



AUDIT GUIDE

FOR

SECTION 8 MULTI-UNIT HOUSING PROJECTS

**Oregon Housing & Community Services
Asset Performance Section
725 Summer Street, NE, Suite B
Salem, Oregon 97301-1266**

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I. Introduction, Purpose and Use of Audit Guide

1. Introduction

This Oregon Housing and Community Services (the “Department”) Audit Guide is designed to help borrowers and CPAs apply audit guidelines for Section 8 Multi-Unit Housing Projects. The general guidelines and content of previous guides are essentially unchanged. However, the examples in the Appendixes have been updated to meet the Department’s requirements.

2. Purpose of the Audit Guide

This Audit Guide (the “Audit Guide”), issued by the Department sets forth the guidelines to be followed by independent Certified Public Accountants (CPA), in conducting and presenting audits of the financial statements of Section 8 Multi-Unit Projects with borrowers whose mortgage loan (hereinafter “Mortgage”) is financed by the Department.

Suggested audit procedures contained herein may not cover all circumstances or conditions encountered in a particular audit. The auditor should use professional judgment to tailor the procedures so that the “Audit Objectives” are achieved.

3. Intended Use of Audit Guide

This Audit Guide is intended primarily for use by independent CPA's, as defined by the American Institute of Certified Public Accountants (AICPA) Standards, in auditing the annual financial statements of a borrower whose project construction has been completed, cost certified. Section 8 projects are also endorsed for assistance by the Department of Housing and Urban Development (HUD) under a section of the National Housing Act of 1937.

This Audit Guide is not intended to be a complete manual of procedures, nor is it intended to supplant the auditor’s judgment of audit work required.

II. Definitions

The following definitions are provided to assist the CPA with terms commonly used by the Department and to define abbreviated references as used in this Audit Guide. The definitions are provided alphabetically and not in an order of importance.

1. Section 8 Multi-Unit Projects

The Department issues general obligation and revenue bonds to provide permanent Mortgage financing for the construction or rehabilitation of multi-unit apartment projects, structures or facilities. The Section 8 Multi-Unit bond financing program is subject to this Audit Guide:

The bond indenture requires that the Department certify to its bondholders that annual audit reports are received from each borrower and reviewed by Department staff as assurance of the continued economic feasibility of the projects financed by the bonds.

2. **Distribution**

A distribution is any withdrawal or taking of cash or other assets of the project other than for Mortgage payments or for the payment of expenses necessary and reasonable to the operation and maintenance of the project. A distribution shall only be made from **Surplus Cash** and is subject to the specific limitations outlined in the Loan Documents and approval of the Department.

3. **Fiscal Year End (FYE)**

The first year audit should be prepared from the date of initial occupancy not to exceed a twelve-month period. An audit is required at the first fiscal year end (FYE) even if a twelve-month period has not elapsed. The FYE may be March 31, June 30, September 30, or December 31.

4. **Loan Documents**

The Department's Loan Documents, include by reference all documents relating to the funding of the loan, which may include, but are not limited to:

- Promissory Note (or Trust Deed Note);
- Trust Deed (or Deed of Trust);
- Assignment of Rents;
- Loan Agreement;
- Regulatory Agreement;
- Management Agreement;
- Uniform Commercial Code (UCC) documents;
- Side Letter;
- Consent to Transfer (loan assumption document);
- Operating Agreement (if applicable); and
- Modification, forbearance and workout agreements (if applicable).
- HAP Contract (and assignment, if applicable)

5. **Necessary and Reasonable Expenses**

The CPA will have to make judgments as to the propriety of project disbursements. The Department considers the following to be distributions of project income, not expenses necessary and reasonable to the operations of the project:

- Legal expenses incurred in the sale of Entity interests;
- The fee for preparation of a partner's, shareholder's, corporation's or individual's federal, state or local income tax returns;
- Payment for advice to an owner on the tax consequences of foreclosure;
- Withdrawals of project funds to reimburse owners for prior advances;
- Capital expenditures; and
- Project acquisition costs.

6. Owner Advances (Additional Cash to the Project's Operating Account)

On occasion, it is necessary for an owner to provide additional cash to the project's Operating Account to meet the financial obligations of the project and to maintain the financial viability of the project. Options for providing for owner advances are:

- (1) As additional paid-in capital shown in net worth or owner's equity. This can be repaid upon the written authorization by the Department to release surplus cash.
- (2) As an interest bearing loan to the project, unsecured with interest and principal payable from available cash with prior written approval by the Department.
- (3) In the case of a partnership, as a non-interest bearing (or interest bearing) loan to the partnership. This is not to be a liability to the project but, upon release of surplus cash, can be repaid through the partnership distribution.

Note: Once owner/partner advances are paid in and deposited to project operating funds, the funds cannot be repaid without specific written authorization from the Department.

7. Payroll Expenses

Payrolls are to be distributed to various categories: Administration, Kitchen, Housekeeping, etc. Payroll taxes, worker's compensation insurance, and employee benefits should be allocated to the respective payroll categories. *Note: Payroll Expenses may not apply to Section 8 projects.*

8. Loan Agreement and/or Regulatory Agreement

The Loan Agreement and/or Regulatory Agreement, which are two of the primary loan instruments through which the Department controls the borrower's operation of the project. The following are definitions and a discussion of terms used in the Loan Agreement and/or Regulatory Agreement and this Audit Guide (other terms will be defined upon request).

9. Related Party Transactions

Report all related party transactions regardless of nature or amount.

10. Surplus Cash

(See Appendix 3 for specific computation.) Any unrestricted cash remaining on hand after:

- (1) The payment of:
 - All sums due or are currently required to be paid under the terms of the Department's Mortgage or Promissory Note.
 - All amounts required to be deposited in the reserve fund for replacements as defined by the Regulatory Agreement.

- All obligations of the project other than the Mortgage, unless funds for payment have been set aside or deferment of payment has been approved by the Department.
- (2) The segregation and recording of:
- An amount equal to the aggregate of all special or restricted funds to be maintained by the project. This includes any deficiency in the tax and/or insurance escrows.
 - All tenant security deposits held including interest for projects for which the initial application request was submitted to HUD on or after February 29, 1980.
 - All accounts payable and accrued items payable including accrued interest on the Mortgage.
- (3) In addition to cash, two types of accounts receivable may be used:
- Housing assistance rental receivables outstanding as of FYE that have since been collected;
 - Approved Replacement Reserve Account requests as of FYE.

