



Massachusetts Housing Finance Agency
One Beacon Street Boston, MA 02108

Tel: 617-854-1000
Fax: 617-854-1091

Relay 711
www.masshousing.com

Memorandum

*to all Mortgagors, Management Agents,
& Certified Public Accountants*

2024 NEW Audited Financial Statement Requirements

For More Resources Regarding the Submission of Audited Financial Statements, please follow this link:

<https://www.masshousing.com/property-managers/reporting/financial-audits>

NEW for FYE 2024!

MassHousing has retired the use of the Financial Compliance Statements (F.C.1 - 7), and implemented a new Statement of Operations, Limited Distribution Calculation and Residual Receipts / Excess Equity Calculation.

The new Statement of Operations, Limited Distribution Calculation and Residual Receipts / Excess Equity Calculation will be effective starting with audited financial statements with FYE 12/31/2024 with a submission deadline of 3/31/2025.

**Developments with a FY2024 fiscal year-end date prior to 12/31/24 (e.g. 10/31/24 FYE date) must use the prior schedules.*

The Statement of Operations replaces the Statement of Funds Flow Available for Equity (F.C.-1) and is used to quantify the financial performance of each development and to determine the net available for distribution. This statement should not include the partnership's revenues, syndication payments, expenses or debt service unless these items were specifically provided for in the original underwriting.

Notable differences between the prior F.C.-1 and the MassHousing Statement of Operations include the removal of line items specific to legacy programs such as Section 13A, Section 236, SHARP and RDAL and addition or modification of line items for clarity. Removed income line items include Gross Excess Rental Income, Excess S236 Rental Income Escrowed (Retained),

Maura Healey, Governor
Kim Driscoll, Lt. Governor

Jeanne Pinado, Chair
Carolina Avellaneda, Vice Chair

Chrystal Kornegay,
Chief Executive Officer

Excess 13A/236 Rental Income Remitted, Interest Subsidy, SHARP Subsidy, RDAL/Other, and Interest – Annuity. Removed expense line items include Central Office Fee.

New or modified line items to the **Statement of Operations** include:

- Line 2 - Loss/Gain to Lease (previously not included on F.C.-1) has been added to Statement of Operations to accommodate those owners who calculate Gross Potential Rental Income, Line 1 using a unit's maximum potential rent rather than the actual rent, providing a space to record the difference in rents. The difference between a unit's maximum potential rent and the actual in place rent charged on Lines 1 and 2 should net each other out.
- Line 8 - Rent Concessions (previously included in Marketing on F.C.-1 Line 25) will now be included as a reduction in income rather than expensed under Marketing.
- Administrative Payroll, (previously on F.C.-1 Line 22.A) has been renamed on Statement of Operations, Line 22. Administrative and Manager Payroll.
- Line 22 – Administrative and Manager Payroll (previously on F.C.-1 Line 22.A as Administrative Payroll) has been renamed on Statement of Operations.
- Line 28 - Bookkeeping Fees/Accounting Services has been renamed from ADP Services Fee or Expense (previously on F.C.-1 Line 28.A) on Statement of Operations.
- Line 48 - Utility – Other (previously not included on F.C.-1) has been added to the Statement of Operations to account for expenses for new and developing utilities.
- Line 56 - Taxes, Workmen's Compensation & Employee Health Insurance and other Benefits (previously on F.C.-1 Lines 22.B and 31.B as Administrative and Maintenance Payroll Taxes & Fringe Benefits) have been combined and reallocated to Statement of Operations under Line 56.
- Line 57 – Mortgage Insurance Premium (MIP) has been reallocated to its own line item (previously included in Gross Debt Service - Mortgage (MassHousing) on F.C.-1 Line 66).
- Line 67 – Gross Debt Service Defeasance (previously not included on F.C.-1) has been added to Statement of Operations. The corresponding payments for the Defeasance loan should be included on Special Escrow Reimbursements.

Note: The Statement of Operations Line 76. Net Available for Equity - Distribution Basis replaced the F.C.-1 Line 80. Net Available for Equity - Distribution Basis and should be used in place of F.C.-1 Line 80 for calculating eligible distribution and any cash flow sharing or other loan obligation that specifically references the line item.

The Limited Distribution Calculation replaces the Statement of Funds Available for Distribution (F.C.-5) and is used to determine the funds currently available for distribution and the maximum allowable distribution. It is required to be completed by all developments annually, regardless of whether a distribution is contemplated.

Notable differences between the prior F.C.-5 and the MassHousing Limited Distribution Calculation include addition of Due To/From General Partners/Affiliates monitoring, consolidation of delinquency line items and renaming a line item.

New or modified line items to the **Limited Distribution Calculation** include:

- Line 101 - (Increase) Decrease to Due From General Partners/Affiliates (previously not included on F.C.-5) has been added to Limited Distribution Calculation to monitor changes in Due From General Partners/Affiliates.
- Line 102 - Increase (Decrease) Due To General Partners/Affiliates (previously not included on F.C.-5) has been added to Limited Distribution Calculation to monitor changes in Due To General Partners/Affiliates.
- Line 106 - Unreimbursed R/R and Special Escrow Withdrawals (previously on F.C.-5 Line 509) has been renamed on Limited Distribution Calculation. This includes pending Replacement Reserve Reimbursements for which MassHousing approval has been received.
- Line 110 - Delinquent Mortgage Payments & Interest, Deposit to R/R, Insurance, RE Tax or Other Escrow (previously on F.C.-5 Lines 520, 525, 528 and 530) have been combined into a single line item.
- Line 116 - Due to General Partners & Affiliates and/or Other: (Specify) (previously on F.C.-5 Line 560 as Due to General Partners & Affiliates) has been updated to include “Other”.

