

ILLINOIS HOUSING DEVELOPMENT AUTHORITY



FINANCIAL REPORTING GUIDELINES FOR  
MORTGAGORS OF MULTIFAMILY HOUSING PROJECTS

## **\* IMPORTANT UPDATES \* PLEASE READ**

The Illinois Housing Development Authority (“IHDA”) has made several updates to the Financial Reporting Guidelines for Mortgagees of Multifamily Housing Projects. Updates to the guidelines reflect IHDA’s commitment to adopting a more modern, enhanced approach to annual reporting.

Updates to the guidelines reflect:

- Results from IHDA’s recent Owner / Agent Survey on Audit Submissions
- Informal consultations with accounting firms
- Better alignment with HUD guidelines and best practices in the industry

There will be no impact to legal documents that have been previously executed. However the new guidelines do include significant changes and simplifications to the 2017 financial statements, including:

- Implementation of a new electronic statements form for direct input of key financial metrics. Form available in both Excel and fillable Adobe PDF format.
- Clarified Surplus Cash computation to ensure consistent adherence to IHDA regulatory agreements and HUD guidelines (when applicable).
- Improved headers, terms and definitions
- Removal of requirements for Independent Auditor’s report on Compliance with Affirmative Fair Housing Requirements

If you have questions about implementation of the new guidelines, please contact an IHDA Financial Analyst at [fpateam@ihda.org](mailto:fpateam@ihda.org).

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## **I. INTRODUCTION**

The Illinois Housing Development Authority ("IHDA") provides financing 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, 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 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  
111. E. Wacker Drive, Suite 1000  
Chicago, Illinois 60601

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 Mortgagors 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. Fillable Current Year Financial Statements**

In an effort to adopt a more modern and streamlined reporting process, IHDA has implemented a new single year financial statements report (see Exhibit A) that will be required to be submitted along with the annual audit report. The report is an electronic version of the Balance Sheet, Statement of Operations, and Cash Flow Statement, and will enable IHDA to expedite the review and processing of annual financial statements.

By completing and submitting the electronic report, IHDA will ensure that Borrowers are notified in writing within sixty (60) days that their annual financial reporting requirements have been satisfied. This includes notification of all approved annual distribution amounts as well as all required surplus or net cash payments for the reporting period.

To accommodate individual preparer's software capacities, this report is available in both Adobe PDF and Microsoft Excel formats which can be accessed alongside these guidelines on IHDA's website.

#### **B. 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, payer, 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.

#### C. 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.

#### D. 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.

#### E. 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 its 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 policies 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 summarize the partnerships revenues and expenses over the entire reporting period. 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. 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. Distribution authorized by IHDA are only good through the end of the 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. 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 \$XXX,XXX annually."

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

- M. 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.
- N. 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, 20YY and 20XX

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

[AUDITOR'S LETTERHEAD]  
INDEPENDENT AUDITOR'S REPORT

To The Partners  
(Sample Limited Partnership)  
(An Illinois Limited Partnership)

Report on the Financial Statements

We have audited the accompanying financial statements of (Sample Limited Partnership) (An Illinois Limited Partnership), which comprise the balance sheets as of December 31, 20YY and 20XX, and the related statements of operations, partners equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

*Management Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of (Sample Limited Partnership) (An Illinois Limited Partnership) as of December

31, 20YY and 20XX, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages \_\_ to \_\_ is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated (Report Date), on our consideration of (Sample Limited Partnership)'s (An Illinois Limited Partnership) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of (Client Name)'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering (Sample Limited Partnership)'s (An Illinois Limited Partnership) internal control over financial reporting and compliance.