11. **Transfers of Interest in Ownership**

The Loan Documents and Oregon Administrative Rule (OAR) requires prior written approval from the Department for certain types of transfers of ownership of bond financed projects. A transfer may also require payment of a fee to the Department.

Important Note: HUD prior approval of the transfer is also required.

When a transfer of ownership is approved by the Department, a deed, along with the “Consent to Transfer” (or other similar assumption document) are recorded with the county clerk where the project is located. If the current ownership entity differs from the exact entity described in the Loan Documents, or there has been a deed recorded without an accompanying assumption document, the Department may not have approved the transfer.

In general, any change in an individual’s ownership (i.e., John Smith or Susan Smith), or a cumulative 25% change in the ownership entity (i.e., general partner or limited partner) requires prior written approval from the Department. Even if the transfer is actually the **SAME PEOPLE**, approval may be required. Some examples requiring approval are: (1) transfer to a “Trust” or for estate planning purposes; (2) inheritance; (3) divorce; (4) stock buy-out; (5) transfer to additional parties (i.e., transferring from a husband and wife to themselves, plus their adult children); or (6) transfer from a limited partnership to a limited liability company (but maintaining same partners). If the Questionnaire identifies a transfer that may not have been approved, assumption of the mortgage (and HAP contract, if applicable) may still be required.

For further clarification about transfer of ownership, refer to the following OARs:

- OAR 813-010-0029 for Multi-Unit Housing Program (Section 8)

III. **Background and General Information**

1. **Audit Purpose**

The primary purpose of the audit is to report on the financial statements of the project's

operations. The CPA must also report on internal control and any deviations from compliance with the Loan Documents. The Department is interested in the financial solvency of the project, its ability to meet debt service requirements, keeping the property free of any unauthorized liens or transfer of ownership, and avoiding Mortgage default.

2. Bond Regulations and Loan Documents

The borrower has agreed to conditions that apply to a Bond Financed Project which is monitored by the Department for compliance with various controls and regulation of certain aspects of the project's operations. These may include, but are not limited to, limits on rental rates, rates of return, eligibility of tenants and fiscal management. Many of these requirements are contained in the Department's Loan Documents.

3. Management Agents

Many borrowers contract with professional management agents to operate their project and produce the financial statements the CPA audits. The management agreement between the borrower and management agent must conform to the pertinent requirements of the Loan Documents (including, but not limited to, the Department's Management Agreement).

4. Annual Audit Required

The Loan Documents and HUD regulations require mandatory submission to the Department of a complete audit of the annual financial reports for the project. The Audit must be:

- Submitted to the Department within **60 days** after the FYE;
- Prepared in accordance with Generally Accepted Accounting Principals (GAAP);
- Prepared in accordance with the requirements of the Department;
- Certified to be accurate by the borrower or an officer of the borrower; and
- Examined and reported on by an independent CPA. (The CPA must meet the standards of independence established by the AICPA.)

5. Site Visits

The Department conducts annual site visits and reviews the tenant files for compliance with eligibility requirements contained in the Loan Documents. The visits also include review of HUD regulations. Neither the auditor nor project owner need to submit the site visit audit report to HUD, either electronically or directly.

6. Engagement Letter

The Department encourages the borrower to obtain an engagement letter from an independent CPA to perform the Audit in compliance with this Audit Guide. The engagement letter does not need to be sent to the Department.

The arrangements for audit between the CPA and the borrower must allow Department staff to examine the auditor's working papers supporting the Audit.

The engagement letter shall specifically direct the auditor to perform the audit in accordance with the provisions of the Loan Documents, the Audit Guide, and all procedures, rules and regulations, statutes and requirements referred to therein.

Important Note: According to AICPA Ethics Interpretation 501-3 "Failure to follow standards and/or procedures or other requirements in governmental audits", a CPA who accepts an engagement and undertakes an obligation to follow Government Auditing Standards, (Yellow Book) issued by the Comptroller General of the United States, guides, procedures, statutes, rules and regulations, in addition to generally accepted auditing standards, is obligated to follow such requirements. Failure to do so is an act discreditable to the profession, and a violation of Rule 501.

7. Document Review

In addition to the Audit Standards, the CPA will find the following documents necessary in the conduct of the audit and should obtain them from the borrower's files prior to starting the Audit.

- Department Loan Documents, plus any modifications, forbearance and workout agreements;
- Management Agreement between the owner and management agent (in addition to the Department's Management Agreement);
- Entity Documents, (including all amendments) if applicable;
- Prior FYE Audit;
- Housing Assistance Payments Contract (HAP);
- Sample of all approved tenant Lease Agreements used in the project;
- Project Lease Agreement, if applicable (i.e., when project is leased to another entity or there is a ground lease.);
- Any notice of default;
- Secondary mortgage loan documents including modification, forbearance, and workout agreements;
- Written approval from the Department (and HUD, if applicable) for new secondary financing;
- Any contracts for services and supplies executed on behalf of the project, where material;
- Written statement from the borrower of any changes in the owners/partnership during the year as covered by the Department rules on the sale or partial sale of a project which explain that any change in ownership by a sole proprietor or general partner which introduces a new party to this class of ownership shall constitute a sale in whole or part;
- Written approval from the Department (and HUD, if applicable) for transfer of ownership. Note: A recorded assumption agreement in which the Department is a party, meets this requirement;
- All correspondence related to release of surplus cash, audit questions and financial requirements to make repairs or improvements;
- Any changes in the Audit Guide and other applicable Audit Standards.

8. Tenant Eligibility

The Department's Loan Documents contain specific eligibility requirements that may be based on income, family composition, and similar criteria. The criteria are contained in the Regulatory Agreement, and for the most part, on the tenant eligibility forms maintained at the project.

