. Yes, there are several other options available for insuring cash that exceeds the \$250,000 FDIC standard maximum deposit insurance among (SMDIA) limit, NeighborWorks® America recommends speaking with your banking representative regarding a "Sweep Account Option" or exploring one of the government-backed options listed below and CDARS can be accessed via [www.cdars.com](http://www.cdars.com) .

PRODUCT	MIN. INVESTMENT	MATURITY RANGE	GUARANTEE	LIQUIDITY
Treasury Bills	\$10,000; \$1,000 Thereafter	3 mos. To 1 year (usually, 3.6. or 12 months)	Principal & Interest guaranteed by US Government.	Very easy to sell
Treasury Bills Notes/Bonds	\$5,000; \$1,000 Thereafter	1 - 30 years	Principal & Interest Guaranteed by US Government	Very easy to sell
Treasury Strips	\$5,000; \$1,000 Thereafter	3 months - 30 years	Principal & Interest Guaranteed by US Government	Very easy to sell
Federal Agency Securities	Discount Notes: \$100,000 Strips: \$5,000 (interest bearing agency securities are also available)	Varies	Obligations of issuing agency	Varies with quality of issue; some have large national markets
GNMA Mortgage- Backed Securities	\$25,000; \$5,000 Thereafter	Usually 30-year nominal life; assumed average maturity varies	Principal & interest guaranteed by US Government	Large National market
Certificate of Deposit Registry Service (CDARS)	Amount in excess of \$100,000	Varies	Principal and interest Guaranteed by the Government	Very easy to sell

## FREQUENTLY ASKED QUESTIONS (FAQ'S)

7. What NeighborWorks® America Investment and Grant Agreement corpus should be classified as net assets restricted until donor release in the financial statements?

NeighborWorks Grants, not explicitly identified as Restricted Until First Use Funds or Unrestricted Funds should be classified as net assets restricted until donor release. Additionally, if the Organization received CFRAH funding, the organization should funds as restricted until donor release. The organization should show all restricted until first use funds as a separate line item and on the supplemental schedules submitted as part of the audit. Interest or the income earned on the NeighborWorks® America and Grant Agreement corpus may be classified as unrestricted net assets. All Unrestricted Grantfunds provided by NeighborWorks® America can be classified as unrestricted net assets.
8. Can my organization transfer or write-down “Revolving Loan and Capital Project Funds” provided by NeighborWorks® America?

The write-down, transfer, or release from restriction of all restricted until first use NeighborWorks® America Capital funds required prior written approval from authorized NeighborWorks® America personnel.
9. How should we report the restricted until first use funds?

First use funds should be reported on the schedule of activities NWA under the column so titled, as well as on the Statement of Financial Position Under the Donor Restricted category. The restriction is lifted based on your reporting of deployment. Pleases see the examples in Appendix C for more detail.
10. How do I know if we have submitted “all” of appropriate materials when we send our audit to NeighborWorks® America?

We have provided the following checklist (see next page) to assist you with making sure the audit reporting package is complete.

### AUDIT SUBMISSION CHECKLIST

	Unmodified Audit Opinion and or	Has the organization received an unmodified auditor's report opinion?
	Uniform Guidance of GAS Report	If the organization is subject to OMB Uniform Guidance, has the required report been submitted? If not subject to the Uniform Guidance, is this indicated in correspondence?
	NeighborWorks® America Capital Funds	Does the audit, related notes or the supplemental schedules contain a reconciliation of the disposition of NeighborWorks® America Capital funds?
	SAS 114/115 Communication or Management Letter	If the organization received a Management letter, is it included with the audit? If no letter was received, is this fact noted in the correspondence accompanying audit?
	FDIC of Insured Deposits	Are NeighborWorks® America finds fully insured by FDIC, invested in US Treasury Securities, or collateralized by a depository institution?
	Annual IRS form 990 or 8868 Extension	Has the prior year annual IRS Form 990 been filed with the IRS and a copy been submitted to NeighborWorks® America with the organization's audit reports(s)?

## EXHIBIT B

### AUDIT SUBMISSION INSTRUCTIONS

Use these instructions when you want to send a file to NeighborWorks America on

Submit via email to [Oadaudit@nw.org](mailto:Oadaudit@nw.org). Please note that this method is limited by file size which may prohibit the transmission of large documents.

Or

Submit via the FTP site which is located at:

<http://external.ne.org/sites/member/prepforaudit/Pages/default.aspx>

YouSendIt FTP service:

- I. To navigate to the OAD Dropbox or use the following link:  
<https://www.yousendit.com/transfer.php?action=dropbox=NeighborWorksAmerica-OADFTP#addfile:>) to this screenshot below:
- II. You will see an upload page (similar) to the screenshot below:
  - a. Type in your email address.
  - b. In the subject line, type in the NAME of your organization and the TYPE of document. This ensures the file is directed to the correct person because multiple staff often use a business unit's dropbox.
  - c. Add a brief message if needed.
  - d. Click Browse and browse to find and select the file you're sending.
- III. Click Send It.  
You will receive an email acknowledgement of the uploaded file.