City, State  
(Report Date)



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

Chart of 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	\$	\$
	\$	\$
1410 Net Book Value	\$	\$
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>\$</b>	<b>\$</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>\$</b>	<b>\$</b>
	 Other Liabilities:	 \$	 \$
	<b>TOTAL LIABILITIES:</b>	<b>\$</b>	<b>\$</b>
<b>PARTNERS' EQUITY:</b>			
3130	Partners' Capital:	\$	\$
3120	Less: Contribution Receivables	\$	\$
	<b>Total Partners' Equity:</b>	<b>\$</b>	<b>\$</b>
	 <b>TOTAL LIABILITIES AND PARTNERS' EQUITY</b>	 <b>\$</b>	 <b>\$</b>

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

<u>Chart of Accounts</u>	<u>REVENUE</u>	<u>20X1</u>	<u>20X0</u>
5120	Apartment Rentals	\$	\$
5121	Housing Assistance Payment (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 of Interest	Balance 20X1	Net Profit (Loss) for 20X1	Contributions	Withdrawals	Distributions	Balance 20X1
<b>General Partners:</b>							
General Partner One		\$	(\$ )	\$	(\$ )	(\$ )	\$
General Partner Two		\$	(\$ )	\$	(\$ )	(\$ )	\$
<b>Limited Partners:</b>							
Limited Partner One		\$	(\$ )	\$	(\$ )	(\$ )	\$
Limited Partner Two		\$	(\$ )	\$	(\$ )	(\$ )	\$
Limited Partner Three		\$	(\$ )	\$	(\$ )	(\$ )	\$
Limited Partner Four		\$	(\$ )	\$	(\$ )	(\$ )	\$
TOTAL	100%	\$	(\$ )	\$	(\$ )	(\$ )	

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

(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, 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	(\$ _____)	(\$ _____)
<b>Net Cash Provided by (Used In) Operations</b>	<b>\$ _____</b>	<b>\$ _____</b>
Cash Flows from Investing Activities:		
Additions to Buildings and Land Improvements	(\$ _____)	(\$ _____)
Purchase of Equipment, Furniture & Fixtures	(\$ _____)	(\$ _____)
Proceeds from Sale or Disposition of Fixed Assets	\$ _____	\$ _____
Deposits to Restricted Funds	(\$ _____)	(\$ _____)
Withdrawals from Restricted Funds	\$ _____	\$ _____
<b>Net Cash Provided by (Used In) Investing Activities:</b>	<b>\$ _____</b>	<b>\$ _____</b>
Cash Flows from Financing Activities:		
Net Deposit to Funded Reserve	(\$ _____)	(\$ _____)
Repayment of Mortgage Loan Payable	(\$ _____)	(\$ _____)
Repayment of Notes Payable	(\$ _____)	(\$ _____)
Distributions Paid	(\$ _____)	(\$ _____)
Advances by Affiliates	\$ _____	\$ _____
<b>Net Cash Provided by (Used In) Investing Activities:</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>Net Increase (Decrease) In Cash</b>	<b>\$ _____</b>	<b>\$ _____</b>
Cash at Beginning of Year	\$ _____	\$ _____
Cash at End of Year	\$ _____	\$ _____

SAMPLE PARTNERSHIP  
STATEMENTS OF CASH FLOWS  
(Continued)

Reconciliation of Net Income (Loss) to Net Cash Provided by (Used In) Operations:	<u>20X1</u>	<u>20X0</u>
Net Income (Loss)	\$	\$
Adjustment to Reconcile Net Income (Loss) To Net Cash Provided by (Used In) Operating 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 Taxes	\$	(\$ )
(Decrease) Increase in Due to Affiliate	\$	(\$ )
(Decrease) Increase in Rents received in 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

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### 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. Summary of 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, 20XX, 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) Current accounting standards require that Partnerships present debt issuance costs as a reduction of the principal balance of the related debt and amortize these costs as additional interest expense using the effective interest rate method that results in a constant effective yield over the life of the related loan.
- (d) 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.
- (e) Organization costs are amortized using the straight-line method over a sixty month period beginning January 1, 20XX.
- (f) 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, 20XX, 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, 20XX.

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, 20XX and the contract is renewable for periods (including the initial term) not to exceed xxx years in the aggregate. At December 31, 20XX and 20YY, respectively, \$XX,000 and \$XY,000 of such subsidies were recorded as rents receivable.

