

ILLINOIS HOUSING DEVELOPMENT AUTHORITY



FINANCIAL REPORTING GUIDELINES FOR  
MORTGAGORS OF MULTIFAMILY HOUSING PROJECTS

Rev 12/2012

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## **I. INTRODUCTION**

The Illinois Housing Development Authority (IHDA) makes mortgage money available to developers of multifamily housing and administers subsidy programs on behalf of the Department of Housing and Urban Development (HUD) under Sections 8 and 236 of the Federal Housing Act as well as other programs. As the administrator of HUD subsidy programs and as a lender of significant amounts of money, IHDA has the need to assess the financial condition and results of operations of each of its developments. The regulatory agreements executed by each mortgagor therefore require, among other provisions, that annual financial reports examined by a certified public accountant be submitted to IHDA within the time specified in the regulatory agreement and other loan documents after the end of each fiscal year. This guide has been prepared to give mortgagors, sponsors, managing agents and CPA's guidance as to IHDA's needs in order to promote uniformity and comparability of the financial statements submitted, assist in the planning of efficient and effective audits, and to minimize the number of follow-up inquiries made by IHDA's staff. In addition to providing an illustrative sample financial statements, this guide attempts to explain the purpose of required information in order to provide guidance in applying informed judgment in situations not specifically addressed by the guide.

## **II. ACCOUNTING AND AUDIT REQUIREMENTS**

The regulatory agreement provides that the development's owner/management agent's books and accounts of mortgaged property operations be kept in accordance with IHDA's requirements. Proper maintenance of books and accounts kept in accordance with IHDA's requirements makes for greater ease in preparation of monthly reports, gives IHDA uniform information for analysis purposes and permits accountants to complete audits in an efficient and effective manner and at a reasonable cost.

Pursuant to the regulatory agreement, it is the mortgagor entity which is required to furnish financial statements. The mortgagor entity financial statements typically include funds received and disbursed as a result of the syndication process as well as the operating funds of the project. In establishing a financial accounting system, accounting (and auditing) problems should be avoided by keeping operating, syndication, mortgagor entity, reserve or escrow, and security deposit funds segregated in accordance with the loan documents.

The financial report is to set forth the result of operations and financial condition of the mortgagor as of the end of the fiscal year, the results of operations and cash flows from operating, investing and financing activities for the period and other financial information prepared in accordance with generally accepted accounting principles. The first such report is required as of the first year-end following cost certification and is to cover the period from the cost certification date to the end of the year.

The financial statements must be examined by a CPA licensed to practice within the State of Illinois and must be accompanied by the CPA's opinion on the financial statements. The audits must be conducted in accordance with generally accepted auditing standards, government auditing standards (Yellow Book), the Illinois Housing Development Authority Financial Reporting and Audit Guidelines for Mortgagors of Multifamily Housing Developments, and Consolidated Audit Guide for Audits of HUD Programs (as revised from time to time by HUD), Handbook 2000.04 (AHUD Handbook@). In instances where there is a conflict between the reporting requirements presented in the HUD Handbook and the reporting requirements set forth in these IHDA Guidelines, IHDA's Guidelines will prevail.

IHDA should be notified immediately if a scope limitation is placed upon the CPA in the course of performing the audit work.

Confirmation requests to IHDA should be made only in writing. Confirmations must be requested by the multifamily development owner or sponsor and should be addressed to:

Loan Portfolio Management  
Illinois Housing Development Authority  
401 North Michigan, Suite 700  
Chicago, Illinois 60611

Upon IHDA's written request, Auditor will promptly provide copies of all auditor's work papers requested without charge to IHDA or the development. IHDA also reserves the right to review the auditor's work papers at the auditor's location.

### **III. ADDITIONAL SPECIFIC PROCEDURES**

The audit must be conducted in accordance with the accounting and auditing standards established by the U.S. Department of Housing and Urban Development (HUD) as set forth in its Audit Guide for Mortgages having HUD Insured or Secretary Held Multifamily Mortgages. In addition to the requirements set forth in the HUD Handbook, IHDA requires certain audit procedures to be performed as set below or as from time to time may be required.

#### **A. Related party transactions:**

All related party transactions, cash transfers, loans and distributions are required to be disclosed. In addition, IHDA is requesting a detailed schedule be included with supplemental information. The auditor should:

1. Obtain or prepare a schedule of all related party loans or cash transfers (excluding direct reimbursement for expenses related to the development's operations, such as payroll or management fees) which occurred during the fiscal year under audit. The schedule should indicate the date of the IHDA approval for the transaction as well as the date of the cash transaction.
2. Trace the cash transactions, identified in step (1) above, to supporting bank statements and canceled checks agreeing date, payor, payee and amount.
3. Trace the transaction to supporting documentation indicating approval for the cash receipt or payment by IHDA.
4. Prepare a schedule of the above transactions and include this schedule in the financial statements (see Section 6, Footnote 8) as supplemental information. Any findings of non-compliance regardless of materiality are to be reported in the Auditors Reports on Compliance with Laws and Regulations and/or Internal Control.

#### **B. Security Deposits**

1. The auditor should scan the general ledger account for tenant security deposit cash for the entire year and note any unusual cash transfers to or from the account. Trace all unusual transactions to supporting documentation and inquire as to the nature of the transaction. Consider if any items result in non-compliance with the regulatory agreement or IHDA rules governing security deposits.
2. The auditor should scan the bank statements for security deposit cash for the entire year and note any unusual cash transfers to and from the account. The auditor should ascertain that the transactions in this transfers were normal.
3. The auditor should obtain bank reconciliations for each month during the audit period and trace the reconciled balance to the general ledger cash balance. On a test basis, ascertain that the cash balance equals or exceeds the security deposit liability balance for that month's end. Any shortage should be considered as findings of non-compliance.
4. Any non-compliance with the regulations with respect security deposits must be reported as findings of non-compliance, regardless of materiality and are to be reported in the Auditors Reports on Compliance with Laws and Regulations and/or Internal Control.

### C. Site Visits

The HUD Handbook directs the auditor to focus on management's procedures and inspection processes thereby effectively eliminating the expectation that auditors need to perform site visits to assess the physical condition of the project property. However, IHDA believes the auditor should perform a site visit in order to adequately test original, random selected, tenant files, review on site cash collection procedures, audit cash cutoff controls, as well as observe the general condition of the property. Since no requirement exists for auditors to conduct site visits, IHDA will require site visits to be performed, (preferably in the fourth quarter or the first month after year end), under the following circumstances:

- The first audit of a new auditor.
- When significant construction or repairs have been incurred during the audit period.
- At a minimum every third year.

Minimum required site visit procedures to be performed are:

1. Inquire of the on-site personnel about any repair and maintenance plans and the status of any inspection reports prepared by IHDA or HUD regarding the condition of property. Discuss the overall condition of the property and make inquiries of deferred maintenance issues.
2. Observe significant additions to the property and other assets identified in the schedule of changes in fixed assets for the year under audit.
3. Observe and inquire about the physical condition of the property and other assets. Identify significant issues for further follow up. Auditor judgment will be required to determine significant issues.

4. Inquire if collections are performed on site. If so, review collection and deposit procedures,(e.g., frequency of deposits, entry into the receivable system, etc.). If cash or checks are held at the site, document the current collections on hand to determine proper year end cutoff. If the observation date is other than the last day of the fiscal year or first day of the new fiscal year, obtain supporting documentation for the proper cutoff of on-site collection transactions, such as daily receipt logs, or copies of checks received, or receipts of cash received.
5. Inquire if cash is held, or a separate bank account is maintained on site and its purpose. If so, obtain bank statements and canceled checks for the whole year. Scan the monthly bank statements for unusual entries. Review the monthly bank reconciliation for selected months during the year. Trace reconciling items to items to supporting documents where deemed necessary. Trace the activity to a separate general ledger account for proper recording.
6. While at the site, review tenant files, selected at random, for properly completed documents such as, a complete application, income verification documentation, credit checks, HAP payments, lease and other required forms. Refer to the HUD audit procedures for attributes to be tested. This procedure is required to be performed annually. The auditor must determine the best method to ensure authenticity of the data tested in years the auditor does not perform this procedure on site.
7. Obtain and review the unaccepted applications for compliance with the Affirmative Fair Housing Act. Refer to the HUD audit procedures for attributes to be tested.

#### D. Commingled Cash and Investment Accounts

Commingling of development funds with those of other entities' or developments' or programs is not allowed under the regulatory agreement(s) applicable to the development. IHDA does not allow a project entity to commingle cash or investments accounts with those of other entities. All deposits are to be held in the name of the development entity. If the development's cash or investments are commingled, at any time during the audit period, a finding of non-compliance with IHDA Rules and Regulations should be reported by the auditor.

IHDA will consider allowing Owners of multiple developments to commingle cash and investments for investment purposes. If an Owner wishes to commingle these funds, they must obtain prior written approval of IHDA. Such approval will be at IHDA's sole discretion. To obtain get this approval the Owner, at a minimum must present a plan acceptable to IHDA outlining the reason for wanting to commingling funds, the method of commingling and the financial institution=s name which will hold the fund. The method must include the attributes listed below with the respect to the commingled funds. The following must be in place at all times during the period of commingling of funds:

1. The combined cash or investment account is specific as to the ownership of the deposits, including the development entity's name (co-ownership) and precludes any one entity from depleting the commingled balance beyond its ownership interest. In essence, there is no transfer of the funds from the project, only a joint effort to place the funds in one security or account.

2. The financial institution has provided federal securities as collateral which are held by the development entity or the development entity's agent (another financial institutions) in the development entity's name and in an amount sufficient to cover the highest amount of deposits commingled during the period of the commingling of funds.

The auditor should confirm the above attributes directly with the financial institution holding the funds, verify any collateral for the funds and must also confirm with IHDA the date and the method approved.

3. The development must receive the proportionate interest earned on it's portion of the invested funds. If IHDA has approved a method of commingling and/or the funds are commingled at any time during the audit year, the method of commingling must be provided in the footnotes under accounting polices or in a separate footnote. The footnote must include a description of the method used, IHDA's date of approval, the amounts invested during the year and any collateral supporting the balances. In addition, the names of the other entities whose funds are commingled with the development's funds needs to be disclosed.
4. Other attributes as may be required from time to time by IHDA.

#### **IV. SUPPORTING DOCUMENTATION DESCRIPTIONS**

Certain documentary evidence is initially available to the auditor. This supporting documentation will be available for each multifamily development and should be considered within the scope of the audit. A listing and brief description of some of these items is provided below.