Or

Mail Audit Report Package to:

Organization Assessment Division Audits NeighborWorks® America

4435 Main Street Suite 700, Kansas City, MO 64111

**EXHIBIT C**

Presentation of NeighborWorks America Funds

The Best NHS dba The Best NWO begins 20X1 with Restricted Until Donor Release Capital of \$784,867. The assets were comprised of Cash \$188,454, Replacement and Rehabilitation Reserve \$44,700. Capital Improvements Moonlit Apartments \$316,367. Capital Improvements New Dawn Development \$235,346 Capital Improvements. OHTS Committee has assigned the NWO a rating of Strong. During the year NWO received four grants and was allowed to release 20 percent of the Net Assets Restricted Until Donor Release. The four grants were: Round one Capital Grant \$50,000; Round one Expendable Grant \$12,500; A technical assistance grant in the amount of \$5,000 and a Strategic Investment Fund Grant of \$20,000. As of the end of the year, the round one expendable grant had been utilized for administrative expense, the strategic investment fund grant had been invested in capital projects as had \$40,000 Round on Capital Grant the technical assistance grant was for consulting services and as of year and the vendor had not yet been selected. The schedules to be included in the audited financial statements in order to reconcile to the Investment and Grant Agreement would be:

Schedule of Financial Position of NeighborWorks America Funds  
The Best NHS dba the Best NWO

As of December 31, 20X1

With Donor Restrictions	(Memo Only)			
	Without Donor Restriction	Until First Use	Until Donor Release	Total
Cash and Cash Equivalents'	5,000	10,000	31,481	41,481
Replacement and Rehabilitation Reserve			44,700	44,700
Invested in Fixed Assets			551,713	551,713
Total Assets	5,000	10,000	627,894	637,894
Deferred Revenue	5,000			
Net Assets		10,000	627,894	637,894
Total Liabilities and Net Assets	5,000	10,000	627,894	637,894



Schedule of NeighborWorks America Activity  
The Best NHS dba the Best NWO

For the Year Ended December 31, 20X1  
(Memo Only)

With Donor Restrictions

	Without Donor Restriction	Until First Use	Until Donor Release	Total
Grants	32,500	50,000		50,000
Net Assets Released from Restrictions Deployed in New Dawn	40,000	(40,000)		(40,000)
Development				
20 Percent capital conversion	156,973		(156,973)	(156,973)
Total Revenues	229,473	10,000	(156,973)	(146,973)
Expenses:				
Program Services				
General Administrative	12,500			
Total Expense	12,500			
Change in Net Assets	216,973	10,000	(156,973)	(146,973)
Beginning Net Assets			784,867	784,867
Ending Net Assets		10,000	627,894	637,894

## EXHIBIT D

### Ratios Commonly used in Analysis

#### (CR) CURRENT RATIO

Calculation:  $\text{Current Assets} / \text{Current Liabilities}$

An indication of the organization's ability to meet short-term debt obligations; the higher the ratio, the more liquid the organization is.

#### (QCR) QUICK/CASH RATIO

Calculation:  $\text{Cash} + \text{Marketable Securities} / \text{Current Liabilities}$ .

This ratio measures the organization's ability to pay off its current liabilities if immediate payment was ever demanded.

#### (DOC) DAYS OF CASH

Calculation:  $\text{Cash and Cash Equivalents} / (\text{Total Expenses} - \text{Depreciation} + \text{CP LTD}/365)$

Indicates the number of days expenses that can be paid from current levels of cash.

*The above liquidity measures would be calculated on an all funds and an unrestricted funds basis.*

#### (DI) DEFENSIVE INTERVAL RATIO

Calculation:  $\text{Cash} + \text{Marketable Securities} + \text{Receivables} / \text{Average Months Expenses}$

The DI is a stability ratio and measures the adequacy of the resources of the organization to support its mission. The DI measures liquidity in terms of time or the number of months as opposed to the excess of current assets over current liabilities.

#### (DIP) DAYS IN PAYABLES

Calculation:  $((\text{Payables} + \text{Accrued Expenses}) / (\text{Expenses} - \text{Depreciation})) \times 365$

Days in Payables measures the average number of days the Organization takes to pay its short-term trade debts. The lower the number the more quickly the organization satisfies its obligations. Revenues should be adjusted for gains on sale of fixed assets. If DIP increases significantly, it could signal a difficulty in meeting current obligations.

#### (D/NA) DEBT TO NET ASSETS RATIO

Calculation:  $\text{Total debt} / \text{Net Assets}$

The ratio measures the proportion of total net assets provided by debt. A high number or a number trending upward may signal future liquidity problems or difficulty in acquiring additional debt.

### (STD) SHORT TERM DEBT RATIO

Calculation:  $\text{Short term debt} / \text{Net Assets}$

The ratio measures the proportion of total net assets provided by short term debt. A high number or a number trending upward may signal future liquidity problems or difficulty in acquiring additional debt

### (CAP) CAPITAL RATIO

Calculation:  $\text{Total Net Assets} / \text{Total Assets}$

The ratio shows how much of the organization's assets are financed with equity. The ratio's complement is the percentage of debt financing the assets.