9. Audit Compliance Requirement Questionnaire

Appendix 1 of this Audit Guide is an Audit Compliance Requirement Questionnaire (the "Questionnaire") which is provided to assist the CPA in the audit of compliance matters which are of particular interest to the Department. While the Questionnaire may reveal conditions of internal control, it is not to take the place of internal control testing documentation the auditor employs in the standard conduct of the audit in accordance with AICPA standards. The questionnaire has been designed so that "No" answers indicate an adverse condition which must be described in the Auditor's Report if they have a material effect. The CPA should also cite other conditions which constitute weaknesses as disclosed by the Questionnaire and/or the process of conducting the audit.

The Questionnaire must be made a permanent part of the CPA's working papers which may be subject to review by the Department. If any adverse conditions are found, a copy of the Questionnaire must be provided to the Department as part of the Auditor's Report.

IV. Audit Requirements (Objectives, Scope and Standards)

1. Audit Objectives

The objectives of the Audit are to determine:

(1) Financial Status: Whether the financial statements present fairly the financial position of the project and the results of its operations in conformity with generally accepted accounting principles.

(2) Compliance: Whether operating practices and controls comply with certain specific Department requirements as outlined in the Loan Documents, this Audit Guide and the Questionnaire. **Deficiencies and/or deviations must be corrected prior to the release of surplus cash** and must be specifically addressed in the Auditor's Report on Compliance and Internal Controls (see Appendix 2, Exhibits C and D).

2. Audit Scope

The audit must be sufficiently comprehensive in scope to permit the expression of an opinion on the financial statements and supplemental data in the Audit Report. If deemed necessary, the auditor may review the tenant files. If either a qualified or adverse opinion is expressed or if an opinion is disclaimed, **the Department requires an explanation**. As used in these instructions, the term "expression of opinion" includes:

- an unqualified opinion;

- a qualified opinion;
- a disclaimer of opinion; or
- an adverse opinion.

The CPA is also required to:

(1) Review, evaluate and comment on the adequacy of the accounting records and procedures and the system of internal controls; and

(2) Indicate, if disclosed by the audit, the borrower's failure to adhere to the certain specific provisions of their corporate charter, the Loan Documents, or to Department regulations and procedures applicable to the borrower's operation.

3. Audit Standards

The Audit must be performed in accordance with the following standards:

- Generally accepted auditing standards established by the AICPA;
- Government Auditing Standards issued by the Comptroller General of the United States; and
- Audit requirements as set forth in this Audit Guide.

The CPA's working papers are expected to conform to the guidelines prescribed in the AICPA, Statements of Auditing Standards (SAS) ("Standards").

- Numbers 14 and 30 (AU621 and AU642) of the Standards substantiate the requirement to follow this Audit Guide.
- Number 48, "Reports on Audited Financial Statements", provides guidance on modifications to reports on financial statements.

Nonprofit institutions that own individual properties receiving HUD Section 8 Housing Assistance Payments will be required to complete project-specific audits because each project is deemed to be a **separate entity**. Audits of nonprofit institutions will also be subject to Office of Management and Budget (OMB) Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations."

For questions of compliance with audit standards, please contact the State Board of Accountancy.

V. Audit Report Example and Financial Statements

Although the financial statements are often prepared by a management accountant or other agent, the **borrower** has primary responsibility for the financial statements and supplemental data, and as a reflection of this responsibility, **must certify said statements**.

The auditor's opinion should state whether the basic financial statements present fairly the financial position of the project as of the Balance Sheet date and the results of its operations for the comparative periods then ended in conformity with generally accepted accounting principles

applied on a consistent basis. In addition, the opinion should state that the supplemental data has been subjected to the audit procedures applied in the examination of the basic financial statements and is fairly stated in all material respects in relationship to the financial statements taken as a whole.

Comparative statements are required. The audit report and financial statements must include the following (see Appendix 2 and 3 for required report and spreadsheet formats).

1. Audit Compliance Requirement Questionnaire (Appendix 1)

A fully completed Questionnaire must be retained in the auditor's working papers with positive affirmation provided in the Auditor's Report that all matters in the questionnaire have been addressed. Any adverse findings must be reported in the Auditor's Report and a copy of the Questionnaire provided to the Department.

It is understood that auditors may find the Questionnaire inappropriate for those projects subject to OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations."

2. Auditor Report Example (Appendix 2)

The report should contain Scope and Opinion paragraphs as illustrated in Appendix 2, Exhibit A. The report must contain an opinion on the fairness with which the borrower's statements show the financial position, and the results of operations of the project. The auditor must also express an opinion as to whether the supplemental financial information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

3. Auditor's Report (Exhibit A)

4. Notes to Financial Statements (Exhibit B)

5. Internal Control and Compliance with Laws and Regulations (Exhibit C & D)

The Auditor's report should include a section containing statements regarding Internal Control and Compliance with Laws and Regulations (see Appendix I, Exhibits H and I). The statements shall include the following:

- A report on the auditor's evaluation of the internal controls of the borrower.
- A statement that the auditor, in their evaluation of internal controls, took into consideration the items listed in the Questionnaire. Adverse conditions designated by "No" answers must be described in the Auditor's Report, determined to be corrected or not as of the date of the audit, and schedules supplied as needed. If any adverse conditions are found, the Questionnaire also needs to be included with the audit

This section should also include recommendations and observations believed by the CPA to warrant the attention of the borrower and the Department. The CPA's letter of recommendation may be included. Matters which may appear questionable to the CPA should be mentioned for administrative determination by the Department. The views or comments of the borrower should be included for each item whenever possible.

It is of major importance that the weaknesses in internal controls and noncompliance practices be fully disclosed in the auditor's comments in the audit.

The applicable section of the Loan Documents (or HUD documents) should be cited for items of noncompliance noted during the course of the examinations. Comment should also be made as to the status of corrective action taken or to be taken by the borrower on the respective items.

6. Exit Conference (Exhibit E)

At the conclusion of the audit, the CPA should hold an exit conference with the borrower to discuss the audit findings. The CPA should obtain comments from the borrower and include such comments in the report on compliance and internal control, including whether the borrower agrees with the audit conclusions, any action the borrower plans to take or reasons for not taking action.

7. Management Letter (Exhibit F)

The CPA may include in the Auditor's Report a management letter as Exhibit F.