- A) Cost Certification - a cost certification is required for each development upon completion. This certification will detail those capitalized costs and expenses that were incurred during construction. (Note: There is a separate Audit Report guide issues by HUD for preparing this report.)
- B) Construction Costs - the construction contract details the provisions of the work to be performed and the dollar amounts established for the contract.
- C) Building Loan Agreement-the building loan agreement sets forth the provisions agreed upon by the lender (IHDA) and the borrower.
- D) Mortgage - this sets forth the terms, covenants and provisions of the mortgage between the mortgagee (IHDA) and the mortgagor (Owner/Sponsor).
- E) Regulatory Agreement - the regulatory agreement sets forth the commitments made by the multifamily developer as an inducement to IHDA to make a mortgage loan and establishes the guidelines under which the development must operate. Any deviations should be noted and fully disclosed.
- F) Escrow Balances - escrowed funds are maintained by IHDA or a trustee. Quarterly status reports for escrows are transmitted to multifamily developments. Confirmation of these amounts at year-end (or interim dates) may be obtained from IHDA or a trustee.

- G) HAP Contract - The Housing Assistance Payments contract sets forth the provisions under which rental assistance payments are received by the multifamily development. This agreement is with the Department of Housing and Urban Development, IHDA and the Owner.
- H) Working Capital Escrow Agreement - most multifamily developments are required to provide a letter of credit for the first three years of operation. The escrow can be used by the Authority to cover contingencies during construction and during the first three years of operation.
- I) Resident Files - resident files are required and should be established at the time of occupancy. Minimally, each file should include:
  - 1) Preliminary application, if applicable
  - 2) Current application for Tenant Eligibility and Re-certification (HUD-50059 and Related Forms), if applicable
  - 3) Income verification from all sources, if applicable
  - 4) Evidence of security deposit payment
  - 5) Current owner-occupant lease
  - 6) Current apartment inspection report
  - 7) Any related correspondence

As well as establishing active resident files, the managing agent (or Owner) must maintain an inactive resident file. The inactive file should contain all inactive applicant and resident information. The inactive files must be retained by the owner/manager for three years after expiration of the related lease.

- J) Partnership Agreement - the partnership agreement among the partners of the multifamily development defines the rights, responsibilities and contributions of each partner and generally includes specific authority for the payment of fees to partners under certain conditions.
- K) Management Agreement - the owner, with the consent of IHDA, enters into a management agreement with a management agent responsible for operating the development. Among other things, this agreement sets forth the rate (usually a percentage of gross operating receipts) at which the agent shall be compensated for services rendered, expenditures the Agent may be reimbursed for, as well as the expenditure limitation, beyond which the approval of the owner and IHDA is required. The agreement details the duties and responsibilities of the management agent in the proper operation of the development.
- L) Miscellaneous Agreements - any contract which materially or legally affects the operation of the development such as elevator contracts, UCC filings, maintenance contracts, bookkeeping services, management subcontracts or other types of service contracts.

**V. CONTENTS OF THE ANNUAL FINANCIAL STATEMENTS**

The annual financial report should be in the general form outlined in the sample financial statements included in this guide. The statements should be comparative, except for the initial



period after cost certification. Everyone must use IHDA's sample format for financial statements; however, if the development has HUD mortgage insurance, HUD's profit and loss statement (Form 92410) should also be prepared as a supplemental schedule.

The following are key points to consider in preparing the financial statements:

- A.** Balance sheets should be presented as classified in keeping with industry practice.
  - 1. Cash - IHDA is principally concerned with the operations of the development and considers any payment of mortgagor expenses or transfers from the operating accounts to mortgagor accounts to be distributions within the meaning of limited equity distributions. As of the cost certification date, all cash in the operating account in excess of operating liabilities at that date should be transferred to mortgagor accounts; such transfer is not considered a distribution. Similarly, proceeds from partnership contributions should be segregated from the operating account if these receipts are to be paid out to the general partners or managing agent within the syndication process. Partnership contributions that are for normal operating capital may be deposited to the operating account. The footnotes to the financial statements should describe all transfers from development accounts to partnership accounts or other distributions and should indicate whether the transactions were approved by IHDA.
  - 2. Rents receivable includes both amounts due from tenants and amounts due under HAP contracts from HUD.
  - 3. Other receivables should be identified as to their nature either on the face of the balance sheet, in notes or in supporting data and should not be commingled with rents receivable.
  - 4. Security deposits - Segregated funds are required to be maintained in an amount at least equal to the security deposits received from tenants. The segregated funds and the applicable security deposit payable account should include accrued interest. The security deposit payable and accrued interest should be presented as a contra account to the segregated funds on the balance sheet. Interest is to be paid to tenants in accordance with the applicable laws.
  - 5. Mortgage escrow accounts should be individually identified either on the face of the balance sheet, in notes or in supporting data.
  - 6. Accounts payable should be segregated from accrued expenses. Accrued expenses payable to IHDA and accrued real estate taxes should be segregated from other accrued expenses. Other accrued expenses should be identified on the face of the balance sheet, in notes or in supporting data.
  - 7. Amounts due to or from affiliates should be segregated from all other accounts and the nature of each component should be explained in a note describing related party transactions (see III.A. above).
- B.** The Statement of Partners' Equity should include, at a minimum, the names of partners, and the activity for each partner, or the class of partners and the activity for each class of

partners. If not otherwise reflected in the Statement of Partners' Equity, a transfer(s) of partner's interest should be explicitly disclosed in the notes to the financial statements.

- C.** The Statement of Operations is intended to supplement the Monthly Operating Report (M.O.R.) submitted during the year. The account definitions and classifications should conform with M.O.R and annual operating budget definitions provided to the managing agent and owners yearly. (Copies of these definitions are available from IHDA's Asset Management Services upon request). Income and expense groupings should follow the groupings in the monthly reports. All income and expense items which are not part of operations should be separately identified. Examples of such expenses are: interest income on partnership funds, syndication expenses, general partner's fee, management fees or incentive management fees (other than those allowed by the management agreement), rent-up fees and any other expenses allowed by the partnership agreement that may not be disbursed from the operating receipts. These expenses are generally as allowed and described by the partnership agreement and cannot be paid out of operating funds. They may be paid only from partnership/syndication proceeds or distributions allowed by IHDA. Again, excess cash from these types of receipt/disbursement transactions should be placed in a separate partnership cash account and not commingled either with operating cash or security deposits. Interest on the mortgage loan should be separated from other interest expense.
- D.** The Statement of Cash Flows should include changes in balance sheet accounts, and should conform with SFAS #95 "Statement of Cash Flow, Direct Method".
- E.** Notes to the statements should include all disclosures required by generally accepted accounting principles IHDA and HUD. It is especially useful for syndication payments to be presented in a tabular format to be compared with partners' contributions receivable. The sample footnotes presented in these Guidelines are not meant to be all inclusive and do not replace auditor judgment for matters of disclosure.
- F.** Supplemental Information

Schedule of Surplus Cash and Allowable Distributions - This schedule is necessary for the determination of whether the development has sufficient funds on hand to permit a distribution of the allowable return on equity (as defined by the Regulatory Agreement). Only operating assets and liabilities should be included and any delinquent mortgage loan payments or escrow deposits should be identified and deducted. Distributions which have not been approved by IHDA should be reflected as a receivable in this schedule and explained in a footnote. The amount authorized by IHDA as a distribution is only good through the end of the fiscal year in which it was authorized.

An authorized distribution not taken at year end will be included in the computation of the next year's surplus cash. Any distribution, transfer of funds or assets of the development and/or payment of Owner's/Sponsor's expenditures will be considered a distribution. If taken without prior written authorization from IHDA this distribution should be clearly disclosed and reported as findings in the Auditor's Report on Compliance with Laws and Regulations. Project equity for computation of the allowable distributions should be taken from the final closing documents or refinancing instead of the initial closing documents.

This schedule need not be prepared if final closing has not occurred as no distributions can be made until after final closing.

- G.** Debt Service Coverage Ratio (DCR) Analysis - Prepare the necessary analysis of debt service and net operating income (adjusted for replacement reserve payments) as reflected in the sample schedule provided herewith.
- H.** Findings and Questioned Costs and Corrective Action Plans - Follow HUD Handbook.

For the reports identified in I through L below, when there are no HUD-Assisted programs, the wording of the report should be modified to reference IHDA-Assisted Programs.

- I.** Independent Auditor's report on Internal Control Structure - Use the latest procedures set forth in the Audit Compliance and Internal Control Questionnaire in the HUD Audit Guide for Mortgagors having HUD Insured or Secretary held Multifamily Mortgages. Combined reports will be acceptable. Refer to HUD Handbook for preferred language.
- J.** Independent Auditor's Report on Compliance with Specific Requirements Applicable to Major HUD Programs - Compliance with laws, regulations, contracts and grants applicable to the project should be audited and tested. Any material or (significant) immaterial non-compliance should be reported or disclosed in this report. Refer to HUD Handbook for preferred.
- K.** Independent Auditor's Report on Compliance with Specific Requirements Applicable to Non-Major HUD Transactions-Compliance with laws, regulations, contracts and grants applicable to the project should be audited and tested. Any material or (significant) immaterial non-compliance should be reported or disclosed in this report. Refer to HUD Handbook for preferred language.
- L.** Independent Auditor's Report on Compliance with Specific Requirements Applicable to the Affirmative Fair Housing - Compliance with laws, regulations, contracts and grants applicable to the project should be audited and tested. Any material or (significant) immaterial non-compliance should be reported or disclosed in this report. Refer to HUD Handbook for preferred language.
- M.** The sample financial statements provided assume the development operated under IHDA's principal subsidy program - Section 8 rental subsidies. Where the project operates under other programs, appropriate changes should be made to the financial statement line items and footnotes to properly reflect the conditions that exist. The other types of programs and examples of appropriate changes are as follows:
  - 1. Co-operative apartment projects - partners' capital accounts and tenants' security deposits should be re-captioned to properly reflect the nature of cooperative apartment operations.(if applicable use OMB Circular 133.)
  - 2. Section 236 interest subsidies - in footnote 3, reference to the HAP contract should be deleted and language similar to the following should be added to footnote 4.

"Under the terms of an interest reduction contract under Section 236 of the National Housing Act, the Partnership is subsidized for annual interest payments in an amount not to exceed \$XX0,000 annually."

The amount of the subsidy should be separately reflected as a line item following mortgage interest expense in the Statement of Operations.

- N.** Certificate of General Partner - All annual financial reports should include a certification by a general partner (or officer of a corporation) in the form provided. This report should also include the Employee Identification Number (EIN) assigned to the development by the Internal Revenue Service.
  
- O.** Certificate of Managing Agent - All annual financial reports should include a certification by the managing agent (or officer of a corporation) in the form provided. This report should also include the Employee Identification Number (EIN) assigned to the development by the Internal Revenue Service.

