



## Financial Reporting Requirements for Accreditation

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**As of January 1, 2018:**

**Organizational Capacity Standard, Essential Component D** is revised to read: *The CAC is required to conduct an annual independent financial audit when its gross annual revenue meets or exceeds \$500,000. Organizations whose annual gross revenue falls below \$500,000 and meets or exceeds \$200,000 must conduct a CPA-completed financial review. Those organizations with gross annual revenue below \$200,000 must provide their Board-approved financial statements."*

### **Reporting Requirements for Audited Financial Statements:**

All centers with annual revenue (as determined by United States generally accepted accounting principles) that meet or exceed \$500,000 are required to have an audit of their financial statements. The audited financial statements are due to NCA within nine (9) months after year-end. If a management letter is prepared by the independent auditor, it should be included with the audit report.

### **Reporting Requirements for Reviewed Financial Statements:**

All centers with gross annual revenue (as determined by United States generally accepted accounting principles) less than \$500,000 and meet or exceed \$200,000, are required to have a CPA-financial review of their financial statements. The review must be compliant with Statements on Standards for Accounting and Review Services (SSARS) 19. The reviewed financial statements are due to NCA within nine (9) months after year-end. If a management letter is prepared by the independent accountant (CPA), it should be included with the review report.

### **Special Additional Review Procedures:**

The independent accountant will provide supplementary information concerning the NCA grant/grants and express a conclusion that there are no material modifications that should be made to the financial statements.

### **Additional Considerations:**

A center may voluntarily elect to have an audit without regard to the annual total expense requirement. A copy of the organization's current 990 Return for Organizations Exempt from Income Tax should be included with either reporting requirement.



***Definitions:***

**Audit:** An independent auditor is engaged to perform procedures to obtain reasonable assurance about whether the financial statements are free of material misstatement, assess the accounting principles used and significant estimates made by management, and evaluate the overall financial statement presentation. The independent auditor issues an opinion on the financial statements.

**Review:** An independent accountant is engaged to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements for the statements to be in conformity with United States generally accepted accounting principles. An independent accountant review report is required.