The management letter issued to the CPA shall include the following representations in addition to those items deemed necessary by the auditor:

- The Mortgage payments are current and all tax, insurance and reserve accounts are current as agreed and confirmed in writing by the Loan Servicer, (except....).
- The Contingency Escrow account is correctly funded (if applicable)
- The project has complied with all provisions of the workout agreement (if applicable) (except.....).
- No new financing or other liens have been executed (unless Department approved - then state that new financing was executed as approved).
- The Regulatory Agreement has been complied with.
- No surplus cash or other distributions have been made without Department approval.
- Security deposits are funded, and held in a interest-bearing account (if applicable) for the tenants benefit.
- It appears there were no non-project expenses paid with project funds.
- The management fee was calculated correctly in accordance with the Management Agreement.
- All additions to fixed assets must have been approved by the Department in accordance with the terms and provisions of the Loan Documents.
- The required coverage and deductible amounts of insurance were in force for the entire audit period.

- There were no changes in ownership interests between balance sheet dates or if there were changes in ownership, provide details, including approval dates from the Department and from HUD.
- Residual Receipts were correctly deposited (limited distribution projects only).

8. Certification of Borrower (Exhibit G)

The report shall include a certification by the borrower when an individual owns the project, by (a) duly authorized representative(s) when it is owned by a partnership or when a corporation owns it. The minutes of the entity should reflect who the authorized signers are, and their names are to be included in the signature block.

9. Basic Financial Statements (Appendix 3)

- Balance Sheets, Comparative (Exhibit H)
- Statements of Income and Expenses (Exhibit I)
- Statements of Changes in Owner's Equity (Exhibit J)
- Statements of Cash Flows (Exhibit K)
- Support Data Required by Department (Exhibit L)

APPENDIX 1 – Audit Compliance Requirement Questionnaire

This Questionnaire is to be completed and retained in the Auditor's file.

All adverse conditions must be reported in the Auditor's Report.

Answers to these questions should be based upon a review of procedures and/or an actual test of transactions. "No" answers are indicative of an adverse condition which must be described in the audit report unless the borrower has written permission from the Department to deviate from the regular Mortgage requirements. The work performed by the CPA is to be done on a test basis. All questions must be answered whether or not material.

EXAMINATION ITEM	Yes, No or N/A (not applicable)	Were "No" Answers corrected by Date of Audit report?
1. <u>Mortgage Status</u>		
a. Are payments on the Mortgage current?	_____	_____
b. Were property taxes paid in full in November?	_____	_____
c. Was property insurance paid in full when due?	_____	_____
d. Were escrow deposits held by Loan Servicer at FYE, if continued at monthly assessment, as determined by Loan Servicer, be sufficient to pay the insurance premium one month before premium is due, also will sufficient funds be available on October 15 th to pay full property taxes and assessments when due next November 15 th ?	_____	_____
e. Has any deficiency in escrow deposits been deducted from the surplus cash calculation?	_____	_____
f. Were deposits to the Replacement Reserve Account current, including interest paid in?	_____	_____
g. Were all distributions from the Replacement Reserve Account authorized by the Department?	_____	_____
h. Has all interest earned by the Replacement Reserve Account been retained in the Replacement Reserve Account? <i>(Note: All projects for which the initial application request was submitted to HUD on or after 2-29-80 must comply.)</i>	_____	_____
i. Is the balance shown for replacement reserves in the Balance Statement confirmed by the Loan Servicer?	_____	_____
j. If "other financing" agreements have been executed, did the Department approve these?	_____	_____

EXAMINATION ITEM	Yes, No or N/A (not applicable)	Were "No" Answers corrected by Date of Audit report?
2. <u>Books and Records</u>		
a. The books, contract, records, documents and other papers relating to the property, the project and its operation are to be maintained in reasonable condition for proper audit as prescribed by the Department in written directions to specific projects as may be agreed to from time to time. Was there an adequate audit trail?	_____	_____
b. Does the borrower make frequent posting (at least monthly) to the ledger accounts?	_____	_____
3. <u>Cash Activities</u>		
a. Are all cash receipts deposited in the name of the project in a bank whose deposits are federally insured by FDIC?	_____	_____
b. Are security deposits kept separate and apart from all other funds of the project in an interest bearing account?	_____	_____
c. Does the borrower keep sufficient funds in the security deposit account to equal or exceed the aggregate of all outstanding obligations to the depositors?	_____	_____
d. Have all refunds of security deposits included interest earnings for the period of that deposit? <i>(Note: All projects with A-HAPs signed by HUD on or after 2/29/80 must comply.)</i>	_____	_____
e. Did cash disbursements <u>exclude</u> payments for: <ol style="list-style-type: none"> <li data-bbox="247 1361 1018 1395">1. Legal expenses incurred in the sale of Entity interests? <li data-bbox="247 1402 1018 1503">2. The fee for the preparation of a partner's, shareholder's, corporation's, or individual's federal, state or local income tax returns? <li data-bbox="247 1509 1018 1543">3. Advice to an owner on tax consequences of foreclosure? <li data-bbox="247 1550 1018 1765">4. Reimbursement to the owners or affiliates while the Mortgage is in default, under modification, forbearance, or provisional workout arrangements for prior advances, capital expenditures and/or project acquisition costs? (Not applicable if owner has prior written approval from the Department.) 	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____

EXAMINATION ITEM	Yes, No or N/A (not applicable)	Were "No" Answers corrected by Date of Audit report?
f. Were distributions made to or on behalf of the owners limited to those authorized by the Loan Documents or in accordance with prior written approval of the Department while the project was in a "surplus cash" position? <i>Note: (1) Projects operating under a modification or forbearance agreement are not in a "surplus cash" position; and (2) the use of rental proceeds to pay for costs included in the borrower's cost certification are unauthorized distributions of project income.</i>	_____	_____
g. Were residual receipts, as defined by the Regulatory Agreement deposited with the Loan Servicer within 60 days after the close of the borrower's annual accounting period? (Applied to certain limited divided and profit motivated borrowers only.)	_____	_____
h. Does the borrower have a formal collection policy?	_____	_____
i. Is the collection policy enforced?	_____	_____
j. Were all accounts or notes receivable from tenants less than 30 days old?	_____	_____
k. Do tenant accounts receivables consist exclusively of amounts due from other than employees unless authorized by the Department?	_____	_____
l. Have "write-offs" of tenants' accounts been less than 1% of gross rent?	_____	_____
m. Are other than tenants' accounts receivable composed exclusively of amounts due from unrelated persons or firms?	_____	_____
n. Were there indications that payments for services, supplies, or materials were comparable to amounts normally paid for such services?	_____	_____
<u>4. Management Agreement</u>		
a. Has the Management Agreement been approved by the Department?	_____	_____
b. Was compensation to the management agent limited to the amounts prescribed in the Management Agreement?	_____	_____
<u>5. Rents and Occupancy</u>		
a. Were individual units charged rents in accordance with the Department approved rental schedule?	_____	_____
b. Were rentals or leases to tenants made for periods of at least 30 days or more?	_____	_____