VI. Sample Financial Statements

SAMPLE PARTNERS  
(A limited Partnership)

(IHDA PROJECT NO. ML-000)

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ANNUAL FINANCIAL STATEMENTS  
for the years ended December 31, 20X1 and 20X0

FOR OTHER OPINION LETTER FORMATS REFER TO AICPA STANDARDS OR HUD HANDBOOK

[AUDITOR'S LETTERHEAD]  
INDEPENDENT AUDITOR'S REPORT

To Sample Partners,

We have audited the accompanying statements of financial position of Sample Company, IHDA Development No. xxx-xxxx and HUD Development No. xxx-xxxxx, as of December 31, 20X1 and 20X0, and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the development's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 Illinois Housing Development Authority's Financial Reporting and Audit Guidelines for Mortgagors of Multifamily Housing Developments. 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 Sample Company as of December 31, 20X1 and 20X0, and the changes in the net and it's cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, the Illinois Housing Development Authority Financial Reporting and Audit Guidelines for Mortgagors of Multifamily Housing Developments and the Consolidated Audit Guide for Audits of HUD Programs issued by the U. S. Department of Housing and Urban Development, we have also issued a report dated February xx, xxxx, on our consideration of Sample Partnership=s internal control structure, compliance with specific requirements applicable to major (HUD/IHDA-Assisted) programs, specific requirements applicable to affirmative fair housing, and specific requirements applicable to non-major (HUD/IHDA-Assisted) program transactions.

Firm's Signature

City, State  
February xx, xxxx

SAMPLE PARTNERSHIP  
BALANCE SHEETS  
AS OF DECEMBER, 20X1 and 20X0

| Chart of<br>Accounts                            | 20X1      | 20X0      |
|---|-----------|-----------|
| <b>ASSETS</b>                                   |           |           |
| <b>Fixed Assets: (Notes 1 and 4)</b>            |           |           |
| 1420 Building                                   | \$        |           |
| 1430 Equipment                                  | \$        |           |
| 1450 Furniture and Fixtures                     | \$        |           |
| 1415 Land Improvements                          | \$        | \$        |
| 4250 Less: Accumulated Depreciation             | \$        | \$        |
| Net Book Value                                  | \$        | \$        |
| 1410 Land                                       | \$        | \$        |
| Total Fixed Assets:                             | \$        | \$        |
| <b>Current Assets:</b>                          |           |           |
| 1120 Cash-Project Accounts (Note 10)            | \$        | \$        |
| 1125 Cash-Partnership Accounts (Note 10)        | \$        | \$        |
| 1130 Receivables: Tenant                        | \$        | \$        |
| 1131 HUD  | \$        | \$        |
| 1140 Others                                     | \$        | \$        |
| 1151 due from Affiliates (Note )                | \$        | \$        |
| 1240 Prepaid Expenses: Insurance                | \$        | \$        |
| 1270 Taxes                                      | \$        | \$        |
| 1290 Sundry                                     | \$        | \$        |
| Total Current Assets:                           | \$        | \$        |
| <b>Deposit Held in Trust:</b>                   |           |           |
| 1191 Cash (Restricted)                          | \$        | \$        |
| 1192 Certificate of Deposit                     | \$        | \$        |
| 1160 Accrued Interest Receivable                | \$        | \$        |
| 2191 Less: Tenants Security Deposits            | \$        | \$        |
| 2130 Accrued Interest Payable                   | \$        | \$        |
| Total Deposit Held In Trust:                    | \$        | \$        |
| <b>Restricted Deposits and Funded Reserves:</b> |           |           |
| 1310 Real Estate Tax & Insurance                | \$        | \$        |
| 1320 Replacement Reserve                        | \$        | \$        |
| 1360 Development Cost Escrow                    | \$        | \$        |
| 1340 Residual Receipts Reserve                  | \$        | \$        |
| 1330 Mortgage Insurance Premium Escrow          | \$        | \$        |
| Total Restricted Deposits & Reserves:           | \$        | \$        |
| <b>Other Assets:</b>                            |           |           |
| 1510 Organizational Costs (Net)                 | \$        | \$        |
| 1520 Deferred Financing Costs (Net)             | \$        | \$        |
| 1550 Other                                      | \$        | \$        |
| Total Other Assets:                             | \$        | \$        |
| <b>TOTAL ASSETS:</b>                            | <b>\$</b> | <b>\$</b> |

SAMPLE PARTNERSHIP  
BALANCE SHEETS  
(CONTINUED)

**LIABILITIES AND PARTNERS' EQUITY:**

Chart of  
Accounts

|                               |   |          |          |
|-------------------------------|---|----------|----------|
| <b>Current Liabilities:</b>   |   |          |          |
| 2320                          | Mortgage Loan Payable                         | \$       | \$       |
| 2110                          | Accounts Payable - Trade                      | \$       | \$       |
| 2140                          | Accrued Expenses (Exhibit )                   | \$       | \$       |
| 2160                          | Notes Payable - (Note )                       | \$       | \$       |
| 2150                          | Accrued Real Estate Taxes                     | \$       | \$       |
| 2230                          | Due to Affiliate (Note )                      | \$       | \$       |
| 2210                          | Rents Received in Advance                     | \$       | \$       |
|                               | <b>Total Current Liabilities</b>              | \$ _____ | \$ _____ |
| <b>Long-Term Liabilities:</b> |   |          |          |
| 2320                          | Mortgage Loan Payable                         | \$       | \$       |
|                               | Less: Current Amount                          | \$ _____ | \$ _____ |
|                               | Notes Payable                                 | \$       | \$       |
|                               | Less Current Amount                           | \$ _____ | \$ _____ |
|                               | Other   | \$       | \$       |
|                               | <b>Total Long-Term Liabilities:</b>           | \$ _____ | \$ _____ |
|                               | <b>Other Liabilities:</b>                     | \$ _____ | \$ _____ |
|                               | <b>TOTAL LIABILITIES:</b>                     | \$ _____ | \$ _____ |
| <b>PARTNERS' EQUITY:</b>      |   |          |          |
| 3130                          | Partners' Capital:                            | \$       | \$       |
| 3120                          | Less: Contribution Receivables                | \$ _____ | \$ _____ |
|                               | <b>Total Partners' Equity:</b>                | \$ _____ | \$ _____ |
|                               | <b>TOTAL LIABILITIES AND PARTNERS' EQUITY</b> | \$ _____ | \$ _____ |



SAMPLE PARTNERSHIP  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 20X1 AND 20X0

| <u>Chart of<br/>Accounts</u> | <u>REVENUE</u>                         | <u>20X1</u> | <u>20X0</u> |
|------------------------------|--|-------------|-------------|
| 5120                         | Apartment Rentals                      | \$          | \$          |
| 5121                         | Housing Assistance Payment<br>(Note #) | \$          | \$          |
| 5140                         | Commercial and Other Rentals           | \$          | \$          |
| 5220                         | Less: Vacancy Loss                     | \$          | \$          |
| 5221                         | Rent Free Apartments                   | \$          | \$          |
| 5125                         | Interest Reduction Subsidy             | \$          | \$          |
| 5320                         | Interest on Mortgage Escrow Accounts   | \$          | \$          |
| 5390                         | Other Interest                         | \$          | \$          |
| 5910                         | Laundry                                | \$          | \$          |
| 5990                         | Sundry                                 | \$          | \$          |
|                              | <b>TOTAL REVENUE:</b>                  | <b>\$</b>   | <b>\$</b>   |
|                              | <b>EXPENSES</b>                        |             |             |
|                              | <u>Administrative:</u>                 |             |             |
| 6311                         | Office Expenses                        | \$          | \$          |
| 6320                         | Management Fee - Project               | \$          | \$          |
| 6321                         | Incentive Management Fee               | \$          | \$          |
| 6330                         | Social Programming                     | \$          | \$          |
| 6340                         | Legal Expenses                         | \$          | \$          |
| 6350                         | Audit Expenses                         | \$          | \$          |
| 6360                         | Telephone                              | \$          | \$          |
| 6370                         | Bad Debts                              | \$          | \$          |
| 6210                         | Marketing                              | \$          | \$          |
| 6860                         | Security Deposit Interest              | \$          | \$          |
| 6390                         | Sundry                                 | \$          | \$          |
|                              | <u>Operating:</u>                      |             |             |
| 6482                         | Vehicle and Equip. Operating           | \$          | \$          |
| 6461                         | Exterminating                          | \$          | \$          |
| 6471                         | Rubbish Remova                         | \$          | \$          |
| 6487                         | Parking Area                           | \$          | \$          |
| 6485                         | Sundry                                 | \$          | \$          |
|                              | <u>Maintenance</u>                     |             |             |
| 6511                         | Security                               | \$          | \$          |
| 6521                         | Grounds                                | \$          | \$          |
| 6541                         | Structural Repairs                     | \$          | \$          |
| 6542                         | Carpeting                              | \$          | \$          |
| 6545                         | Elevator                               | \$          | \$          |
| 6546                         | Heating & Air Conditioning             | \$          | \$          |
| 6552                         | Plumbing                               | \$          | \$          |
| 6553                         | Electrical                             | \$          | \$          |
| 6547                         | Pool                                   | \$          | \$          |
| 6561                         | Painting and Decorating                | \$          | \$          |
| 6570                         | Appliance Repairs                      | \$          | \$          |
| 6585                         | Window Washing                         | \$          | \$          |
| 6590                         | Sundry Misc. Maint. Repr.              | \$          | \$          |

SAMPLE PARTNERSHIP  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 20X1 AND 20X0

Chart of  
Accounts

|      |                                    |    |       |       |
|------|------------------------------------|----|-------|-------|
|      | <u>Materials and Supplies:</u>     |    |       |       |
| 6311 | Office                             | \$ |       | \$    |
| 6411 | Janitors                           | \$ |       | \$    |
| 6511 | Maintenance                        | \$ | _____ | \$    |
|      |                                    |    |       | \$    |
|      | <u>Salaries and Wages:</u>         |    |       |       |
| 6310 | Office and Administrative          | \$ |       | \$    |
| 6410 | Janitors                           | \$ |       | \$    |
| 6510 | Maintenance                        | \$ |       | \$    |
| 6512 | Security/Guards                    | \$ | _____ | \$    |
|      |                                    |    |       | \$    |
|      | <u>Utilities:</u>                  |    |       |       |
| 6420 | Gas                                | \$ |       | \$    |
| 6450 | Electricity                        | \$ |       | \$    |
| 6451 | Water and Sewer                    | \$ | _____ | \$    |
|      |                                    |    |       | \$    |
|      | <u>Taxes and Insurance:</u>        |    |       |       |
| 6710 | Real Estate Taxes                  | \$ |       | \$    |
| 6720 | Property and Liability Ins.        | \$ |       | \$    |
| 6721 | Fidelity Bond                      | \$ |       | \$    |
| 6790 | Other Taxes                        | \$ |       | \$    |
| 6729 | Other Insurance                    | \$ | _____ | \$    |
|      |                                    |    |       | \$    |
|      | Total Operating Expenses           |    |       |       |
|      | Before Financing, Entity Expenses, |    |       |       |
|      | Depreciation and Amortization      |    | \$    | _____ |
|      |                                    |    |       | \$    |
|      | Net Operating Income               |    |       |       |
|      | Before Financing, Entity Expenses, |    |       |       |
|      | Depreciation and Amortization      |    | \$    | _____ |
|      |                                    |    |       | \$    |
|      | <u>Financing:</u>                  |    |       |       |
| 6810 | Mortgage Interest                  | \$ |       | \$    |
| 6845 | Service Charge - IHDA              | \$ |       | \$    |
| 6850 | Mortgage Insurance Premium         | \$ |       | \$    |
| 6830 | Interest - Notes                   | \$ | _____ | \$    |
| 6880 | Other Expenses:                    | \$ | _____ | \$    |
|      |                                    |    |       | \$    |
|      | <u>Entity Expenses:</u>            |    |       |       |
| 7115 | Partnership Management Fee         | \$ |       | \$    |
| 7131 | Ill. Replacement Tax               | \$ |       | \$    |
| 7180 | Other (specify)                    | \$ | _____ | \$    |
|      |                                    |    |       | \$    |
| 7115 | Net Income (Loss)                  |    |       |       |
| 7131 | Before Depreciation and            |    |       |       |
| 7180 | Amortization                       |    | \$    | _____ |
|      |                                    |    |       | \$    |
| 6900 | Depreciation and Amortization      |    | \$    | _____ |
|      |                                    |    |       | \$    |
|      | NET INCOME (LOSS):                 |    | \$    | _____ |
|      |                                    |    |       | \$    |

