

# Non-Profits

## What You Need to Know

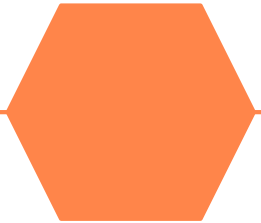


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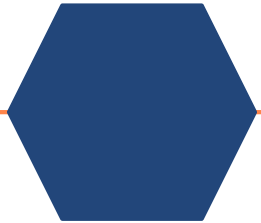
# HA vs CU...

## Housing Authority



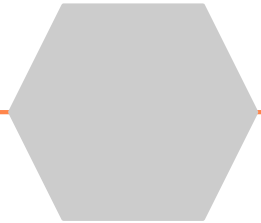
PH, CFP, HCV, MTW, COC, COCC

## Banded Component Unit



Separate legal entity generally NPO (RAD or LIHTC Sponsor)

## Discretely Presented CU



Partnership or LLC with Investors for LIHTC Projects



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# SEPERATE REPORTING UNITS

## ○ HOUSING AUTHORITY | CU

<b>BA/SL</b>	<b>COCC</b>	<b>BCU</b>	<b>DPCU</b>
Easiest and fast solution	If you have one also quick easy solution	Tricky sperate legal entity	Most complex option



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# Business Activities State and Local

## Pros

Quick easy, no HUD  
approval to create, no  
separate bank account

## Cons

Under EIN of HA,  
generally in HA pooled  
cash



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# COCC

## Pros

Quick easy, de-federalized fund

## Cons

Under EIN of HA,  
generally in HA pooled  
cash



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# Blend Component Unit (Non-profit)

## Pros

Legally separate entity,  
grant fundings not  
available to HA

## Cons

Annual tax return,  
separate cash account



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# Discretely Presented Component Unit (For-Profit)

## Pros

Legally separate entity,  
generally fund by private  
equity

## Cons

Annual tax return,  
“partners” investors



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# USES FOR NPO IN HOUSING

## Recapture

HUD Recapture  
settlement funds

## Non HUD

Old LIHTC out of 15 year  
Development

## RAD Deals

Convert to RAD in PBRA  
or PBV

## Grants

Grants not available to  
Housing Authorities

## LIHTC

LIHTC require a NPO  
Sponsor



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# In the Beginning...

## Form NPO

By-Laws/Articles  
Obtain EIN  
IRS 1023 Application

## Operate

Open Separate Bank  
Form Board  
Setup Fund in  
Accounting

## Report

Form 990 annual  
filings 5/15 FYE



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# NPO

Forming a Nonprofit  
Organization



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# SEVERAL DIFFERENT TYPES

## 501 (C)

3

Charitable,  
Religious,  
Education  
(tax deductible)

5

Labor /  
Agriculture

7

Social and  
Recreation Clubs

8

Fraternal  
Beneficiary



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# THREE STEPS

## BYLAWS

How the Nonprofit will operate.

## ARTICLES

Formal documents to create corporation

## Employer ID Number

EIN registered with IRS



# IRS 1023 THRESHOLDS

**1023 EZ**  
**3 pages**

GROSS RECEIPTS  
3 year under \$50,000  
> \$250,000 assets

**1023**  
**26 pages**

Not meeting 1023EZ  
requirements





**Specialists in 990 Preparation**

**Exceeding Expectations**

We Build Expertise  
We Foster Innovation  
We Challenge Ourselves  
We Grow with our Team  
We Fulfill Commitments  
We Lead by Example

**Why choose us**

- We are experts in non-profit tax returns
- We are advisers
- We are committed to great work

**Application for  
Tax-Exempt Status**

1023-EZ \$1,000-1,500  
1023 \$2,000-2,500

- File as 501(c)3
- Past 3 years gross receipts under \$50,000
- Expected gross receipts under \$50,000 next 3 years
- Organized as corporation, association or charitable trust

**Short Form Tax  
Returns**

990N  
199N & RRF-1 \$225

- Gross receipts under \$50,000

990-EZ  
199 & RRF-1 \$450-800

**Long Form Tax  
Returns**

990  
199 & RRF-1 \$850-2,500

- All other organizations
- Grantors prefer this form



**GUIDE STAR**

**[www.guidestar.org](http://www.guidestar.org)**

“This is the Future of  
Nonprofit Financial  
Reporting”