EXAMINATION ITEM	Yes, No or N/A (not applicable)	Were "No" Answers corrected by Date of Audit report?
6. HUD Subsidy Payments		
a. Were the amounts requested from HUD adequately supported by the accounting records?	_____	_____
b. Were subsidy payments received, recorded in the proper accounts?	_____	_____
7. Expenses		
a. Are expenses reasonable and necessary?	_____	_____
b. Were interest paid out of operating funds only for the Department Mortgage or other approved loans authorized by the Department?	_____	_____
c. Were all Accounts Payable less than 30 days old?	_____	_____
8. Capital Items		
Were Capital Items (as defined by the Loan Documents) purchased with Department approval as required by the Loan Documents?		
_____	_____	
9. Future Liabilities		
a. Does the project, if qualified for property tax abatement or any other special tax assessment, show the future liability in the notes to financial statements including a calculation of what the current tax would have been if paid?	_____	_____
b. Does the project indicate in the notes to Financial Statements when a future liability will become effective?	_____	_____
10. Financial Stability		
Does the project show the ability to meet its financial obligations as a going concern?		
_____	_____	

EXAMINATION ITEM	Yes, No or N/A (not applicable)	Were "No" Answers corrected by Date of Audit report?
<p>11. <u>Insurance Coverage</u></p>		
<p>The maximum deductible for any loss, for all-risk property insurance is \$2,500 for projects with 10 or less units, and \$10,000 for projects with more than 10 units. The Department must approve any exceptions in writing.</p>		
<p>a. Is the project covered against loss of rents as required by the Department?</p>	_____	_____
<p>b. What is the actual deductible amount as shown for the insurance policy now in effect? \$ _____</p>	_____	_____
<p>c. If the effective deductible amount is in excess of the allowable amount, has the Department approved the excess?</p>	_____	_____
<p>d. If the effective deductible amount is in excess of the allowable amount, has the project set-up a special fund for this?</p>	_____	_____
<p>e. If there is a special fund, has it been assigned to the Department?</p>	_____	_____
<p>f. If "no" to number (d.) above, or if deductible amount is insufficient, has the excess been deducted in the calculation of surplus cash?</p>	_____	_____
<p>12. <u>Ownership</u></p>		
<p>a. Has the ownership of the project remained the same, since last year? <i>Note: A change in ownership includes, but is not limited to: an entity name change, transfers to trusts, death of an owner, divorce of an owner, merger, sale of stock, adding or removing a member of the entity, and any deeded change of interest or modification of entity documents such as partnership agreements. Refer to Audit Guide "Transfer of Interest in Ownership (Definitions) for more information.</i></p>	_____	_____
<p>b. Has the ownership of the project kept current with the Oregon Secretary of State, Corporation Commission?</p>	_____	_____
<p>13. <u>Surplus Cash Limitations</u></p>		

EXAMINATION ITEM	Yes, No or N/A (not applicable)	Were "No" Answers corrected by Date of Audit report?
a. Was surplus cash shown as "none allowed" if the project is a not-for-profit organization? (Affects projects for which the initial application request was submitted to HUD on or after 2/29/80 and the Limitation on Distributions section was not altered in the signed agreement.)	_____	_____
b. Were any deferred maintenance and repair items deducted when calculating surplus cash?	_____	_____
c. Was surplus cash restricted if the project is larger than 50 units in size or elderly and the new regulations apply? (Affects projects for which the initial application request was submitted to HUD on or after 2/29/80 and the Limitation on Distributions section was not altered in the signed agreement.)	_____	_____
14. <u>Release of Surplus Cash</u>		
Were distributions of surplus cash made following the receipt of authorization from the Department?		
15. <u>Allocation of HUD Payments</u>		
a. Were payments from HUD for reimbursement to tenants shown separately as a liability if not fully paid?	_____	_____
b. Were all payments due tenants paid within 30 days (10 days for HURRA payments)?	_____	_____
c. Were vacancy and damage claims submitted in a timely manner?	_____	_____
d. Were reasonable attempts made to collect damages and unpaid rents from tenants?	_____	_____
16. <u>New Liens or Encumbrances</u>		
Was the condition of title unchanged except as approved in writing by the Department? (If approved, provide date of Department approval.) Date approved: _____		
17. <u>Completion of Audit in Timely Manner</u>		
Was the audit completed within the submission requirements of the loan program (60 days from the FYE for Elderly/Disabled or 90 days from the FYE for Risk Sharing), as otherwise allowed by the Loan Documents, or as extended in writing by the Department?		

APPENDIX 2 – Audit Report Example (not including spreadsheets)

ABC PROJECT OWNED BY
ABC Entity

SECTION 8 MULTI-UNIT LOAN PROGRAM

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL DATA
at (dates)

*Note: The example financial statements and notes thereto include samples and line items that would apply to the Department's multiple bond programs. Those requirements that apply to a specific program may not be applicable to this project's audit. However, statements and notes must also include all disclosures necessary for a fair presentation in accordance with generally accepted accounting principles. **Comparative financial statements are required.***

T A B L E O F C O N T E N T S

ABC Project Owned By
ABC Entity

Exhibit A	-	Auditor's Report
Exhibit B	-	Notes to Financial Statements
Exhibit C	-	Report on Internal Control
Exhibit D	-	Report on Compliance with Laws and Regulations
Exhibit E	-	Exit Conference
Exhibit F	-	Management Letter
Exhibit G	-	Certification of Borrower

SPREADSHEETS

Exhibit H	-	Balance Sheets
Exhibit I	-	Statements of Income and Expenses
Exhibit J	-	Statements of Changes in Owner's Equity
Exhibit K	-	Statement of Cash Flows
Exhibit L	-	Supporting Data Required by Department (including Calculation of Surplus Cash)