SAMPLE PARTNERSHIP  
STATEMENTS OF PARTNERS EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 20X1 AND 20X0

|                                 | Percentage<br>of<br><u>Interest</u> | Balance<br><u>20X1</u> | Net Profit<br>(Loss) for<br><u>20X1</u> | <u>Contributions</u> | <u>Withdrawals</u> | <u>Distributions</u> | Balance<br><u>20X1</u> |
|---------------------------------|-------------------------------------|------------------------|---|----------------------|--------------------|----------------------|------------------------|
| <b><u>General Partners:</u></b> |                                     |                        |   |                      |                    |                      |                        |
| General Partner One             |                                     | \$                     | (\$ )                                   | \$                   | (\$ )              | (\$ )                | \$                     |
| General Partner Two             |                                     | \$                     | (\$ )                                   | \$                   | (\$ )              | (\$ )                | \$                     |
| <b><u>Limited Partners:</u></b> |                                     |                        |   |                      |                    |                      |                        |
| Limited Partner One             |                                     | \$                     | (\$ )                                   | \$                   | (\$ )              | (\$ )                | \$                     |
| Limited Partner Two             |                                     | \$                     | (\$ )                                   | \$                   | (\$ )              | (\$ )                | \$                     |
| Limited Partner Three           |                                     | \$                     | (\$ )                                   | \$                   | (\$ )              | (\$ )                | \$                     |
| Limited Partner Four            |                                     | \$                     | (\$ )                                   | \$                   | (\$ )              | (\$ )                | \$                     |
| <b>TOTAL</b>                    | <b>100%</b>                         | <b>\$</b>              | <b>(\$ )</b>                            | <b>\$</b>            | <b>(\$ )</b>       | <b>(\$ )</b>         |                        |

|                                 | Percentage<br>of<br><u>Interest</u> | Balance<br><u>20X1</u> | Net Profit<br>(Loss) for<br><u>20X1</u> | <u>Contributions</u> | <u>Withdrawals</u> | <u>Distributions</u> | Balance<br><u>20X1</u> |
|---------------------------------|-------------------------------------|------------------------|---|----------------------|--------------------|----------------------|------------------------|
| <b><u>General Partners:</u></b> |                                     |                        |   |                      |                    |                      |                        |
| General Partner One             |                                     | \$                     | (\$ )                                   | \$                   | (\$ )              | (\$ )                | \$                     |
| General Partner Two             |                                     | \$                     | (\$ )                                   | \$                   | (\$ )              | (\$ )                | \$                     |
| <b><u>Limited Partners:</u></b> |                                     |                        |   |                      |                    |                      |                        |
| Limited Partner One             |                                     | \$                     | (\$ )                                   | \$                   | (\$ )              | (\$ )                | \$                     |
| Limited Partner Two             |                                     | \$                     | (\$ )                                   | \$                   | (\$ )              | (\$ )                | \$                     |
| Limited Partner Three           |                                     | \$                     | (\$ )                                   | \$                   | (\$ )              | (\$ )                | \$                     |
| Limited Partner Four            |                                     | \$                     | (\$ )                                   | \$                   | (\$ )              | (\$ )                | \$                     |
| <b>TOTAL</b>                    | <b>100%</b>                         | <b>\$</b>              | <b>(\$ )</b>                            | <b>\$</b>            | <b>(\$ )</b>       | <b>(\$ )</b>         |                        |

(See Notes to Financial Statements)

SAMPLE PARTNERSHIP  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 20X1 AND 20X0

| Increases (Decreases) in Cash:                              | <u>20X1</u> | <u>20X0</u> |
|---|-------------|-------------|
| Cash Flows from Operating Activities:                       |             |             |
| Cash Received from Tenants,<br>Agencies and Other for Rents | \$          | \$          |
| Interest Income Received                                    | \$          | \$          |
| Receipt from Other Sources                                  | \$          | \$          |
| Admin Expenses Paid   | (\$ )       | (\$ )       |
| Operating Expenses Paid                                     | (\$ )       | (\$ )       |
| Building Maintenance Paid                                   | (\$ )       | (\$ )       |
| Materials and Supplies Paid                                 | (\$ )       | (\$ )       |
| Salaries and Wages Paid                                     | (\$ )       | (\$ )       |
| Utilities Paid  | (\$ )       | (\$ )       |
| R.E. Taxes & Insurance Paid                                 | (\$ )       | (\$ )       |
| Mortgage Int. & Service Fee Paid                            | (\$ )       | (\$ )       |
| Other Expenses Paid   | (\$ )       | (\$ )       |
| Net Cash Provided by (Used In) Operations                   | \$          | \$          |
| Cash Flows from Investing Activities:                       |             |             |
| Additions to Buildings and Land Improvements                | (\$ )       | (\$ )       |
| Purchase of Equipment, Furniture & Fixtures                 | (\$ )       | (\$ )       |
| Proceeds from Sale or Disposition of Fixed<br>Assets        | \$          | \$          |
| Deposits to Restricted Funds                                | (\$ )       | (\$ )       |
| Withdrawals from Restricted Funds                           | \$          | \$          |
| Net Cash Provided by (Used In) Investing Activities:        | \$          | \$          |
| Cash Flows from Financing Activities:                       |             |             |
| Net Deposit to Funded Reserve                               | (\$ )       | (\$ )       |
| Repayment of Mortgage Loan Payable                          | (\$ )       | (\$ )       |
| Repayment of Notes Payable                                  | (\$ )       | (\$ )       |
| Distributions Paid  | (\$ )       | (\$ )       |
| Advances by Affiliates                                      | \$          | \$          |
| Net Cash Provided by (Used In) Investing Activities:        | \$          | \$          |
| Net Increase (Decrease) In Cash                             | \$          | \$          |
| Cash at Beginning of Year                                   | \$          | \$          |
| Cash at End of Year   | \$          | \$          |

SAMPLE PARTNERSHIP  
STATEMENTS OF CASH FLOWS  
(Continued)

| Reconciliation of Net Income (Loss) to Net<br>Cash Provided by (Used In) Operations:                    | <u>20X1</u> | <u>20X0</u> |
|---|-------------|-------------|
| Net Income (Loss)   | \$ _____    | \$ _____    |
| Adjustment to Reconcile Net Income (Loss)<br>To Net Cash Provided by (Used In) Operating<br>Activities: |             |             |
| Depreciation  | \$ _____    | \$ _____    |
| Amortization  | \$ _____    | \$ _____    |
| Accrued Interest On Notes Payable   | \$ _____    | \$ _____    |
| Changes in Assets and Liabilities:  |             |             |
| (Increase) Decrease in Receivables  | (\$ _____)  | \$ _____    |
| (Increase) Decrease in Due from Affiliates  | \$ _____    | (\$ _____)  |
| (Increase) Decrease in Pre-Paid Expenses  | \$ _____    | (\$ _____)  |
| (Increase) Decrease in Deposits Held by Trust   | (\$ _____)  | \$ _____    |
| (Decrease) Increase in Accounts Payable   | (\$ _____)  | \$ _____    |
| (Decrease) Increase in Accrued Expenses   | (\$ _____)  | \$ _____    |
| (Increase) Increase in Accrued Real Estate<br>Taxes   | \$ _____    | (\$ _____)  |
| (Decrease) Increase in Due to Affiliate   | \$ _____    | (\$ _____)  |
| (Decrease) Increase in Rents received in<br>advance   | (\$ _____)  | \$ _____    |
| (Decrease) Increase in Security Deposit   | (\$ _____)  | \$ _____    |
| Net Adjustments   | \$ _____    | \$ _____    |
| Net Cash Provided by (Used In) Operating Activities   | \$ _____    | \$ _____    |

(See Notes to Financial Statements)

## SAMPLE NOTES TO FINANCIAL STATEMENTS

---

### 1. Nature of Organization:

The Partnership was formed on January XX, 20XX under the provisions of the Illinois Uniform Limited Partnership Act for the purpose of acquiring, constructing, holding and operating a xxx unit apartment complex known as Sample Apartments, IHDA Development No. xx-xxxx and HUD Project No. x-xxx intended primarily for low and moderate income tenants in Some town, Illinois, financed in part with the proceeds of a mortgage loan obtained from the Illinois Housing Development Authority (IHDA).

As defined in the partnership agreement, profits, losses and cash receipts are to be allocated to partners in accordance with specified profit and loss percentages, except that special allocation provisions apply in the event of a refinancing, sale or other disposition of the property of the Partnership if the proceeds of such transaction are not reinvested or retained by the Partnership for the continuation of its business.

The Partnership terminates December 31, 20XX unless dissolved earlier upon sale of substantially all of the Partnership's real property.

### 2. Significant accounting policies:

- (a) Depreciation is computed using the straight-line method for financial reporting purposes and accelerated lives and methods for income tax purposes. At December 31, 20X1, cumulative depreciation charges deducted for income tax purposes exceeded amounts deducted in the financial statements by \$XX000.
- (b) For financial reporting purposes, the Partnership capitalized interest and real estate taxes incurred prior to completion of the buildings. For income tax purposes, these capitalized costs totaling \$X000 were expensed when incurred. (Note: describe actual tax treatment).
- (c) IHDA and other loan fees in connection with obtaining the construction loan are capitalized. Such fees incurred in connection with obtaining permanent financing are deferred and amortized over the life of the mortgage loan.
- (d) Organization costs are amortized using the straight-line method over a sixty month period beginning January 1, 20X0.
- (e) The financial statements of the Partnership do not contain a provision for income taxes because the partners recognize their proportionate share of the partnership income or loss in their individual tax returns. However, the Partnership is subject to the Illinois Replacement Tax. Indicate if any payments of the Illinois Replacement Tax have been made.