**4. Long-term Debt (example below)**

	20XX	20YY
The first mortgage note, dated (Date), is held by _____ in the original amount of \$ _____. The note bears interest at ____% per annum. Monthly installments of \$ _____ for principal and interest are based on a ____ - year amortization of the original note balance. The loan matures on (Date). The note is collateralized by real estate held for lease and an assignment of rents and leases. The mortgage is insured under section _____ of the National Housing Act.	\$ -	\$ -
The second mortgage note, dated (Date), is held by _____ in the original amount of \$ _____. The note bears interest at ____% per annum. Monthly installments of \$ _____ for principal and interest are based on a ____ - year amortization of the original note balance. The loan matures on (Date). The note is collateralized by real estate held for lease and an assignment of rents and leases. The mortgage is insured under section _____ of the National Housing Act.	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>

Debt issuance costs, net of accumulated amortization, totaled \$\_\_\_\_\_ and \$\_\_\_\_\_ as of December 31, 2017 and 2016, respectively, are related to the first mortgage note. Debt issuance costs on the above first mortgage note are being amortized using an imputed interest rate of [X]%.

INSERT THE FOLLOWING PARAGRAPH IF APPLICABLE:

The first mortgage/second mortgage is in default. The Project is having cash flow difficulties in making the monthly mortgage payments. The Project is (enter # of payments) behind.

Aggregate maturities of long-term debt are as follows:

December 31, 2018	\$ -
2019	-
2020	-
2021	-
2022	-

The Partnership is required to pay a monthly service fee to IHDA in the amount of \$ \_\_\_\_\_ until the mortgage loan is fully satisfied.

**5. Fees and Related Party Transactions**

- 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, 20XX are payable as follows:

	20XX	20YY
1. Development Acquisition Fee	\$ _____	\$ _____
Construction Management	\$ _____	\$ _____
Partnership Management	\$ _____	\$ _____

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

	20XX	20YY
Due to General Partners:	\$ _____	\$ _____
Development Acquisition Fee	\$ _____	\$ _____
Construction Management	\$ _____	\$ _____

D. The property is managed by ABC Management Company, Inc., the sole shareholders of which are the general partners. The current management agreement expires Jun 20XX and provides for a management of \_\_\_% of monthly gross rental collections.

E. Related Party Transactions & Transfers:

	Date of Transfer	IHDA Approval	Date to/ from Affiliates	Due to/from 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.

**6. Capital Contributions:**

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

**7. 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.

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

During 20XX, \$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.

**9. 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.

**10. 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 20XX and \$xx in 20YY. Balances at December 31, 20XX 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, 20XX and 20YY were \$xxx and \$xxx respectively.

SAMPLE PARTNERSHIP  
SUPPLEMENTAL INFORMATION

Accounts and Notes Receivable (Other than from Tenants):

Name of Borrower	Original Date	Original Terms	Balance Amount	Due
			\$ -	\$ -
			\$ -	\$ -
			\$ -	\$ -
Total:			\$ -	\$ -

Tenants Accounts Receivable:

Delinquent:	Number of Tenants	Amount Past Due
30 days or less		\$
31 to 60 days		\$
61 to 90 days		\$
Over 90 days		\$
Total		\$

Escrow Deposits and Funded Reserve Activities:

	Balance Dec. 31, 20XX	Additions	Interest Earned	Withdrawals	Balance Dec. 31, 20YY
Real Estate Tax & Insurance Reserve	\$ -	\$ -	\$ -	\$ -	\$ -
Replacement Reserve	\$ -	\$ -	\$ -	\$ -	\$ -
General Operating Reserve	\$ -	\$ -	\$ -	\$ -	\$ -
Residual Receipts	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage Insurance Premium	\$ -	\$ -	\$ -	\$ -	\$ -
Totals:	\$ -	\$ -	\$ -	\$ -	\$ -

Other Receivables:

	Dec. 31, 20XX	Dec. 31, 20YY
	\$ -	\$ -
	\$ -	\$ -
	\$ -	\$ -
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:

	<u>Dec. 31, 20XX</u>	<u>Dec. 31, 20YY</u>
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
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 (Date)	Additions	Deductions	Balance (Date)
Building	\$	\$	\$	\$
Equipment	\$	\$	\$	\$
Furniture & Fixtures	\$	\$	\$	\$
Land Improvement	\$	\$	\$	\$
Land	\$	\$	\$	\$