Exhibit A – AUDITOR’S REPORT

ABC Project Owned By
ABC Entity

To the Partners	Housing and Community Services Department
ABC Entity	725 Summer St., NE, Suite B
Anytown, U.S.A.	Salem, OR 97301-1266

We have audited the accompanying balance sheets of _____ (*entity name and form of entity*), as of _____ (*FYE 20xx and FYE 20xy*) and the related statements of income, changes in project equity and cash flows for the years then ended. These financial statements are the responsibility of the project's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the _____ (*entity*), at _____ (*FYE 20xx and FYE 20xy*), and the results of its operations, changes in partner's equity, and project cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards and the Department's Audit Guide, we have also issued a report dated _____ (*date*) on our consideration of _____ (*project name*) internal control and a report on compliance with laws and regulations.

This audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supporting data shown on pages ____ to ____ are presented for the purposes of additional analysis and is not a required part of the basic financial statements of the _____ (*entity*). Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CPA Firm Name, Contact Person, Address, and Telephone Number

Dated: _____

Exhibit B – NOTES TO FINANCIAL STATEMENTSABC Project Owned By
ABC Entity1. Organization and Summary of Significant Accounting Policies

The Entity is organized as a _____ (*form of Entity*) formed _____ (*date*) to acquire an interest in real property located in (city, state) and to construct and operate thereon an apartment complex of ___ units, under Section 8 of the National Housing Act of 1937. Such projects are regulated by the Department as to rent charges and operating methods. The Regulatory Agreement limits annual distributions of net operating receipts to "surplus cash" available at the end of each year. Surplus cash for the year _____ (*date*) was \$_____.

The following significant accounting policies have been followed in the preparation of the financial statements:

- How depreciation is provided, e.g. using the straight-line method over the estimated useful lives of the assets.
- What deferred Loan costs consist of, e.g. fees for obtaining the Department Multi-Unit Mortgage and are being amortized on the straight-line method over the life of the Mortgage.
- How income or loss of the Entity is allocated, e.g. ___% to the general partner and ___% to the limited partners. No income tax provision has been included in the financial statements since income or loss of the Entity is required to be reported by the respective partners on their income tax returns.

2. Notes Payable to Others and to General Partners

The \$_____ Trust Deed Promissory Note (the "Note") bearing interest at ___% and payable to the Department is serviced by _____ (*Loan Servicer*), and is payable in monthly installments of \$_____ (including interest) through _____ (*date*). The project is pledged as collateral for the Note.

- Five-year maturity schedule.

The notes payable to general partners represent the excess of construction and development costs and fees over the total proceeds of the insured loan and capital contributions. In accordance with provisions of the Entity agreement, such amount is to be repaid without interest from surplus cash if permitted by the Department, otherwise from the proceeds of any loan refinancing, net excess insurance proceeds, sale of parts of the Entity property with Department approval, or upon dissolution of the Entity.

The amount due to the general partner represents temporary advances which, in accordance with provisions of the Entity agreement, are non-interest bearing obligations reimbursable by the Entity from cash flow beginning in _____(year) if permitted by the Department, otherwise from proceeds of refinancing or sale of the project.

3. Plus all other notes necessary to comply with GAAP, such as:

- Debt repayment schedules
- Lease and other commitments
- Contingencies
- Related Party Transactions, whether or not material
- Etc.

Exhibit C – REPORT ON INTERNAL CONTROL

ABC Project Owned By
ABC Entity

To the Partners
ABC Entity
Anytown, U.S.A.

We have audited the financial statements of _____ (*entity name and type*) as of and for the year ended _____ (*FYE 20xx*), and have issued our report thereon dated _____ (*date of report*).

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States and the Department's Audit Guide for Section 8 Multi-Unit Housing Projects (the "Audit Guide"). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the project is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit, we obtained an understanding of the design of relevant controls and determined whether they had been placed in operation, and we assessed internal control risks in order to determine our auditing procedures for the purpose of expressing our opinion of the project's financial statements and testing its compliance with specific requirements applicable to its Section 8 Program and to report on internal control in accordance with the provisions of the Audit Guide and not to provide assurance on internal control.

We performed tests of controls, as required by the Audit Guide, to evaluate the effectiveness of the design and operation of controls that we considered relevant to preventing or detecting material noncompliance with specific requirements applicable to the project's Section 8 Program. Our procedures were less in scope than would be necessary to render an opinion on internal control. Accordingly, we do not express such an opinion.

Our consideration of internal control would not necessarily disclose all matters in internal control

that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operations that we considered to be material weaknesses as defined above.

We understand that: (1) the objectives of the control procedures referred to in the second paragraph of this report are to provide assurance concerning compliance with the Department's related requirements; (2) such procedures are considered by Housing and Community Services to be adequate for its purposes in accordance with the Department's and related regulations; and (3) procedures that do not accomplish such objectives indicate some inadequacy for such purposes. Based on this understanding and our study, we believe that the project's procedures were adequate for such purposes.

This report is intended for the information of management and the Department and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

CPA Firm Name, Contact Person, Address, and Telephone Number

Dated: _____

Exhibit D – REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

ABC Project Owned By
ABC Entity

To the Partners Housing and Community Services Department
ABC Partnership 725 Summer St., NE, Suite B
Anytown, U.S.A. Salem, OR 97301-1266

We have audited the financial statements of _____ (*entity name and type*) as of and for the year ended _____ (*FYE 20xx*), and have issued our report thereon dated _____ (*date of report*).

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the project is the responsibility of the project's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the project's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

We also considered those compliance matters comprehended in the "Audit Compliance Requirement Questionnaire" (Questionnaire), which is set forth in Appendix 1 of the Department's Section 8 Multi-Unit Housing Projects Audit Guide (the "Audit Guide")

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards or the Questionnaire.

This report is intended for the information of management and the Department. However, this report is a matter of public record and its distribution is not limited.