### 3. Nature of Operation and Subsidy Program:

Agreements with IHDA provide for regulation of rental charges, restrictions on disposition of the property and the limitation of annual cash distributions to the partners based upon a XX percent cumulative return on equity as defined by the regulatory agreement with IHDA (specify source document if other than regulatory agreement).

At December 31, 20X1, approximately xxx% of the complex was occupied. Gross annual apartment rentals at 100% percent occupancy would approximate \$XXX000, including housing assistance payments, under rental schedules in effect at December 31, 20X1.

The Partnership executed a Housing Assistance Payments contract with IHDA and the Federal Housing Commissioner providing for payments to the Partnership for units leased to eligible lower-income families pursuant to Section 8 of the U.S. Housing Act of 1937. The maximum amount of the commitment for housing assistance payments under such contract is \$XXX000 per annum, covering all of the units in the building. The initial term of the contract is xxx years ending December 31, 20XY and the contract is renewable for periods (including the initial term) not to exceed xxx years in the aggregate. At December 31, 20X1 and 20X0, respectively, \$XX,000 and \$XY,000 of such subsidies were recorded as rents receivable.

### 4. Mortgage Loan Payable

The mortgage loan payable bears interest at an annual rate of x percent. The Partnership has agreed to make payments of principal and interest (currently approximately \$XX,000 monthly) sufficient to repay the loan over a term of xx years. In addition, the Partnership is to pay a monthly service fee to IHDA of \$X,000 until such time as the mortgage loan is fully satisfied. Beginning in 19XY, the project is required to deposit \$XX,000 annually with IHDA as a reserve fund for replacements.

The approximate amount of annual principal payments is \$X0,000 for each of the next five years. (Present this information in a table or schedule if appropriate, especially if there is more than one loan.)

### 5. Management Fees

- A. The general partners are to receive \$XX0,000 as a fee for evaluating the development as a suitable investment for the Partnership which was capitalized as part of the improvements. Of this amount, \$XX0,000 was paid with the proceeds of the note payable as permitted by the partnership agreement.
- B. The general partners are to receive a fee for managing the affairs of the Partnership during the development and construction period of \$XX0,000 which was capitalized as part of the improvements.
- C. The general partners are to receive a fee for managing the affairs of the Partnership over its full term of \$XX0,000. These amounts are expensed as earned.

- Amounts due to the general partners at December 31, 20X1 are payable as follows:

|                                | 20X2     | 20X3     |
|--------------------------------|----------|----------|
| 1. Development Acquisition Fee | \$ _____ | \$ _____ |
| Construction Management        | \$ _____ | \$ _____ |
| Partnership Management         | \$ _____ | \$ _____ |

2. Due to affiliates at December 31, 20X1 and 20X0 consist of:  
(explain the nature, purpose, and terms of each):

|                             | 20X1     | 20X0     |
|-----------------------------|----------|----------|
| Due to General Partners:    | \$ _____ | \$ _____ |
| Development Acquisition Fee | \$ _____ | \$ _____ |
| Construction Management     | \$ _____ | \$ _____ |

- D. The property is managed by Related Management Company, Inc., the sole shareholders of which are the general partners. The current management agreement expires June 20X3 and provides for a management fee of Y% of monthly gross rental collections.

**6. Capital Contributions:**

Remaining unpaid installments of additional limited partners' capital contributions aggregating \$ \_\_\_\_\_ are payable in installments of \$ \_\_\_\_\_, \$ \_\_\_\_\_, and \$ \_\_\_\_\_ on March 15, 20X2 through 20X4, respectively.

**7. Notes Payable:**

The note payable is payable to The Bank and accrues interest (YY% at December 31, 20X1) at the prime rate plus Y.T.%.

The loan is collateralized by negotiable promissory notes from the limited partners in the amount of their unpaid capital contributions and is guaranteed by the general partners. As of December 31, 20X1, these promissory notes aggregated \$XX0,000.

Additional principal payments of \$X000,000, \$XX0,000 and \$XX0,000 are due on March 31, 20X2 through 20X4, respectively.

**8. Related Party Transactions:**

Related Party Transactions & Transfers:

|                     | Date of<br>Transfer | IHDA<br>Approval | Date of<br>to/from<br>Affiliates | Due<br>to/from<br>Partners |
|---------------------|---------------------|------------------|----------------------------------|----------------------------|
| Balance mm/dd/yy    |                     |                  | \$ _____                         | \$ _____                   |
| Transfers: Received | mm/dd/yy            | mm/dd/yy         | \$ _____                         | \$ _____                   |
| Paid                | mm/dd/yy            | mm/dd/yy         | \$ _____                         | \$ _____                   |
| Paid                | mm/dd/yy            | mm/dd/yy         | \$ _____                         | \$ _____                   |
| Balance mm/dd/yy    |                     |                  | \$ _____                         | \$ _____                   |



1. Approved \$xxxx
2. The Partnership did not obtain approval for the above transfer until after the transfer was made. This transfer results in a finding of noncompliance.

**9. Development Cost Escrow:**

A development cost escrow fund in the amount of \$X00,000 was established from the proceeds of the mortgage loan. This fund is held by IHDA and invested in an interest bearing account for the benefit of the development. The interest earned is to be used to bring the development's return on equity, as defined, up to the BY% maximum allowed by the Regulatory Agreement with IHDA, and thereafter, is to be used for social services and other purposes benefitting the development, subject to the written approval of IHDA.

**10. Distributions (if applicable):**

During 20X1, \$XX,000 was approved by IHDA for distribution to the partners from prior year's surplus cash. An additional \$X,000 was transferred from the project cash accounts to the partnership cash accounts which was not submitted to IHDA for approval.

**11. Tenant Security Deposits:**

Tenant's Security Deposits guarantee the performance of the lease covenants, are refundable upon termination of leases, and are segregated in interest bearing accounts or Certificate of Deposits. A x% interest on these deposits is paid to tenants yearly.

**12. Restricted Deposits:**

Under the regulatory agreement, the development is required to set aside specific amounts for the replacement of property and other capital expenditures approved by IHDA (HUD if applicable). The monthly restricted deposits were \$xx in 20X1 and \$xx in 20XX. Balances at December 31, 20X1 and 20XX were \$xxx and \$xxx respectively. The development is also required to fund the escrow for the payment of real estate taxes and property and liability insurance. The balances in the escrow at December 31, 20X1 and 20XX were \$xxx and \$xxx respectively.

VII. Supplemental Information

(ALTERNATIVELY, THIS STATEMENT MAY BE INCLUDED IN THE OPINION LETTER)

(AUDITOR'S LETTERHEAD)

INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION

To Sample Partners:

Our report on our audit of the basic financial statements of Sample Company, IHDA Development No. xxx-xxxxx, HUD Project No. x-xxx, for 20X1 and 20X0, appears on page 3. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages x to xx is presented for purposes of additional analysis and is not required part of the basic financial statements of Sample Company. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Firm Signature

City, State  
February xx, 20XX

SAMPLE PARTNERSHIP  
SUPPLEMENTAL INFORMATION

Accounts and Notes Receivable (Other than from Tenants):

| Name of Borrower | Original<br>Date | Original<br>Terms | Balance<br>Amount | Due     |
|------------------|------------------|-------------------|-------------------|---------|
| _____            | _____            | _____             | \$                | \$      |
| _____            | _____            | _____             | \$                | \$      |
| _____            | _____            | _____             | \$                | \$_____ |
| TOTAL            |                  |                   |                   | \$_____ |

Tenants Accounts Receivable:

|                            | <u>Number of<br/>Tenants</u> | <u>Amount<br/>Past Due</u> |
|----------------------------|------------------------------|----------------------------|
| Delinquent 30 days or less |                              | \$                         |
| Delinquent 31 to 60 days   |                              | \$                         |
| Delinquent 61 to 90 days   |                              | \$                         |
| Delinquent over 90 days    | _____                        | \$_____                    |
| TOTAL                      | _____                        | \$_____                    |

Escrow Deposits and Funded Reserve Activities:

|  | Balance<br><u>Dec.31, 20X0</u> | Addi-<br>tions | Interest<br>Earned | With-<br>drawals | Balance<br><u>Dec. 31, 20X1</u> |
|--|--------------------------------|----------------|--------------------|------------------|---------------------------------|
| Real Estate Tax &<br>Insurance Reserve | \$                             | \$             | \$                 | (\$ )            | \$                              |
| Replacement Res.                       | \$                             | \$             | \$                 | (\$ )            | \$                              |
| Development Cost<br>Escrow             | \$                             | \$             | \$                 | (\$ )            | \$                              |
| Residual Receipts                      | \$                             | \$             | \$                 | (\$ )            | \$                              |
| Mortgage Insurance<br>Premium Escrow   | \$                             | \$             | \$                 | (\$ )            | \$                              |
| <u>Other Receivable</u>                |                                |                | 20X1               | 20X0             |                                 |
| _____                                  |                                |                | \$                 | \$               |                                 |
| _____                                  |                                |                | \$                 | \$               |                                 |
| _____                                  |                                |                | \$                 | \$               |                                 |
| _____                                  |                                |                | \$_____            | \$_____          |                                 |
| TOTAL                                  |                                |                | \$_____            | \$_____          |                                 |

SAMPLE PARTNERSHIP  
SUPPLEMENTAL INFORMATION (CONTINUED)

Accounts Payable (Other than Trade Creditors):

| <u>Creditor</u> | <u>Purpose</u> | <u>Date Incurred</u> | <u>Terms</u> | <u>Original Amount</u> | <u>Amount Due</u> |
|-----------------|----------------|----------------------|--------------|------------------------|-------------------|
| _____           | _____          | _____                | _____        | \$ _____               | \$ _____          |
| _____           | _____          | _____                | _____        | \$ _____               | \$ _____          |
| _____           | _____          | _____                | _____        | \$ _____               | \$ _____          |
| _____           | _____          | _____                | _____        | \$ _____               | \$ _____          |
| TOTAL           |                |                      |              | \$ _____               | \$ _____          |

Accounts Payable - Trade Creditors:

|                              | <u>Number of Creditors</u> | <u>Amount Due</u> |
|------------------------------|----------------------------|-------------------|
| Payable within 30 days       | _____                      | \$ _____          |
| Payable within 31 to 60 days | _____                      | \$ _____          |
| Payable within 61 and over   | _____                      | \$ _____          |
| TOTAL                        |                            | \$ _____          |

Other Accrued Expenses:

|       | 20X1     | 20X0     |
|-------|----------|----------|
| _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ |
| TOTAL | \$ _____ | \$ _____ |