ACCUMULATED DEPRECIATION

	Balance (Date)	Current Provisions	Deductions	Balance (Date)	Net Book Value (Date)
	Building	\$	\$	\$	\$
Equipment	\$	\$	\$	\$	\$
Furniture & Fixtures	\$	\$	\$	\$	\$
Land Improvement	\$	\$	\$	\$	\$
Land	\$	\$	\$	\$	\$

SAMPLE PARTNERSHIP  
 SUPPLEMENTAL INFORMATION  
 (Continued)

SCHEDULE OF FUNDS IN FINANCIAL INSTITUTIONS  
 December 31, 20XX

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	\$ _____

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



VII. Schedule of Surplus Cash and Available Distributions

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

**Part A –Compute Surplus Cash**

Gross Operating Income

1. Rental Revenue	\$	-
2. Other Revenue	\$	-
Vacancy Loss	(\$	-)

Total Gross Operating Income: \$ -

Less:

3. Expenses

Operating	\$	-
Maintenance	\$	-
Administrative	\$	-
Utilities	\$	-
Taxes & Insurance	\$	-
Total:	\$	-

4. All Other Operational Costs \$ -

5. All losses on any investment of funds deposited in any reserve account \$ -

6. All sums required to be deposited in any reserve account \$ -

7. All sums due under the terms of the loan documents \$ -

8. All sums due under secondary financing  
Subordinate Financing \$ -  
Other Financing Expenses \$ -

9. Any payments made for deferred developer's fee \$ -

Total Deductions: \$ -

**Total Surplus Cash** \$ -

**Part B – Calculation of Allowable Return on Equity**

Project Equity Per Final Closing Documents	\$	-
Allowable Rate of Return		%
Current Year Allowable Distribution	<u>\$</u>	<u>-</u>

Add: Unpaid Cumulative Return as of 12/31/20XX \$ -

Less: Distribution Paid During 20YY \$ -

Total Cumulative Unpaid Distribution – 12/31/20XX \$ -

## **Instructions for Preparation of Schedule of Surplus Cash and Allowable Distributions**

Surplus cash and annual amounts for distribution are calculated in accordance with the terms and definitions outlined within the loan documents entered into by and between the Borrower and the Illinois Housing Development Authority (“IHDA”).

In the event a Borrower, due to an obligation through the Department of Housing and Urban Development (“HUD”), is required to calculate available surplus cash using an alternative method, the Auditor shall include such calculation along with a reference to the legal agreement and/or contract.

**Gross Operating Income** - determined on an accrual basis as of the end of each Calendar Year.

**Line 1.** Rental revenue shall include tenant accounts receivable net of allowance for doubtful accounts.

**Line 2.** Other revenue<sup>1</sup> shall include Medicare/Medicaid Receivables to be received within sixty (60) days.

**Line 3.** Include all operating, maintenance, and administrative expenses of the development. This includes utility, real estate tax, insurance, and any other expenses accrued related to the operations, maintenance and administration of the development.

**Line 4.** Include all other costs, whether or not capitalized, related to the operation of the development during the current reporting period. Other costs should include, but not be limited to, expenses related to managing, repairing, maintaining and improving the development.

Preparer shall include notes identifying and detailing all other costs included.

**Line 6.** Include all sums required to be deposited to the Replacement Reserve account or any other reserve account of the development with the exception of amounts deposited to Residual Receipts account. For the Replacement Reserve, the deposit amount should be net of any withdrawals made for costs included under Lines 1 and 2.

**Line 7.** Should include all amounts due under the Loan Documents whether or not required to be paid during the current period.

**Line 9.** Payments made for a deferred developer’s fee must be approved by IHDA.

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<sup>1</sup> Rent insurance proceeds shall be considered part of other revenue. Fire or other insurance proceeds, condemnation proceeds, loan proceeds, and any other contributions or advances from members or partners of Borrower shall not be considered and should be excluded.