The Residual Receipts / Excess Equity Calculation replaces the Calculation of Surplus Cash, Distributions and Residual Receipts/Excess Equity (F.C.-6) and is used to determine the funds currently required to be deposited in the Residual Receipts Escrow (HUD) or Excess Equity Account (MassHousing). The remaining F.C. schedules have been retired and are replaced by the standard format financial statements provided by the auditor.

Notable differences between the prior F.C.-6 and the MassHousing Residual Receipts/Excess Equity Calculation include renaming a line item and the consolidation of delinquency line items.

New or modified line items to the **Residual Receipts/Excess Equity Calculation** include:

- Line 132 - Unreimbursed R/R and Special Escrow Withdrawals (previously on F.C.-6 Line 620) has been renamed on the Receipts/Excess Equity Calculation. This line item includes pending Replacement Reserve Reimbursements for which MassHousing approval has been received.
- Line 136 - Delinquent Mortgage Payments & Interest, Deposit to R/R, Insurance, RE Tax or Other Escrow (previously on F.C.-6 Lines 640, 645, 650 and 655) have been combined into a single line item.
- Line 143- Due to General Partners & Affiliates and/or Other: (Specify) (previously on F.C.-6 Lines 685 and 690) have been combined into a single line item.

Please contact financialstatements@masshousing.com with any questions.

General Submission and Financial Statement Requirements:

In accordance with Section 14 of the Regulatory Agreement, the Massachusetts Housing Finance Agency (“MassHousing” or “Agency”) requires the owner of each development to submit to MassHousing one complete and signed copy of the Audited Financial Statements within ninety (90) days following the end of the first fiscal year of operation.

- Due Date: March 31, 2025, or 90 days from the close of the development’s fiscal year
- PDF version of the signed financial statement should be emailed to financialstatements@masshousing.com
Please do NOT mail hard copies of the financial statements to the Agency.
- The financial statement submission must be completed using masshousingrental.com
- Properties with Affordable Housing Trust Funds (AHTF) requiring Annual Cash Flow Sharing Payments are required to submit a *Borrower’s Annual Cash Flow Sharing Payment Certification* along with the *Annual Cash Flow Sharing Payment Calculation*, to AHTFCertifications@masshousing.com

To ensure the integrity of the Financial Statements Application input, we require that the forms be prepared and submitted by the CPA engaged to perform the audit.

Audit Report and Auditor Qualifications

The financial statement must be prepared in accordance with the requirements of the Agency which include that the Annual Financial Report be audited by an independent certified public accountant and be prepared on an accrual basis and in conformity with generally accepted accounting principles applied on a consistent basis.

To meet the requirements, the Owner is responsible for engaging the independent certified public accountant to perform the annual audit. The CPAs must:

- be a qualified independent certified public accountant licensed to practice accounting in the Commonwealth of Massachusetts;
- meet the independence standards of the American Institute of Certified Public Accountants (AICPA);
- have completed a quality control (peer) review, within the most recent time-period as required by the AICPA; and
- have current insurance policies that cover errors and omissions, general and vehicular liability, workers’ compensation, and professional liability.

Required Schedules and Reports

The Agency requires that owners file certain supplemental documentation as part of the submission. The auditor should determine whether the information is fairly stated in all material respects in relationship to the basic financial statements taken as a whole. A sample Independent Auditor's Report on Supplementary Information may be found in Appendix I.

The required supplementary schedules are as follows:

- MassHousing Statement of Operations and
- A report from the Certified Public Accountant that he/she has examined certain sections of the development's Regulatory and Management Agreements for compliance with the provisions stated therein.
- A statement (Mortgagor's & General Partner's Certificate) that a duly authorized agent of the owner/general partners has examined and approved the financial statement and all supplementary schedules. In addition, a statement signed by the managing general partners concerning any changes to the current composition of general partners.

Additional Reporting Requirements

Developments that receive federal financial assistance are required to use the standards applicable to financial audits contained in Government Auditing Standards. The affected developments are required to adhere to the Yellow Book and to the Statement on Auditing Standards (SAS) Number 117 (AU-C Section 935): Compliance Audits, and to submit an:

- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based Upon an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards (See Appendix II).

The U. S. Department of Housing and Urban Development's (HUD) last updated the Consolidated Audit Guide for Audits of HUD Programs (July 2008); and updated Chapters 1 and 2 in January, March, and May 2013. Developments that receive either direct or indirect federal financial assistance fall within the purview (scope) of the HUD Guide, and will also have to submit an:

- Independent Auditor's Report on Compliance for Each Major HUD Program and Report on Internal Control over Compliance Required by the Consolidated Audit Guide for Audits of HUD Programs (See Appendix III);
- Schedule of Findings, Questioned Costs, and Recommendations;
- Schedule of the Status of Prior Finding, Questioned Costs, and Recommendations (An Auditee Responsibility);
- Management Letter, if applicable, and

- Corrective Action Plan (An Auditee Responsibility).

Resources

To provide additional guidance we have developed a MassHousing Audited Financial Statement Glossary to assist in the preparation of the reports.

Additional Assistance

For access to the portal, please register on the portal and an account will be created by your organization's portal administrator. For a password reset, please follow the "Forgot Password" prompts. If unsuccessful with the self-service password reset, please contact your organization's Portal Administrator(s) for an account reset. For assistance with any other portal issues, please contact the MassHousing Rental Portal Support team at rentalportalsupport@masshousing.com.