Compensation of Partners:

|           |          |
|-----------|----------|
| Partner A | \$ _____ |
| Partner B | \$ _____ |

SAMPLE PARTNERSHIP  
 SUPPLEMENTAL INFORMATION  
 (Continued)

Changes in Fixed Assets

| <u>Year Ended Date</u> | <u>ASSETS</u>     |           |            |                   |
|------------------------|-------------------|-----------|------------|-------------------|
|                        | Balance<br>(Date) | Additions | Deductions | Balance<br>(Date) |
| Building               | \$                | \$        | \$         | \$                |
| Equipment              | \$                | \$        | \$         | \$                |
| Furniture & Fixtures   | \$                | \$        | \$         | \$                |
| Land Improvement       | \$                | \$        | \$         | \$                |
| Land                   | \$                | \$        | \$         | \$                |

|                      | <u>ACCUMULATED DEPRECIATION</u> |                       |            |                   | Net<br>Book<br>Value<br>(Date) |
|----------------------|---------------------------------|-----------------------|------------|-------------------|--------------------------------|
|                      | Balance<br>(Date)               | Current<br>Provisions | Deductions | Balance<br>(Date) |                                |
| Building\$           | \$                              | \$                    | \$         | \$                | \$                             |
| Equipment            | \$                              | \$                    | \$         | \$                | \$                             |
| Furniture & Fixtures | \$                              | \$                    | \$         | \$                | \$                             |
| Land Improvement     | \$                              | \$                    | \$         | \$                | \$                             |
| Land                 | \$                              | \$                    | \$         | \$                | \$                             |

SAMPLE PARTNERSHIP  
 SUPPLEMENTAL INFORMATION  
 (Continued)

SCHEDULE OF FUNDS IN FINANCIAL INSTITUTIONS  
 December 3, 20X1

|    |  |          |
|----|--|----------|
| 1. | Funds Held by Mortgagor, regular operating account:          |          |
|    | 1. XYZ Bank, (Location) (Checking)1                          | \$ _____ |
|    | 2. XYZ Bank, (Location) (Savings)1                           | \$ _____ |
| 2. | Funds Held by Mortgagor, in Trust, tenant security deposits: |          |
|    | 1. XYZ Bank, (Location) (Checking Rate)1                     | \$ _____ |
|    | 2. XYZ Bank, (Location) (CD rate)1                           | \$ _____ |
| 3. | Funds Held by Mortgagee, (In Trust):                         |          |
|    | 1. Tax and insurance escrow, I.H.D.A., 2                     | \$ _____ |
|    | 2. Reserve fund for replacements, I.H.D.A., 2                | \$ _____ |
|    | 3. Development cost escrow, I.H.D.A., 2 \$ _____             |          |
|    | 4. Residual Receipts escrow, I.H.D.A., 2                     | \$ _____ |
|    | 5. Working capital reserve, I.H.D.A., 2 \$ _____             |          |
|    | Funds Held by Mortgagee, (Total)                             | \$ _____ |
|    | Total Funds in financial institution                         | \$ _____ |

1Balances confirmed by XYZ Bank, (Location), (Date)  
 2Balances confirmed by I.H.D.A., Chicago, (Date)

VIII. Schedule of Surplus Cash and Available Distributions

SAMPLE PARTNERSHIP  
SCHEDULE OF SURPLUS CASH AND  
ALLOWABLE DISTRIBUTIONS  
AS OF DECEMBER 31, 20X1

A - Surplus Cash Computations:

|   |          |            |          |
|---|----------|------------|----------|
| Cash - Development Accounts                         |          | \$         |          |
| Receivables - Tenant                                | \$       |            |          |
| HUD   | \$ _____ |            | \$       |
| Due from Affiliates (Project Only)                  |          |            | \$       |
| Prepaid Expenses: Taxes                             | \$       |            |          |
| Sundry  | \$ _____ |            | \$       |
| Deposit Held in Trust for Tenant's Security Deposit |          |            | \$       |
| Accrued Interest Receivable:                        |          |            |          |
| Replacement Reserve                                 | \$       |            |          |
| Tax & Insurance Reserve                             | \$       |            |          |
| Development Cost Escrow                             | \$       |            |          |
| Others  | \$ _____ |            | \$       |
| Other, Due within 60 Days:                          |          |            |          |
| Insurance Claims                                    | \$       |            |          |
| Transfer to Partnership Accounts                    | \$       |            |          |
|   | \$ _____ |            | \$ _____ |
|   |          |            | \$ _____ |
| Less: Accounts Payable - Trade                      |          | (\$        | )        |
| Rents Received in Advance                           |          | (\$        | )        |
| Delinquent Mortgage Payments & Escrow Deposit       |          | (\$        | )        |
| Tenant's Deposits (Including Accrued Interest       |          | (\$        | )        |
| Accrued Expenses Not Escrowed (Project Only)        |          | (\$        | )        |
| Due to Affiliate (Project Only)                     |          | (\$        | )        |
|   |          | (\$        | )        |
|   |          | (\$ _____) |          |
| Total Deductions                                    |          |            | \$ _____ |
| Surplus (Deficit) Cash                              |          |            | \$ _____ |

B - Allowable Distribution Computation:

|   |            |    |          |
|---|------------|----|----------|
| Project Equity per Final Closing Documents                              |            | \$ |          |
| Allowable Date of Return  |            |    | _____ %  |
| Current Year Allowable Distribution                                     |            | \$ |          |
| Cumulative Allowable Unpaid   |            | \$ |          |
| Distribution at Dec. 31, 20X0   | \$         |    |          |
| Less: Distributions Paid During 20X1                                    | (\$ _____) |    | \$ _____ |
| TOTAL CUMULATIVE ALLOWABLE AND UNPAID DISTRIBUTION AT DECEMBER 31, 20X1 |            |    | \$ _____ |

IX. Debt Service Coverage Ratio Analysis

SAMPLE PARTNERSHIP  
DEBT SERVICE COVERAGE RATIO ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 20X1

From Statement of Operations:

|    |   |          |            |
|----|---|----------|------------|
| A. | Net Operating Income ("NOI") before Financing<br>Entity Expenses, Depreciation and Amortization |          | \$ _____   |
| B. | Less: Replacement Reserve Payments  |          | (\$ _____) |
| C. | NOI Adjusted (A minus B)  |          | \$ _____   |
| D. | Debt Service  |          |            |
|    | Mortgage principle payments   | \$ _____ |            |
|    | Mortgage interest   | \$ _____ |            |
|    | Mortgage service fees (if applicable)   | \$ _____ |            |
|    | Mortgage insurance premium (if applicable)  | \$ _____ |            |
|    | Total   |          | \$ _____   |
| E. | Debt Service Coverage Ratio ("DCR")<br>(C divided by D)   |          | \$ _____   |



FOR OTHER REPORT FORMATS REFER TO HUD HANDBOOK

[AUDITOR'S LETTERHEAD]

INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL STRUCTURE

To the Sample Partners:

We have audited the financial statements of Sample Partnership an I.H.D.A. Development No. xx-xxx, HUD Development No. xxx-xxxxx, as of and for the year ended December 31, 20X1 and have issued our report thereon dated February xx, 20X2. We have also audited the Development=s compliance with requirements applicable to major (HUD/IHDA) Assisted Programs and have issued our report thereon dated February XX, 20X2.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the Consolidated Audit Guide for Audits of HUD Programs (the AGuide@), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, in (date). Those standards and the Guide require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Project complied with laws and regulations, noncompliance with which would be material to a major (HUD/IHDA) Assisted program.

The management of the development is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and 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 and that (HUD/IHDA) Assisted Programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors or irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure 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 policies and procedures may deteriorate.

In planning and performing our audits, we obtained an understanding of the design of relevant internal control structure policies and procedures and determined whether they had been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinions on Sample Company's financial statements and on its compliance with specific requirements applicable to its major (HUD/IHDA) Assisted Programs and to report on the internal control structure in accordance with the provisions of the Guide and not to provide any assurance on the internal control structure.

We performed test of controls, as required by the Guide, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures were less in scope than would be necessary to render an opinion on such internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a (HUD/IHDA) Assisted Program may occur and not be detected within a timely period by employees in the normal course of performing assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Project in a separate letter dated February XX, 20X2.

This report is intended for the information of the audit committee, management, and the Illinois Housing Development Authority and Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

Firm's Signature

City, State  
February XX, 20X2

FOR OTHER REPORT FORMATS REFER TO HUD HANDBOOK  
[AUDITOR'S LETTERHEAD]

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC  
REQUIREMENTS APPLICABLE TO AFFIRMATIVE FAIR HOUSING

To Sample Partners,

We have audited the financial statements of Sample Company, an I.H.D.A. Development No. xx-xxx, HUD Development No. xxx-xxxxx, as of and for the year ended December 31, 20X1 and have issued our report thereon dated February XX, 20X2.

We have also applied procedures to test the Development=s compliance with the Affirmative Fair Housing requirements applicable to its (HUD/IHDA) Assisted Programs for the year ended December 31, 20X1.

Our procedures were limited to the applicable compliance requirement described by the Consolidated Audit Guide for Audits of HUD Programs (the AGuide@), issued by the U.S. Department of Housing and Urban Development, Office of Inspector General, in (date). Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Development=s compliance with the Affirmative Fair Housing requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under the Guide.

The results of our tests disclosed immaterial instances of noncompliance with the about requirements, which we have communicated to the management of Sample Company in a separate letter dated February XX, 20X2.

This report is intended for the information of the audit committee, management, and the Illinois Housing Development Authority and Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

Firm's Signature

City, State  
February XX, 20X2

FOR OTHER REPORT FORMATS REFER TO HUD HANDBOOK

[AUDITOR'S LETTERHEAD]

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC  
REQUIREMENTS APPLICABLE TO MAJOR (HUD/IHDA) ASSISTED PROGRAMS

To Sample Partners,

We have audited the financial statements of Sample Company, IHDA Development No. xx-xxxx, HUD Development No. xxx-xxxxx as of and for the year ended December 31, 20X1 and have issued our report thereon dated February XX, 20X2.

We have audited the development's compliance with the specific programs requirements governing federal financial reports, mortgage status, the replacement reserve, the residual receipts, tenant security deposits, cash receipts and disbursements, distributions to owners, tenant application, tenant eligibility, tenant re-certification, and management functions that are applicable to each of its major (HUD/IHDA)-assisted programs, for the year ended December 31, 20X1. The management of the Development is responsible for compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the Consolidated Audit Guide for Audits of HUD Programs ("the Guide") issued by the U.S. Department of Housing and Urban Development, Office of Inspector General in (date). Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Development's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which we have communicated to the management of Sample Company in a separate letter dated February XX, 20X2. We considered those instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Development complied, in all material respects, with the requirements described above that are applicable to each of its major (HUD/IHDA) -assisted programs for the year ended December 31, 20X1.