VIII. Debt Service Coverage Ratio Analysis

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

From Statement of Operations:

A.	Net Operating Income ("NOI") before Financing 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") (C divided by D)	\$ _____

SINGLE YEAR SCHEDULE OF FINANCIAL PERFORMANCE

(REQUIRED TO BE SUBMITTED WITH AUDIT REPORT)

In an effort to enhance the Illinois Housing Development Authority's processing of annual financial statements, the Authority has implemented a new electronic Single Year Schedule of Financial Performance which will be required to be submitted with annual financial statements.

Completion of the schedule, which includes key information from the Balance Sheets, Statements of Operations, and Statements of Cash Flows, will enable the Authority to reduce the processing time of borrower statements. The result will be a significantly reduced review period resulting in expedited issuance of notifications of authorized distributions and satisfaction of annual reporting requirements.

The Single Year Schedule of Financial Performance is accessible via the financial monitoring section of the Property Manager page located on IHDA's website (link below).

**[IHDA WEB PAGE - SINGLE YEAR SCHEDULE OF FINANCIAL PERFORMANCE](#)**

The schedule has been made available in both Microsoft Excel and Adobe Acrobat formats in order to accommodate preparer's software capabilities. Only one schedule per mortgagor is required. **Submission of the single year schedule in either Microsoft Excel or Adobe Acrobat format is acceptable.**

## 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, 20XX and have issued our report thereon dated February XX, 20XX. We have also audited the Developments compliance with requirements applicable to major (HUD/IHDA) Assisted Programs and have issued our report thereon dated February XX, 20XX.

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 Guide"), 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, 20XX

FOR OTHER REPORT FORMATS REFER TO HUD HANDBOOK

[AUDITOR’S LETTERHEAD]

**INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR  
EACH MAJOR IHDA PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
(IHDA) PROGRAM GUIDELINES**

To the Partners of  
Partnership/LLC Name

**Report on Compliance for Each Major IHDA Program**

We have audited Partnership/LLC Name’s compliance with the compliance requirements described in *the Consolidated Audit Guide for Audits of HUD Programs (the Guide)* and *IHDA Program Guidelines* that could have a direct and material effect on each of Partnership/LLC Name’s major IHDA programs for the year ended Year-end Date. Partnership/LLC Name’s major IHDA programs and the related direct and material compliance requirements are as follows:

Name of Major IHDA Programs	Direct and Material Compliance Requirements
<i>(Insert the name of the major IHDA Program)</i>	<i>Mortgage status, replacement reserve, residual receipts, distributions to owners, equity skimming, cash receipts, cash disbursements, tenant application, eligibility, and recertification, units leased to extremely low-income families, security deposits, management functions, unauthorized change of ownership/acquisition of liabilities, unauthorized loans of project funds, excess income, leased nursing homes, mark-to-market program (M2M), and Section 236 decoupling projects.</i>

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its IHDA programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of Partnership/LLC Name’s major IHDA programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *the Guide*. Those standards and *the Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major IHDA program occurred. An audit includes examining, on a test basis, evidence about Partnership/LLC Name’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major IHDA program. However, our audit does not provide a legal determination of Partnership/LLC Name’s compliance.

**Opinion on Each Major IHDA Program**

In our opinion, Partnership/LLC Name complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major IHDA programs for the year ended December 31, 20XX.

**Other Matters**

We noted certain matters that we are required to report to management of Partnership/LLC Name in a separate written communication. These matters are described in our communication with those in charge of governance dated Date.

**Report on Internal Control over Compliance**

Management of Partnership/LLC Name is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Partnership/LLC Name's internal control over compliance with the requirements that could have a direct and material effect on each major IHDA program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major IHDA program and to test and report on internal control over compliance in accordance with the *Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Partnership/LLC Name's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of an IHDA program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of an IHDA program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of an IHDA program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *the Guide*. Accordingly, this report is not suitable for any other purpose.

