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## AUDIT REQUIREMENTS

All WHEDA-financed developments, unless notified previously, are required to submit an annual audited financial statement within 60 days of fiscal year end.

If a Not-for-profit organization has an organizational audit, it should be submitted with the property audit.

### AUDIT REQUIREMENTS FOR WHEDA FINANCED DEVELOPMENTS

All projects are required to submit WHEDA Forms 800 and 600AL **electronically**. The forms and electronic specifications are located at

<http://www.wheda.com/root/BusinessPartners/PropertyManagers/Dynamic.aspx?id=1353>

The audit must be signed by the owner and management. The audit must also include the name, address and phone number of the lead auditor responsible for the audit. All financial statements must be prepared on an accrual basis.

When preparing the annual audit, the Certified Public Accountant is required to follow the guidelines established by WHEDA.

Required services consist of an examination of the entity's financial statements, along with a review of internal accounting controls. The examination is to be performed in accordance with Generally Accepted Auditing Standards (GAAS) as promulgated by the American Institute of Certified Public Accountants (AICPA) and should include:

1. An Audit report on the examination of the financial statements of the audited entity prepared in conformity with Generally Accepted Auditing Standards (GAAS) and Generally Accepted Accounting Principles (GAAP);
2. An unqualified opinion with respect to the financial statements, or if an unqualified opinion cannot be expressed, a qualified opinion, adverse opinion, or a disclaimer of opinion with an explanation of the reasons therefore; and
3. A management letter of comments and recommendations, if any.

The following list identifies the specific audit guide to be followed for each type of development or ownership entity. In addition, all projects will be required to submit the supplementary schedules and data described in these instructions.

**These requirements are effective for the preparation of audit reports. One copy of the financial statement is due to WHEDA sixty (60) days after the end of the development's fiscal year.**

- I. For-profit entities (limited or general partnerships corporations) receiving Section 8 Assistance Payments (*New Construction, Substantial Rehabilitation*)  
**Audit guide IG2000.4, Rev-2 Chg 1**
- II. Non-profit organizations receiving Section 8 Assistance Payments. All reports should be provided on an organization-wide basis; all supplementary data should be prepared on a project-specific basis.  
**Audit guide IG2000.4, Rev-2 Chg 1**

- III. Non-profit organizations receiving Federal monies, which are **not** audited as part of a State and/or Local Government that were under OMB Circular A-128, are now to use OMB Circular A-133 (e.g., *McKinney Grant recipients*)  
**Audit Guide OMB Circular A-133**
- IV. Public Housing Authorities; and State or Local Governments  
**Audit guide OMB Circular A-133**
- V. For-profit entities (limited or general partnerships, GAAS (see above) corporations) and Non-profit organizations not described above, which have **not** received Federal monies (e.g., *LIHC projects*).  
**Audit Guide GAAS (see above)**

## **SUPPORTING DATA REQUIRED BY WHEDA FOR ALL MULTIFAMILY PROJECTS**

The Owner is required to include additional information on a development-specific basis in order to provide support and detail to the specific accounts shown in the basic financial statements. If no related amount exists for any category listed below, please indicate **NONE**.

### **I. WHEDA SCHEDULE OF PROFIT AND LOSS FOR MULTIFAMILY PROJECTS (Form 800-Rev. 12/05)**

- a. Rental Income should be stated as the **maximum potential at 100% occupancy**; vacancies and concessions should be identified separately. PLEASE DO NOT PROVIDE NET REVENUE ONLY.
- b. Identify separately any interest earned on escrows and reserves for each respective account. Please ensure that interest on development funds can be identified easily.
- c. Payroll taxes and all employee benefits are now to be reported in Section 6700 Taxes and Insurance.
- d. Replacement Reserve Deposits (Line 3220) should include only the required annual total of monthly deposits identified in the Loan Agreement.
- e. Preservation Fee (if applicable) is to be incorporated in line item 6890, Miscellaneous Financial Expense.
- f. Please remember to complete the last five lines on the schedule of Profit and Loss: Principal payments, reserve releases that reimbursed items expensed on the schedule, and capital expenditures paid from operations and expensed on the schedule.
- g. For those developments that rely on support service income and incur support service expense, income and expenses are to be listed on Schedule A, totaled and reported on lines 5300 and 6900 respectively.
- h. All material miscellaneous expense items must be identified separately in supplementary data material (greater than 1% of total expense category).

### **II. WHEDA SCHEDULE OF ASSETS, LIABILITIES & EQUITY FOR MULTIFAMILY PROJECTS (Form 600AL-Rev. 10/02)**

The Annual Schedule of Assets, Liabilities and Equity must be completed and included in the Audited Financial Statements. This schedule assists us in analyzing the development's financial condition and will expedite the review process.

- a. Project cash and Entity cash must be stated separately. **Cash not otherwise identified will be deemed project cash.**
- b. For those developments on which WHEDA does not hold an insurance escrow, prepaid insurance should be accounted for on line 1200 as a prepaid expense.