This report is intended for the information of the audit committee, management, and the Illinois Housing Development Authority and Department of Housing and Urban Development. However, this report is matter of public record and its distribution is not limited.

Firm's Signature

City, State  
February XX, 20X2

FOR OTHER REPORT FORMATS REFER TO HUD HANDBOOK

[AUDITOR'S LETTERHEAD]

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC  
REQUIREMENTS APPLICABLE TO NON-MAJOR (HUD/IHDA) ASSISTED TRANSACTIONS

To Sample Partners,

We have audited the financial statements of Sample Company, IHDA Development No. xx-xxxx, HUD Development No. xxx-xxxxx as of and for the year ended December 31, 20X1 and have issued our report thereon dated February XX, 20X2.

In connection with our audit of the 19XX financial statements of the Development and with our consideration of the Development's internal control structure used to administer HUD programs, as required by the Consolidated Audit Guide for Audits, of HUD Programs (the AGuide@), issued by the U.S. Department of Housing and Urban Development, Office of Inspector General, in (date), we selected certain transactions applicable to certain non-major (HUD/IHDA) Assisted Programs for the year ended December 31, 20X1. As required by the Guide, we performed auditing procedures to test compliance with the requirements governing affirmative fair housing, management, maintenance, the replacement reserve, federal financial reports, tenant application, tenant eligibility, tenant re-certification, and tenant security deposits that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Development's compliance with those requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under the Guide.

The results of our tests disclosed immaterial instances of noncompliance with the above requirements, which we have communicated to management of Sample Company in a separate letter dated February XX, 20X2.

This report is intended for the information of the audit committee, management, and the Illinois Housing Development Authority and Department of Housing and Urban Development. However, this report is matter of public record and its distribution is not limited.

Firm's Signature

City, State  
February XX, 20X2

SAMPLE PARTNERSHIP  
IHDA DEVELOPMENT NO. XX-XXX  
CERTIFICATE OF GENERAL PARTNER

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I hereby certify that I have examined the foregoing financial statements and supporting data of Sample Partnership and, to the best of my knowledge and belief, the same are true statements of the financial condition and results of operations as of December 31, 20X1 and for the year then ended.

Date \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Employer Identification Number:

\_\_\_\_\_

SAMPLE PARTNERSHIP  
IHDA DEVELOPMENT NO. XX-XXX  
CERTIFICATE OF MANAGING AGENT

We hereby certify that we have examined the accompanying financial statements and supplemental data of Sample Partnership and, to the best of our knowledge and belief, the same is complete and accurate.

[Name]

[Date]

[Firm Name]

[Employer Identification No.]

INFORMATION REGARDING INDEPENDENT AUDITORS

To: Illinois Housing Department Authority

RE: Sample Partnership  
IHDA Development xx-xxxx

Year ended December 31, 20X1

AUDITOR INFORMATION

Name: \_\_\_\_\_

Address: 123 N. Main Street  
Some town, IL 12345

Phone: \_\_\_\_\_

Lead Auditor: \_\_\_\_\_

Federal ID# \_\_\_\_\_

Audit Partner:

Firm:

Telephone Number:

Federal Employer ID#:



**ESTIMATED RESIDUAL RECEIPTS**

Development Name: \_\_\_\_\_  
 Development #: \_\_\_\_\_

Cash Operation, *per Trial Balance* \$0

|  |        |     |
|--|--------|-----|
| <b>Always Add:</b>   |        |     |
| <u>Accrued 4th Quarter Interest</u>  |        |     |
| Tax & Insurance Escrow   | \$0.00 |     |
| Working Capital Reserves   | 0.00   |     |
| Replacement Reserves   | 0.00   |     |
| Total Accrued 4th Quarter Interest   | \$0    | \$0 |
| Other Cash Items not included above (Development account only) <span style="float: right;">\$0</span>  |        |     |
| <u>Accounts Receivable</u>   |        |     |
| Tenant   | \$0.00 |     |
| HUD  | 0.00   |     |
| Other  | 0.00   |     |
| Total Accounts Receivable  | \$0    | \$0 |
| Prepaid Expenses (Except Prepaid Insurance) <span style="float: right;">\$0</span>   |        |     |
| Security Deposit held in Trust <span style="float: right;">\$0</span>  |        |     |
| Residual Receipts Balance, (Already Deposited at IHDA) <span style="float: right;">\$0</span>  |        |     |
| Other <span style="float: right;">\$0</span>   |        |     |
| <b>Total Additions</b> <span style="float: right; border-top: 1px solid black;">\$0</span>   |        |     |
| <b>Always Subtract:</b>  |        |     |
| Budgeted Residual Receipts <span style="float: right;">\$0</span>  |        |     |
| Accounts Payable- Trade <span style="float: right;">\$0</span>   |        |     |
| Prepaid Rents <span style="float: right;">\$0</span>   |        |     |
| Security Deposit including interest <span style="float: right;">\$0</span>   |        |     |
| <u>Accrued Expenses</u>  |        |     |
| Management Fee (Not Partnership)   | \$0.00 |     |
| Wages Payable  | 0.00   |     |
| Interest Payable (Mortgage)  | 0.00   |     |
| Other  | 0.00   |     |
| Total Accrued Expenses   | \$0    | \$0 |
| Other <span style="float: right;">\$0</span>   |        |     |
| <b>Total Subtractions</b> <span style="float: right; border-top: 1px solid black;">\$0</span>  |        |     |
| Adjusted Surplus (Deficit) Cash <span style="float: right;">\$0</span>   |        |     |
| Estimated T&I Reserve Budget Shortage-not adjusted in Budget <span style="float: right;">\$0</span>  |        |     |
| Net Adjusted Surplus (Deficit) Cash <span style="float: right; border-top: 1px solid black;">\$0</span>  |        |     |
| Less: Annual Allowable Distribution <span style="float: right; border-top: 1px solid black;">\$0</span>  |        |     |
| Estimated Residual Receipts <span style="float: right; border-top: 1px solid black;">\$0</span>  |        |     |
| Less: Residual Receipts at IHDA <span style="float: right; border-top: 1px solid black;">\$0</span>  |        |     |
| <b>ESTIMATED RESIDUAL RECEIPTS TO BE REMITTED TO IHDA</b> <span style="float: right; border-top: 1px solid black; border-bottom: 3px double black;">\$0</span> |        |     |

Note: the above information should be from the Trial Balance of development.

**AUDIT REPORT GUIDELINES FOR MORTGAGORS OF MULTI-FAMILY HOUSING DEVELOPMENTS**  
**MULTI-FAMILY HOUSING DEVELOPMENTS**  
**As of 12/14/2012**

| DESCRIPTIONS   | HUD PROGRAMS     |                              |                |
|--|------------------|------------------------------|----------------|
|  | Sec. 236, Sec. 8 | Contract Administration Only | Risk Share RS# |
| <b>AUDIT REPORTS</b>   |                  |                              |                |
| Full service report  | X                | X                            | X              |
| Comprehensive or Review services   |                  |                              |                |
| Balance sheets   | X                | X                            | X              |
| Statement of operations  | X                | X                            | X              |
| Statement of cash flows  | X                | X                            | X              |
| Statement of owners' equity  | X                | X                            | X              |
| Footnotes  | X                | X                            | X              |
| <b>Supplementary information and schedules</b>   |                  |                              |                |
| Related party transactions   | X                | X                            | X              |
| Escrow deposits and funded reserves  | X                | X                            | X              |
| Accounts and notes receivable - others   | X                | X                            | X              |
| Accounts and notes payables - others   | X                | X                            | X              |
| Prepaid expenses - other than prepaid insurance  | X                | X                            | X              |
| Accrued expenses   | X                | X                            | X              |
| Changes in fixed assets  | X                | if applicable                | X              |
| Funds in financial institutions  | X                | x                            | X              |
| Surplus cash and available distributions   | X                | x                            | X              |
| Net cash computation   | if applicable    | if applicable                | if applicable  |
| Debt coverage ratio analysis   | X                | X                            | X              |
| <b>Certification and reports</b>   |                  |                              |                |
| Report on audited financial statements and supplemental information                                  | X                | X                            | X              |
| Independent auditors' report on supplemental information   | X                | X                            | X              |
| Report on internal control   | X                | X                            |                |
| Report on compliance with specific requirements applicable to fair housing and non-discrimination    | X                | X                            | X              |
| Report on compliance with specific requirements applicable to major (HUD/IHDA) assisted programs     | X                | X                            | x              |
| Report on compliance with specific requirements applicable to non-major (HUD/IHDA) assisted programs | X                | X                            | X              |
| Schedule of findings and questioned costs  | if applicable    | if applicable                | if applicable  |
| Auditors' comments on audit resolution matters relating to HUD/IHDA programs                         | if applicable    | if applicable                | if applicable  |
| Corrective action plan (an auditee responsibility)   | if applicable    | if applicable                | if applicable  |
| Certification of general partner   | X                | X                            | X              |
| Certification of managing agent  | X                | X                            | X              |
| Information regarding auditors   | X                | X                            | X              |
| Consolidated HUD Audit Guide - Revised Chapter 3 Applies   | X (9)            |                              | X              |

AUDIT REPORT GUIDELINES FOR MORTGAGORS OF MULTI-FAMILY HOUSING DEVELOPMENTS  
MULTI-FAMILY HOUSING DEVELOPMENTS  
As of 12/14/2012

