

## Financial Statement & Audit Policy

### OVERVIEW

All grantees, sub-grantees, CHDOs, sub-recipients, localities, developers, or any other organizations that receive funding during a program year and/or have projects in progress are required to submit financial statements to DHCD. Required statements are as followed: Financial Statement(s)\*\*, Reviewed Financial Statement(s) prepared by an Independent Certified Public Accountant (CPA), Financial Statement(s) that have been audited by an Independent CPA or an audit required by the Code of Federal Regulations (CFR), (2 CFR 200 Subpart F), audited by an independent CPA. Please see the table below to determine which documents your organization is required to submit.

The threshold requirements outlined below are the minimal standards required by DHCD. We strongly encourage all organizations receiving funds from DHCD to undertake the highest level of financial management review to ensure practices and procedures are fully examined and evaluated.

Threshold Requirement	Document
Total annual expenditures $\leq$ \$100,000 (Regardless of source)	Financial Statement(s) prepared by organization**
Total annual expenditure between \$100,001 and \$300,000 (Regardless of source)	Reviewed Financial Statement(s) prepared by an Independent Certified Public Accountant (CPA)
Total annual expenditures $>$ \$300,000 (Regardless of source)	Financial Statement(s) that have been audited by an Independent CPA
Federal expenditures $\geq$ \$750,000	2 CFR 200 Subpart F Audit – Audited by an Independent CPA

\*\* Does not require preparation by a CPA

### SUBMISSION REQUIREMENTS

Required financial statements must be submitted yearly, within nine (9) months after the end of your fiscal year or 30 (thirty) days after it has been accepted (reviewed financial statement(s), audited financial statements, and 2 CFR 200 Subpart F audit only) - whichever comes first.

Entities must electronically submit their financial statement(s), reviewed financial statements, audited financial statements, or 2 CFR 200 Subpart F audit in DHCD's Centralized Application and Management System (CAMS) which requires the organization to register in CAMS at <https://dmz1.dhcd.virginia.gov/camsportal/Login.aspx>. Entities are required to have a DHCD reviewed and approved current audit or reviewed financial statement(s) in order to submit a remittance request.

Additional reporting requirement (for local governments and non-profits organizations)

In accordance with the Code of Federal Regulations; Title 2 CFR Part 200 Subpart F, non-Federal entities that expend \$750,000 or more in federal awards within the entity's fiscal year are required to complete a "Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations" (see Appendix A for sample form), upload your audit to CAMS and submit a copy of your Audited Financial Statement to the Federal Audit Clearinghouse at <https://harvester.census.gov/facweb/files/2013%20Form%20SF-SAC.pdf>.

## **FINANCIAL STATEMENT**

Financial statements should include an organization's Statement of Activity (Income Statement), a Statement of Financial Position (Balance Sheet) and a Statement of Cash Flow. The Statement of Activity, also known as the Profit and Loss Statement, includes your financial performance over a period of time and is composed of the following two elements: income and expenses. The Statement of Financial Position summarizes the assets, liabilities and equity of the organization at a specified date. This statement is a snapshot of the organization's financial position on that date. The Statement of Cash Flow summarizes the resources (i.e. cash and cash equivalents) that become available to the organization during the reporting period and the uses of those resources. The cash flow statement reports the income that has been received and the expenses that have been paid for the specified period and is categorized into the following categories: operating activities, investing activities, and financing activities.

## **REVIEWED FINANCIAL STATEMENT**

Reviewed financial statements are required for all entities that expend between \$100,001 and \$300,000 and these statements require a CPA to perform inquiry and analytical procedures that extend beyond the scope of a compilation review<sup>1</sup>. Upon completion, a report is issued with "limited assurance" stating that a review has been performed in accordance with the American Institute of CPA's (AICPA) professional standards, that a review is less in scope than an audit, and that the CPA did not become aware of any material modifications that should be made in order for the statements to be in conformity with generally accepted accounting principles.

## **AUDITED FINANCIAL STATEMENT**

Audited Financial Statements are required for all entities that expend more than \$300,000 regardless of source. Audited Financial Statements require a CPA to perform inquiry and analytical procedures that extend beyond the scope of compiled or reviewed statements, including verification and substantiation procedures. These verification and substantiation procedures may include direct correspondence with creditors or debtors to verify details of amounts owed, physical inspection of inventories or investment securities, inspection of minutes and contracts, and other similar steps. Also, the CPA gains a knowledge and understanding of the entity's system of internal control. Upon completion, a report is issued with "positive assurance" stating that a review has been performed in accordance with both the American Institute of CPA's (AICPA) professional standards and generally accepted auditing standards, and expresses an opinion that the financial statements present fairly the entity's financial position and results of operations.

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<sup>1</sup> Compilation review entails the most basic level of service CPAs provide with respect to financial statements. In a compilation, the CPA must comply with certain basic requirements of professional standards, such as having a knowledge of the client's industry and applicable accounting principles, having a clear understanding with the client as to the services to be provided, and reading the financial statements to determine whether there are any obvious departures from generally accepted accounting principles (GAAP, or, in some cases, another comprehensive basis of accounting used by the entity).

## **2 CFR 200 Subpart F AUDIT (Single Audit)**

All non-Federal entities that expend \$750,000 or more of Federal awards in the entity's fiscal year must have a single audit conducted in accordance with §200.514 Scope of audit.

A single audit requires a CPA to conduct an entity-wide audit consisting of two main parts: an audit of the basic financial statements and an audit of the entity's major Federal award programs. The audit of financial statements must determine whether the financial statements of the auditee are presented fairly in all material respects in accordance with generally accepted accounting principles. The auditor must also determine whether the schedule of expenditures of Federal awards is stated fairly in all material respects in relation to the auditee's financial statements as a whole. The audit of the major programs includes (a) gaining an understanding of and testing the internal controls and performing tests of internal controls over the federal programs and (b) a compliance audit governing laws and regulations and the provisions of contracts and grants of the Federal award programs.

Upon completion, a report is issued with the CPA's opinion on whether an organization has complied with laws, regulations and the provisions of contracts or grants that have a direct and material effect on each of its major programs.

Effective Date: July, 2017

Last Reviewed: June, 2019