Firm's Signature

City, State  
February XX, 20XX



FOR OTHER REPORT FORMATS REFER TO HUD HANDBOOK

[AUDITOR'S LETTERHEAD]

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH NON-MAJOR IHDA PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE ILLINOIS HOUSING DEVELOPMENT AUTHORITY (IHDA) PROGRAM GUIDELINES**

To the Partners of  
Partnership/LLC Name

**Report on Compliance for Each Non-Major IHDA Program**

We have audited Partnership/LLC Name's compliance with the compliance requirements described in *the Consolidated Audit Guide for Audits of HUD Programs (the Guide)* and *IHDA Program Guidelines* that could have a direct and material effect on each of Partnership/LLC Name's non-major IHDA programs for the year ended Year-end Date. Partnership/LLC Name's non major IHDA programs and the related direct and material compliance requirements are as follows:

Name of Non Major IHDA Program	Direct and Material Compliance Requirements
<i>(Insert the name of the major IHDA Program)</i>	<i>Mortgage status, replacement reserve, residual receipts, distributions to owners, equity skimming, cash receipts, cash disbursements, tenant application, eligibility, and recertification, units leased to extremely low-income families, security deposits, management functions, unauthorized change of ownership/acquisition of liabilities, unauthorized loans of project funds, excess income, leased nursing homes, mark-to-market program (M2M), and Section 236 decoupling projects.</i>

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its IHDA programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Partnership/LLC Name's non major IHDA programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *the Guide*. Those standards and *the Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a non-major IHDA program occurred. An audit includes examining, on a test basis, evidence about Partnership/LLC Name's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each non-major IHDA program. However, our audit does not provide a legal determination of Partnership/LLC Name's compliance.

### **Opinion on Each Non-Major IHDA Program**

In our opinion, Partnership/LLC Name complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its non-major IHDA programs for the year ended December 31, 20XX.

### **Other Matters**

We noted certain matters that we are required to report to management of Partnership/LLC Name in a separate written communication. These matters are described in our communication with those in charge of governance dated Date.

### **Report on Internal Control Over Compliance**

Management of Partnership/LLC Name is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Partnership/LLC Name's internal control over compliance with the requirements that could have a direct and material effect on each non-major IHDA program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each non-major IHDA program and to test and report on internal control over compliance in accordance with the *Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Partnership/LLC Name's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of an IHDA program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of an IHDA program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of an IHDA program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *the Guide*. Accordingly, this report is not suitable for any other purpose.

Firm's Signature

City, State

February XX, 20XX

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 31,20XX

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#:

<b>ESTIMATED RESIDUAL RECEIPTS</b>		
Development Name:	_____	
Development #:	_____	
Cash Operation, <i>per Trial Balance</i>		\$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	\$0.00	\$0
Other Cash Items not included above (Development account only)		\$0
<u>Accounts Receivable</u>		
Tenant	\$0.00	
HUD	0.00	
Other	0.00	
Total Accounts Receivable	\$0.00	\$0
Prepaid Expenses (Except Prepaid Insurance)		\$0
Security Deposit held in Trust		\$0
Residual Receipts Balance, (Already Deposited at IHDA)		\$0
Other		\$0
<b>Total Additions</b>		<b>\$0</b>
<b>Always Subtract:</b>		
Budgeted Residual Receipts		\$0
Accounts Payable- Trade		\$0
Prepaid Rents		\$0
Security Deposit including interest		\$0
<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	\$0.00	\$0
Other		\$0
<b>Total Subtractions</b>		<b>\$0</b>
Adjusted Surplus (Deficit) Cash		\$0
Estimated T&I Reserve Budget Shortage-not adjusted in Budget		\$0
Net Adjusted Surplus (Deficit) Cash		\$0
Less: Annual Allowable Distribution		\$0
Estimated Residual Receipts		\$0
Less: Residual Receipts at IHDA		\$0
<b>ESTIMATED RESIDUAL RECEIPTS TO BE REMITTED TO IHDA</b>		<b>\$0</b>

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 H, HR & ML	Subordinate Position HR & ML	H, Grant	(1)(2) Less than 30 Units HTF #	(2) 31 to 50 Units HTF #	(2) Over 50 Units 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) FAF program FAF #	(3) FHA #	ERP 1602	ERP 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
Supplementary information and schedules				
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
Certification and reports				
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

### 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.