CPA Firm Name, Contact Person, Address, and Telephone Number
Dated: _____

Exhibit E – EXIT CONFERENCE

ABC Project Owned By
ABC Entity

1. Unauthorized Distribution of Project Income - \$40,000

Project operating funds were used to reimburse the General Partner for an advance made to the project two years ago. Since there was no surplus cash available from the prior year and the Department authorization was not obtained, the reimbursement was an unauthorized distribution of project income in violation of the provisions of [refer to the appropriate Loan Document as applicable].

REPLY

The General Partner agreed that the reimbursement violated the provisions of the [refer to the appropriate Loan Document as applicable] and deposited \$40,000 in the project's operating accounting.

2. Project Expenses for Furniture Rental Exceeded Income by \$5,000

The project paid the _____ (*furniture company*), an owner affiliated company, \$5,000 more than the income received for the rental of such furniture.

REPLY

The General Partner said that the resident manager had not promptly notified the furniture company when a tenant had vacated a furnished unit. He/she was unaware that this condition existed. However, he/she agreed that an equitable solution would be for the furniture company to reimburse the project \$5,000. The reimbursement had not been made at the conclusion of our audit on _____ (*date*).

Exhibit F – MANAGEMENT LETTER

ABC Project Owned By
ABC Entity

Exhibit G – CERTIFICATION OF BORROWER

ABC Project Owned By
ABC Entity

(entity TIN or EIN Number)

I (WE) HEREBY CERTIFY that I (we) have prepared, or caused to be prepared, and am (are) responsible for the contents of the accompanying financial statements and supplemental data of the _____ (project name) owned by _____ (entity) for periods ending _____ (FYE 20xx and FYE 20xy) and, to the best of my (our) knowledge and belief, they are complete and accurate.

I (we) certify that **all** Transfers of Ownership and/or secondary financing that occurred during (FYE 20xx and FYE 20xy) were authorized in writing by Oregon Housing and Community Services (the “Department”).

Further, I (we) hereby certify that I am (we are) the authorized representatives of _____ (entity) to assume this responsibility as determined and recorded in the minutes of the _____ (date) meeting (or as stipulated in the Entity agreement).

By: [Entity Name]

[Underlying Entity Information such as General Partner]

By: _____ Date: _____
(Name and title)

APPENDIX 3 – Audit Report Spreadsheets

See Excel Spreadsheets for Examples H through L.

Exhibit H – BALANCE SHEETS

ABC Project Owned By
ABC Entity

For Years Ended (dates)

<u>ASSETS</u>	<u>(Year End)</u>	<u>(Year End)</u>
<u>Current Assets</u>		
Petty Cash	\$	\$
Cash in Bank		
Tenant Accounts Receivable		
Accounts Receivable – Other		
Notes Receivable – Other		
Notes Receivable – Stockholders, Officers		
Investments (Short Term)		
Other (Identify in Notes)		
	_____	_____
Total Current Assets	\$	\$
<u>Deposits Held in Trust – Funded</u>		
Tenant Security Deposits	\$	\$
Other (Identify in Notes)		
	_____	_____
Total Deposits Held in Trust	\$	\$
<u>Prepaid Expenses</u>		
Property Insurance	\$	\$
Mortgage Insurance Premium		
Real Property Taxes		
Other (Identify in Notes)		
	_____	_____
Total Prepaid Expenses	\$	\$
<u>Restricted Deposits and Funded Reserves</u>		
Lender Escrow Deposits (Schedule in Notes)	\$	\$
Reserve for Replacements (Schedule in Notes)		
Other (Identify in Notes)		
	_____	_____
Total Deposits	\$	\$

BALANCE SHEETS (Continued)

For Years Ended (dates)

<u>A S S E T S</u>	<u>(Year End)</u>	<u>(Year End)</u>
<u>Fixed Assets</u>		
Land	\$	\$
Land Improvements		
Buildings		
Building Equipment Fixed		
Building Equipment Portable		
Furniture		
Furnishings		
Maintenance Equipment		
Motor Vehicles		
Other (Identify in Notes)	\$	\$
	<hr/>	<hr/>
Total Fixed Assets	\$	\$
Less Accumulated Depreciation	()	()
	<hr/>	<hr/>
Net Fixed Assets	\$	\$
<u>Other Assets</u>		
Organization Costs, Net of Acc. Amort.		
Mortgage Fees, Net of Acc. Amortization	\$	\$
	<hr/>	<hr/>
Total Other Assets	\$	\$
	<hr/>	<hr/>
TOTAL ASSETS	\$	\$
	<hr/>	<hr/>

BALANCE SHEETS (Continued)

For Years Ended (dates)

<u>LIABILITIES</u>	<u>(Year End)</u>	<u>(Year End)</u>
<u>Current Liabilities</u>		
Accounts Payable	\$	\$
Accrued Wages Payable		
Accrued Interest Payable		
Accrued Property Taxes		
Local Improvement District Assessments		
Notes Payable (Short term)		
Miscellaneous Current Liabilities		
Mortgage Payable – Current Portion		
Other (Identify in Notes)	\$	\$
	<hr/>	<hr/>
Total Current Liabilities	\$	\$
<u>Deposit and Prepayment Liabilities</u>		
Tenant Security Deposits		
Other Deposits (Identify in Notes)		
Prepaid Rent	\$	\$
	<hr/>	<hr/>
Total Deposit and Prepayment Liabilities	\$	\$
<u>Long-Term Liabilities</u>		
Notes Payable (Identify in Notes)	\$	\$
Mortgage Payable		
Less: Current Portion	()	()
	<hr/>	<hr/>
Total Long Term Liabilities	\$	\$
	<hr/>	<hr/>
TOTAL LIABILITIES	\$	\$
	<hr/>	<hr/>
	<u>Partners' Equity</u>	
Partners' Equity	\$	\$
	<hr/>	<hr/>
TOTAL LIABILITIES AND PARTNERS' EQUITY	\$	\$
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

Exhibit I – STATEMENT OF INCOME AND EXPENSES

ABC Project Owned By
ABC Entity

For Years Ended (dates)

