



NH Community Development Finance Authority Required Financial Documents for Grant Applications Document Explanation

Organizations submitting an application to a CDFA funding program (including Tax Credits, Community Development Block Grants, Clean Energy Fund, etc.) must include a variety of financial documents. These documents help CDFA to understand the financial health and capacity of the applicant organization. Financial documents and information are submitted through CDFA's Grants Management System (GMS). Following is an explanation of each financial document that is requested within the application portal in GMS.

Operating Budget – Current Fiscal Year: This is the organization's overall budget for operating income and expenses for the current year, as approved by the Board. Many organizations and businesses have a fiscal year that is different from the calendar year, so be sure to include the budget for the current fiscal year as of the date of the application.

Operating Budget-to-Actual – Most Recently Completed Fiscal Year: This document shows both the overall budget for income and expenses, as well as the actual numbers, for the most recently completed fiscal year. Generally, a budget-to-actual or 'BTA' document will have several columns: a list of income and expense line-items, a budgeted amount for each line item, the actual dollars received (for income) and expended for each line item, and a percentage difference between the budgeted amount and the actual performance for each line item.

Most Recent Financial Statement – Submit one of the following, depending on the size of your organization – All nonprofit organizations chartered in the State of New Hampshire that have more than \$25,000 in annual operating revenue/expenses are required to submit an annual report to the [Charitable Trusts Unit of the NH Dept. of Justice/Attorney General's Office](#). (The Charitable Trusts Unit web page has excellent resources for nonprofits, links to forms, and other great information.) The report must include a financial statement, and the type of statement depends on the financial size of the organization. CDFA's requirements for financial statements are the same as what is required by the NH Attorney General, as follows:

- Organizations with an *annual operating budget of more than \$1,000,000* must submit an Audited Financial Statement. This is an independently prepared, objective examination of an organization's finances to make sure that financial records are fair and accurate. An audit is usually prepared by a certified public accountant or an accounting firm, using financial information provided by the organization. Most audits review both the most recently completed fiscal year, as well as one year prior. (For example, a 2020 audit would contain financial information for both 2020 and 2019.) See [What Is an Audit?](#)
- Organizations with an *annual operating budget of \$500,000 to \$1,000,000* must submit a Reviewed or Compiled Financial Statement. Like an Audited Financial Statement, this is an independently prepared, objective examination of an organization's finances. However, the document is not as thorough or complete as an Audited Financial Statement, and there is no statement by the auditor that the records are fair and accurate. However, it is a lower-cost option for smaller organizations and does provide a useful independent accounting of an organization's finances. See [Compiled vs. Certified Financial Statements: What's the Difference?](#)

- Organizations with an *annual operating budget of up to \$500,000* must submit an [IRS Form 990](#). This is the annual tax form submitted to the Federal [Internal Revenue Service](#).

Which document should you include with your application? The above list outlines the minimum requirements, but please submit the most detailed and comprehensive document that you have. For instance, if your organization has \$400,000 in annual operating revenue, and you have an audited financial statement prepared each year, please submit the most recent audit (NOT the IRS 990). There is no need to submit multiple documents for this section.

Management-prepared Balance Sheet, Profit & Loss, Cash Flow Statement for the Current Fiscal Year: During the course of business throughout the year, an organization should be keeping regular track of its financial health by preparing written records of financial activities and performance, including a [Balance Sheet](#), [Profit & Loss Statement](#) and [Cash Flow Statement](#). These documents, which are generally prepared monthly or quarterly and presented to the Board for review and approval, provide a standardized measure of an organization's financial health at any given time. They also help the organization (Board and staff) to understand its current financial health, including whether revenues and expenses are on track with the operating budget, if there are more assets than liabilities, and is there enough cash on hand to meet short-term expenses.

CDFA requires submission of these three documents for a point in time in an organization's fiscal year that is as close as possible to the application deadline. For example, Organization X has a fiscal year that runs from July 1st through June 30th. For an application deadline of March 10, 2022, Organization X would submit a Balance Sheet, Profit & Loss Statement and Cash Flow statement as of December 31, 2021 (or as of a date that is closer to the application deadline, such as February 28, 2022). These 'management prepared' financial documents—which together are often referred to as a 'Management-prepared Financial Statement'—can be put together by the organization's staff, contracted consultants, or qualified Board members. They do NOT need to be prepared by an independent CPA or auditor.

For more general information about financial statements, visit the "Investopedia" web site [HERE](#).

Organizational Financial Overview: This document offers an organization a chance to tell the story behind the numbers in the financial documents—to explain circumstances that may look odd or inconsistent, or to add nuance to specific financial information. Examples include:

- a large operating budget surplus last year resulting from a one-time grant that the organization recorded at the end of the fiscal year, but the expenses were delayed until the current fiscal year;
- a planned operating deficit to enable hiring of a new Development Director, who will raise more funds in coming years (with short-term funding provided by tapping the organization's operating reserve account); or
- A COVID-related loan that may or may not need to be paid back, depending on unknown circumstances.

An explanation of the reasoning 'behind the numbers' can help shed light on an organization's current fiscal health, and its trajectory for the future.

Project Budget (Sources and Uses): Most applications to CDFA involve a request for funding for a specific project (or, in some cases, a discrete program). That project (or program) usually has a discrete budget with identified sources of revenue (also referred to as income), and proposed uses of that revenue (also referred to as expenses). In some cases, specific revenue is required to be linked with specific expenditures. The Project Budget is the document that lays out those expectations, both from CDFA and other funding sources (such as organizational fundraising, foundation or government grants, etc.). In addition to specific line items for sources/revenue and uses/expenses, the budget must show how CDFA (and other) funds will be spent. Thus, the budget often has multiple columns showing different funding sources and how they are connected to specific expenditures.

Budget Narrative (description of Sources & Uses): For each budget line item and dollar amount, it is helpful to provide an explanation about what that line item means, why it is included in the budget, how the final number was derived, etc. For example, a sources/income line item called 'Operating Reserve - \$50,000' might be explained as follows: 'Board-authorized transfer from operating reserve-\$25K in current fiscal year and \$25K in next fiscal year.' A uses/expense line item called 'Personnel - \$20,000' might be explained as follows: 'Project coordinator @ \$20/hour X 20 hours/week X 50 weeks.'

The budget narrative can be provided as a separate document, with reference to specific Project Budget line items, or it can be included as notes within the Project Budget document (e.g. as a separate 'Notes' column on a budget spreadsheet, or as numbered 'footnotes').

Proposed Operating Budget – Post-Project Completion (Income and Expenses):

Implementation of a capital project (or program expansion) doesn't stop when the construction/renovation is complete. More often than not, a capital or construction project will result in new or expanded operating revenues and/or expenses. For example, a new building will need utilities, ongoing maintenance, and possible staffing, and it could offer expanded programming revenue. In order to plan for those ongoing costs, CDFA requires that an organization prepare a projected operating budget for the building or capital project that is proposed to be funded with CDFA resources. The proposed operating budget should include projected income and expenses needed to operate the facility, and a description of what impact the facility will have on the organization's overall operating budget.

If you have questions about any of these documents or requirements, please contact CDFA for further information and clarification:

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Kevin Peterson, Director of Economic Development, kp@nhcdfa.org

Additional Financial Management Resources for Nonprofit Organizations:

[New Hampshire Center for Nonprofits](#)

[NH Department of Justice – Charitable Trusts Unit](#)

[New Hampshire Charitable Foundation](#)