- c. Preservation fee (if applicable) is to be incorporated in line item 2190, Miscellaneous Current Liabilities

### III. OTHER REQUIRED SUPPORTING DATA

- a. Itemized Accounts and Notes Receivable other than from tenants. WHEDA requires any amounts due from WHEDA or an Identity of Interest to be identified separately. *(Remember to include Section 8 special claims, and reserve releases reimbursed to the project the following year for expenses incurred in the reporting year.)*
- b. An aging of delinquent tenant accounts receivable, if any.
- c. Mortgage escrow deposits (real estate tax escrow, insurance escrow only if the escrow is held by WHEDA).
- d. Reserve funds held by WHEDA (Replacement Reserve, Capital Needs Assessment (CNA) escrow, Operating Deficit Reserve, Development Cost Escrow, and Residual Receipts).
- e. Itemized Accounts and Notes Payable other than from trade creditors. WHEDA requires any amounts due to WHEDA or to an Identity of Interest to be identified separately.
- f. Accrued Property Taxes and Other Accrued Expenses. Please detail those expenses in excess of \$1,000 or those expenses to be paid from the limited dividend.
- g. Surplus cash, distributions and residual receipts. *Please indicate the manner in which the limited dividend was paid and a reconciliation of the approved limited dividend to the amounts actually disbursed to the partners and/or used to pay partnership expenses.*
- h. Compensation to partners.
- i. Any unauthorized distribution to partners or stockholders. *Please verify that any partnership management fees paid were funded from the limited dividend.*
- j. Schedule of changes in Fixed Assets.
- k. Management fee paid. *Verify the management fee was paid in accordance with the Management Agreement. **Please state the calculation used to determine the amount.** An overpayment of the fee requires that a **Receivable due to Overpayment** be established and included in the computation of Surplus Cash.*
- l. As noted on the previous page, all material miscellaneous expense items must be identified separately in the supplementary data material (greater than 1% of total expense category).
- m. Calculation of Preservation Fee (if applicable).

## COMPUTATION OF SURPLUS CASH, LIMITED DIVIDEND (if applicable) AND RESIDUAL RECEIPTS

The following is a model of the WHEDA format to be used when computing surplus cash. Line item explanations follow the calculations.

### CURRENT ASSETS

- Line 1: Project Cash
- Line 2: *MEMO ONLY* - Tenant Security Deposits
- Line 3: Accounts Receivable due from WHEDA
- Line 4: Other Accounts Receivable (due within 30 days)
- Line 5: Real Estate Tax Escrow

### TOTAL CURRENT ASSETS

### CURRENT LIABILITIES

- Line 6: Accounts Payable (due within 30 days only)
- Line 7: Accounts Payable due to WHEDA
- Line 8: Mortgage Interest Payable (see explanation for exception)
- Line 9: Prepaid Rent from Tenants
- Line 10: Accrued Expenses
- Line 11: Accrued Real Estate Taxes
- Line 12: *MEMO ONLY* - Tenant Security Deposits

### TOTAL CURRENT LIABILITIES

### CURRENT ASSETS - CURRENT LIABILITIES = SURPLUS CASH

#### EXPLANATION OF LINE ITEMS:

- Line 1: Cash includes only project cash; *no partnership cash or tenant security deposits should be included.*
- Lines 2 & 12: Include Tenant Security Deposits as **memo items only**. The asset account must always equal or exceed the liability account, including accrued interest. If this is not the case, a **Payable Due to Under-funding** should be established and included in the computation of Surplus Cash in order to fully fund the Tenant Security Deposit Account.
- Line 3: Accounts Receivable from WHEDA is listed separately. Tenant Accounts Receivable is **not** included in the computation of surplus cash. Include any requests for reimbursement from WHEDA-held reserve accounts that have been approved.
- Line 4: Other Accounts Receivable (due within 30 days, excluding tenant receivables)
- Lines 5 & 11: The only escrow account used as an asset in the computation of Surplus Cash is the Real Estate Tax Escrow on line 5. The corresponding tax liability is also used as illustrated in Line 11 of the model.
- Lines 6 & 7: Separate the Accounts Payable due to WHEDA from the Accounts Payable due within 30 days and include the Preservation Fee (if applicable).
- Line 8: Do not include this line item for uninsured Section 8 projects. Interest payable should include accrued interest due through the end of the fiscal year.
- Line 9: Include any prepaid rent revenue from tenants.
- Line 10: Include all other accrued expenses that are not included in Line 6 or 7.

**LIMITED DIVIDENDS (if applicable):**

- a. The amount of the Limited Dividend unpaid from prior years, excluding amounts disbursed during the current year.
- b. The total Limited Dividend paid during the current year, including all expense amounts which were paid from the distribution (i.e., partnership management fee).
- c. State the calculation for the current Limited Dividend.

**Limited Dividend = Original Owner's Equity x Dividend Percentage**

**RESIDUAL RECEIPTS (if applicable):**

The computation to be used for determining Residual Receipts is:

**Surplus Cash - Limited Dividend = Gross Residual Receipts**

**Gross Residual Receipts - Surplus Real Estate Tax Escrow, if any = Net Residual Receipts Due**