| DESCRIPTIONS   | BOND FINANCING                        |   |                           |                            |                     |
|--|---------------------------------------|---|---------------------------|----------------------------|---------------------|
|  | 80/20 Commercial Paper, Variable Rate | (2) Tax Exempt Bond Trust Fund Bond TFB # | (2) Tax Exempt Bond TEB # | (2) HPP Bond Program HPP # | AMBAC PROGRAM AMB # |
| <b>AUDIT REPORTS</b>   |                                       |   |                           |                            |                     |
| Full service report  | X                                     | X   | X                         | X                          | X                   |
| Comprehensive or Review services   |                                       |   |                           | If applicable              |                     |
| Balance sheets   | X                                     | X   | X                         | X                          | X                   |
| Statement of operations  | X                                     | X   | X                         | X                          | X                   |
| Statement of cash flows  | X                                     | X   | X                         | X                          | X                   |
| Statement of owners' equity  | X                                     | X   | X                         | X                          | X                   |
| Footnotes  | X                                     | X   | X                         | X                          | X                   |
| <b>Supplementary information and schedules</b>   |                                       |   |                           |                            |                     |
| Related party transactions   | X                                     | X   | X                         | X                          | X                   |
| Escrow deposits and funded reserves  | X                                     | X   | X                         | X                          | X                   |
| Accounts and notes receivable - others   | x                                     | X   | X                         | X                          | X                   |
| Accounts and notes payables - others   | x                                     | X   | X                         | X                          | X                   |
| Prepaid expenses - other than prepaid insurance  | X                                     | X   | X                         | X                          | X                   |
| Accrued expenses   | X                                     | X   | X                         | X                          | X                   |
| Changes in fixed assets  | x                                     | x   | X                         | X                          | X                   |
| Funds in financial institutions  | x                                     | x   | X                         | X                          | X                   |
| Surplus cash and available distributions   | if applicable                         | X   | X                         | if applicable              | X                   |
| Net cash computation   | if applicable                         | if applicable                             | if applicable             | if applicable              | if applicable       |
| Debt coverage ratio analysis   | X                                     | X   | X                         | X                          | x                   |
| <b>Certification and reports</b>   |                                       |   |                           |                            |                     |
| Report on audited financial statements and supplemental information                                  | X                                     | X   | X                         | X                          | x                   |
| Independent auditors' report on supplemental information   | X                                     | X   | X                         | X                          | x                   |
| Report on internal control   | if applicable (8)                     | if applicable (8)                         | if applicable (8)         |                            |                     |
| Report on compliance with specific requirements applicable to fair housing and non-discrimination    |                                       |   |                           |                            |                     |
| Report on compliance with specific requirements applicable to major (HUD/IHDA) assisted programs     |                                       |   |                           |                            |                     |
| Report on compliance with specific requirements applicable to non-major (HUD/IHDA) assisted programs |                                       |   |                           |                            |                     |
| Schedule of findings and questioned costs  | if any                                | if any                                    | if any                    | if any                     | if any              |
| Auditors' comments on audit resolution matters relating to HUD/IHDA programs                         | if any                                | if any                                    | if any                    | if any                     | if any              |
| Corrective action plan (an auditee responsibility)   | if applicable                         | if applicable                             | if applicable             | if applicable              | if applicable       |
| Certification of general partner   | X                                     | X   | X                         | X                          | X                   |
| Certification of managing agent  | X                                     | X   | X                         | X                          | X                   |
| Information regarding auditors   | X                                     | X   | X                         | X                          | X                   |
| Consolidated HUD Audit Guide - Revised Chapter 3 Applies   |                                       |   | if applicable (6)         |                            | if applicable (6)   |

AUDIT REPORT GUIDELINES FOR MORTGAGORS OF MULTI-FAMILY HOUSING DEVELOPMENTS  
MULTI-FAMILY HOUSING DEVELOPMENTS  
As of 12/14/2012

| DESCRIPTIONS   | HOME PROGRAM FUNDS            |                                    |               | HOUSING TRUST FUND                       |                                |                               |
|--|-------------------------------|------------------------------------|---------------|--|--------------------------------|-------------------------------|
|  | Senior Position<br>H, HR & ML | Subordinate<br>Position<br>HR & ML | H,<br>Grant   | (1)(2)<br>Less than 30<br>Units<br>HTF # | (2)<br>31 to 50 Units<br>HTF # | (2)<br>Over 50 Units<br>HTF # |
| <b>AUDIT REPORTS</b>   |                               |                                    |               |  |                                |                               |
| Full service report  | X                             | X                                  |               | X  | X                              | X                             |
| Comprehensive or Review services   |                               |                                    | If applicable | If applicable                            |                                |                               |
| Balance sheets   | X                             | X                                  | X             | X  | X                              | X                             |
| Statement of operations  | X                             | X                                  | X             | X  | X                              | X                             |
| Statement of cash flows  | X                             | X                                  | X             | X  | X                              | X                             |
| Statement of owners' equity  | X                             | X                                  | X             | X  | X                              | X                             |
| Footnotes  | X                             | X                                  | X             | X  | X                              | X                             |
| <b>Supplementary information and schedules</b>   |                               |                                    |               |  |                                |                               |
| Related party transactions   | X                             | X                                  | X             | X  | X                              | X                             |
| Escrow deposits and funded reserves  | X                             | X                                  |               |  |                                | X                             |
| Accounts and notes receivable - others   | X                             | X                                  |               |  |                                |                               |
| Accounts and notes payables - others   | X                             | X                                  |               |  |                                |                               |
| Prepaid expenses - other than prepaid insurance  | X                             | X                                  |               |  |                                |                               |
| Accrued expenses   | X                             | X                                  |               |  |                                |                               |
| Changes in fixed assets  |                               |                                    |               |  |                                |                               |
| Funds in financial institutions  | X                             | X                                  | X             | X  | X                              | X                             |
| Surplus cash and available distributions   | if applicable                 | if applicable                      | if applicable | if applicable                            | if applicable                  | if applicable                 |
| Net cash computation   | if applicable                 | if applicable                      | if applicable |  |                                |                               |
| Debt coverage ratio analysis   | X                             | X                                  | X             | X  | X                              | X                             |
| <b>Certification and reports</b>   |                               |                                    |               |  |                                |                               |
| Report on audited financial statements and supplemental information                                  | X                             | X                                  | if applicable | if applicable                            | if applicable                  | X                             |
| Independent auditors' report on supplemental information   | X                             | X                                  | if applicable |  |                                | if applicable                 |
| Report on internal control   | X                             | X                                  | if applicable |  |                                |                               |
| Report on compliance with specific requirements applicable to fair housing and non-discrimination    | X                             | X                                  | if applicable |  |                                |                               |
| Report on compliance with specific requirements applicable to major (HUD/IHDA) assisted programs     | X                             | X                                  | if applicable |  |                                |                               |
| Report on compliance with specific requirements applicable to non-major (HUD/IHDA) assisted programs | X                             | X                                  | if applicable |  |                                |                               |
| Schedule of findings and questioned costs  | if applicable                 | if applicable                      | if applicable |  |                                |                               |
| Auditors' comments on audit resolution matters relating to HUD/IHDA programs                         | if applicable                 | if applicable                      | if applicable |  |                                |                               |
| Corrective action plan (an auditee responsibility)   | if applicable                 | if applicable                      | if applicable |  |                                |                               |
| Certification of general partner   | X                             | X                                  | X             | X  | X                              | X                             |
| Certification of managing agent  | X                             | X                                  | X             | X  | X                              | X                             |
| Information regarding auditors   | X                             | X                                  | X             | X  | X                              | X                             |
| Consolidated HUD Audit Guide - Revised Chapter 3 Applies   | (7)                           | (7)                                |               |  |                                |                               |

**AUDIT REPORT GUIDELINES FOR MORTGAGORS OF MULTI-FAMILY HOUSING DEVELOPMENTS**  
**MULTI-FAMILY HOUSING DEVELOPMENTS**  
As of 12/14/2012

| DESCRIPTIONS   | OTHER FUNDS                 |               |               |               |
|--|-----------------------------|---------------|---------------|---------------|
|  | (2)<br>FAF program<br>FAF # | (3)<br>FHA #  | ERP<br>1602   | ERP<br>TCAP   |
| <b>AUDIT REPORTS</b>   |                             |               |               |               |
| Full service report  |                             |               | X             | X             |
| Comprehensive or Review services   | if applicable               |               | if applicable | if applicable |
| Balance sheets   | X                           | X             | X             | X             |
| Statement of operations  | X                           | X             | X             | X             |
| Statement of cash flows  | X                           | X             | X             | X             |
| Statement of owners' equity  | X                           | X             | X             | X             |
| Footnotes  | X                           | X             | X             | X             |
| <b>Supplementary information and schedules</b>   |                             |               |               |               |
| Related party transactions   | X                           | X             |               |               |
| Escrow deposits and funded reserves  | X                           | X             |               |               |
| Accounts and notes receivable - others   | X                           | X             |               |               |
| Accounts and notes payables - others   | X                           | X             |               |               |
| Prepaid expenses - other than prepaid insurance  | X                           | X             |               |               |
| Accrued expenses   | X                           | X             |               |               |
| Changes in fixed assets  |                             |               | X             | X             |
| Funds in financial institutions  | X                           | X             | X             | X             |
| Surplus cash and available distributions   | if applicable               | X             | if applicable | if applicable |
| Net cash computation   | if applicable               | if applicable | if applicable | if applicable |
| Debt coverage ratio analysis   | X                           | X             | X             | X             |
| <b>Certification and reports</b>   |                             |               |               |               |
| Report on audited financial statements and supplemental information                                  | X                           | X             |               |               |
| Independent auditors' report on supplemental information   | X                           | X             | X             | X             |
| Report on internal control   |                             | X             | if applicable | X             |
| Report on compliance with specific requirements applicable to fair housing and non-discrimination    |                             | X             | if applicable | X             |
| Report on compliance with specific requirements applicable to major (HUD/IHDA) assisted programs     |                             | X             | if applicable | X             |
| Report on compliance with specific requirements applicable to non-major (HUD/IHDA) assisted programs |                             | X             | if applicable | X             |
| Schedule of findings and questioned costs  |                             | X             | if applicable | X             |
| Auditors' comments on audit resolution matters relating to HUD/IHDA programs                         |                             | X             | if applicable | X             |
| Corrective action plan (an auditee responsibility)   |                             |               | if applicable | X             |
| Certification of general partner   | X                           | X             | X             | X             |
| Certification of managing agent  | X                           | X             | X             | X             |
| Information regarding auditors   | X                           | X             | X             | X             |
| Consolidated HUD Audit Guide - Revised Chapter 3 Applies   |                             | X             |               |               |

AUDIT REPORT GUIDELINES FOR MORTGAGORS OF MULTI-FAMILY HOUSING DEVELOPMENTS  
09/2011

NOTES:

1. If the HTF program is in a subordinate position, then see if the 1<sup>st</sup> or the 2nd lender is a HOME Program. If so, follow the requirements in the HOME Program funds guidelines.
2. If there is a Section 8 Hap contract, then follow the requirements in the HOME Program funds guidelines.
3. Some HUD programs have TEB and FAF loans. In such instances we need to attach the supplementary information and schedules.
4. ML loan Programs, Risk Share, FHA and Section 8 HAP contract projects should follow the HUD Consolidated Audit Guide.

If Applicable -

- a) This means if the requirement is applicable based upon the program requirement. You have to read the loan/regulatory agreement to determine this.
- b) Also, in some instances where more than one program is applicable and one program does not require compliance with the HUD consolidated audit guide but the other or other programs apply.

In situations where more than one program applies to a project one program may not require the supplemental information but the other program or programs will require compliance with the HUD Consolidated Audit Guide.

5. IHDA accepts reviewed or compiled financial statements for small developments that have six to twelve units at its discretion.
6. Some TEB programs were formally ML programs, these require application of the revised chapter 3 of the Consolidated HUD Audit Guide.
7. ML and HOME (H and HR) programs require application of revised chapter 3 of the Consolidated HUD Audit Guide.
8. If applicable when there is a Section 8 HAP Contract.
9. These are ML projects.
10. For development with purely ERP 1602 program, there is no need to follow Davis Bacon rule.