	<u>(Year End)</u>	<u>(Year End)</u>
<u>Income</u>		
Rental Income – Paid by Tenants	\$	\$
Rent Supplement Payments – HUD Paid		
Laundry and Vending Income		
Interest Income		
Commercial Income (if applicable)		
Other (Specify in Notes)	<u>\$</u>	<u>\$</u>
TOTAL INCOME	<u>\$</u>	<u>\$</u>
 <u>Expenses</u>		
Administrative		
Management Fee (should be _____%)	\$	\$
Advertising and Marketing		
Legal		
Audit		
Telephone and Office Expenses		
On-Site Management Payroll		
Other (Specify in Notes)	<u>\$</u>	<u>\$</u>
Total Administrative Expense	<u>\$</u>	<u>\$</u>
Maintenance		
Elevator Maintenance and/or Contracts	\$	\$
Exterminating		
Janitorial and Maintenance Supplies		
Grounds Maintenance		
Heating and Air Conditioning Repair Svcs		
General Repair Services		
Painting/Decorating Materials and/or Svcs		
Payroll		
Other (Specify in Notes)	<u>\$</u>	<u>\$</u>
Total Maintenance Expense	<u>\$</u>	<u>\$</u>

STATEMENTS OF INCOME AND EXPENSES (Continued)

For Years Ended (dates)

	<u>(Year End)</u>	<u>(Year End)</u>
<u>Expenses – Continued</u>		
Utilities		
Electricity	\$	\$
Gas		
Oil		
Water		
Sewer		
Garbage		
Other (Specify in Notes)	\$	\$
	<hr/>	<hr/>
Total Utilities Expense	\$	\$
 Depreciation and Amortization		
Total Depreciation and Amortization	\$	\$
 Taxes and Insurance		
Insurance		
Real Estate Taxes		
Personal Property Taxes		
Other (Specify in Notes)	\$	\$
	<hr/>	<hr/>
Total Taxes and Insurance Expense	\$	\$
 Financial		
Interest on Mortgage Payable	\$	\$
Interest on Notes Payable		
Other (Specify in Notes)	\$	\$
	<hr/>	<hr/>
Total Financial Expenses	\$	\$
TOTAL EXPENSES	\$	\$
NET INCOME/(LOSS)	\$	\$
	<hr/>	<hr/>

Exhibit J – STATEMENTS OF CHANGES IN OWNER’S EQUITY

ABC Project Owned By
ABC Entity

For Years Ended (dates)

	<u>(Year End)</u>	<u>(Year End)</u>
Beginning of Year	\$	\$
Add:		
Net Income	\$	\$
Contributions	\$	\$
Other	\$	\$
Deduct:		
Distributions (Detail by Individual)	<u>()</u>	<u>()</u>
End of Year	<u>\$</u>	<u>\$</u>

The accompanying notes are an integral part of these financial statements.

Exhibit K – STATEMENT OF CASH FLOWS

ABC Project Owned By
ABC Entity

Increase (Decrease) in Cash
For Years Ended (dates)

	<u>(Year End)</u>	<u>(Year End)</u>
<u>Cash flows from operation activities</u>		
Rental receipts	\$	\$
Interest receipts		
Other receipts (Detail)		
Administrative		
Management Fees		
Utilities		
Salaries and wages		
Operating and maintenance		
Real Estate taxes		
Payroll taxes		
Property insurance		
Miscellaneous taxes and insurance		
Interest on Mortgage note		
Miscellaneous financial		
Tenant security and other deposits	\$ _____	\$ _____
Net cash provided (used) by operating activities	\$	\$
<u>Cash flows from investing activities</u>		
Purchase of depreciable assets decrease (increase) in:		
Reserve for replacement of depreciable assets	\$	\$
Reserve for taxes and insurance	\$ _____	\$ _____
Net cash provided (used) by investing activities	\$	\$

STATEMENT OF CASH FLOWS (Continued)

Increase (Decrease) in Cash
For Years Ended (dates)

	(Year End)	(Year End)
<u>Cash flows from financing activities</u>		
Mortgage principal payments	\$	\$
Cash distributions paid to partners		
Net cash provided (used) by financing activities	\$	\$
Net increase (decrease) in cash:		
Cash – beginning of period	\$	\$
Cash – end of period		
<u>Reconciliation of net income (loss) to net cash provided by operating activities:</u>		
Net Income (loss)		
Adjustment to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$	\$
Decrease (increase) in:		
Accounts receivable – rent subsidy	\$	\$
Accounts receivable – tenants		
Prepaid property insurance		
Prepaid mortgage insurance premium		
Prepaid property taxes		
Increase (decrease) in:		
Accounts payable – trade	\$	\$
Accounts payable – management agent		
Accrued interest payable		
Tenant security deposit payable		
Rents received in advance	\$	\$
Net cash provided (used) by operating activities	\$	\$

The accompanying notes are an integral part of these financial statements.

Exhibit L – SUPPORTING DATA REQUIRED BY DEPARTMENT

ABC Project Owned By
ABC Entity

For Years Ended (dates)

	<u>(Year End)</u>	<u>(Year End)</u>
<u>Comparative Computation of Surplus Cash, Distributions and Residual Receipts at the Balance Sheet Date</u>		
Cash		
Cash on Hand and in Banks	\$	\$
Other (describe) _____		
Total	<u>\$</u>	<u>\$</u>
Less – Current Obligations		
Trust Deed Interest Payable 15 th of next month (½ month interest payable) (Standard 15/360 method)	()	()
Delinquent Mortgage Payments	()	()
Delinquent Deposits to Reserve for Replacements	()	()
Accounts Payable (due within 30 days) <i>(Note: Provide a reconciliation to this amount if different from that shown on the Balance Sheet.)</i>	()	()
Mortgages and Notes Payable – Operating Expenses (payable within 30 days)	()	()
Accrued Expenses (not escrowed) (Except interest shown above.)	()	()
Prepaid Rents	()	()
Tenant Security Deposits	()	()
Mortgage Escrow Deposit Deficiency	()	()
Other (describe) _____	<u>()</u>	<u>()</u>
Total Current Obligations	<u>\$</u>	<u>\$</u>

SUPPORTING DATA REQUIRED BY DEPARTMENT (Continued)

For Years Ended (dates)

	<u>(Year End)</u>	<u>(Year End)</u>
Surplus Cash/(Deficiency) at Balance Sheet Date	\$ _____	\$ _____
Distribution allowed per Regulatory Agreement (limited to profit motivated borrowers)	\$ _____ *	\$ _____ *

* Cumulative from prior years if unpaid.