**GUIDESTAR®**



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# REPORTING



Back to the Professionals



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# IRS 990 THRESHOLDS

**990N**

Gross Receipts <\$50K

**990EZ**

Gross Receipts <\$200K &  
Total Assets <\$500K

**990**

Gross Receipts >\$200K OR  
Total Assets >\$500K



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# IRS 990 DEADLINES

990

1

5/15

15 days after 5 months after fiscal year-end

2

Ext

Automatic 6-month extension

3

3 years

Missed filing for 3 years  
NPO status revocation



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# 990T Form

## Unrelated Business Income (UBIT)

Not purpose of NPO granted by IRS

## Exemptions

Debt Free Building  
Use of all Volunteers



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# DPCU

Forming a Partnership or  
LLC



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# SEVERAL DIFFERENT TYPES

- **FOR PROFIT ENTITIES**

<b>LP</b>	<b>LLP</b>	<b>LLC</b>
General Partnership	Limited Liability Partnership	Limited Liability Corporation

- 



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# AUDIT LEVELS

## Financial

Financial Statements are fairly stated

## GAS (Yellow Book)

Internal Controls meet low level of risk threshold

## UNIFORM GUIDANCE

Compliance Controls meet low level of risk threshold



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# Overview

General Knowledge





# RAD Foundation

## Section 8

RAD is built on Section 8 platform

## PBV vs PBRA

Have to choose one

## Process

Application, CHAP, Update Plan, Provide Financing, Issue Commitment, Close





# COMPONENT UNITS

**RAD**

Blended CU  
Discrete Presented

**LIHTC**

Discrete Presented  
Not Present

**NPO**

Blended

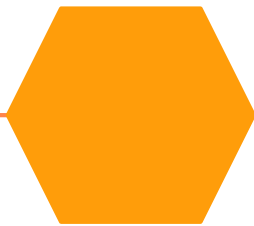




# LIFE OF COMPONENT UNIT



## STEP 1

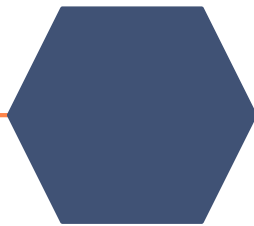


### Creation

New Entity, New EIN,  
New reporting  
requirements



## STEP 2

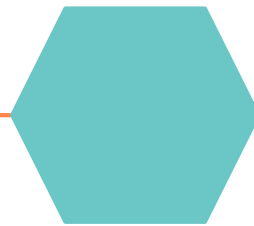


### Operation

Annual reporting and  
accounting

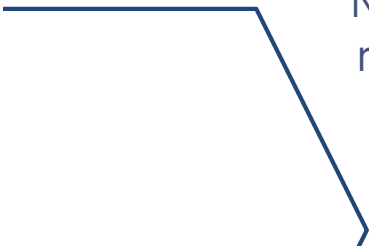
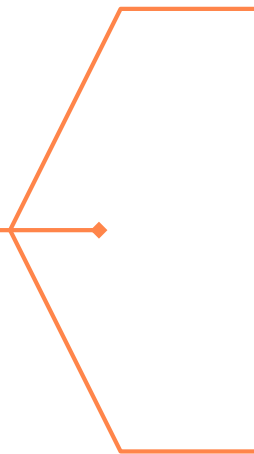


## STEP 3



### Dissolution

Cease operation,  
transition (PH-RAD)  
(LIHTC - BA)



# GOLDEN RULES

**RAD**

**1**

**Close**

Don't close 1-2 months before FYE

**2**

**Same**

Get all entities on same FYE

**3**

**Check**

Auditor/Fee  
Accountant Experience



# YEAR OF CONVERSION



## REVENUE

Thru 12/31 still received  
CFP and PH funds

## EXPENSES

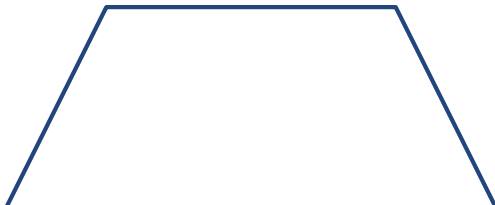
HAP expense after  
Close in PH

## TRANSFER

Balance sheet on close

## SEFA

Still CFP and PH until 1/1  
14.871/14.850



# CONCLUSIONS



## Its Coming

RAD is coming is it time for you to convert



## Run the #s

PBRA vs PBV vs PH



## Get Help

Unvested party with experience





# THANKS!

Do you have any questions?  
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# THE AUDIT PROCESS



# POSSIBLE 3 SEPARATE AUDITS

All Same Auditor or All Different



## Housing Authority

PHA + BCU + DPCU



## BCU

PBRA RAD entity will  
require its own audit  
and FDS MFH



## DPCU

LIHTC audit required on  
12.31 FYE



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# Common Misconceptions

## 100% Accurate

Materially correct not perfect (2% of revenue)

## Find Fraud

By product of audit not purpose of compliance audits



## Does Understand Duties

Not here to fix the books.

Not able to make management decisions



# 3 Levels of Audits

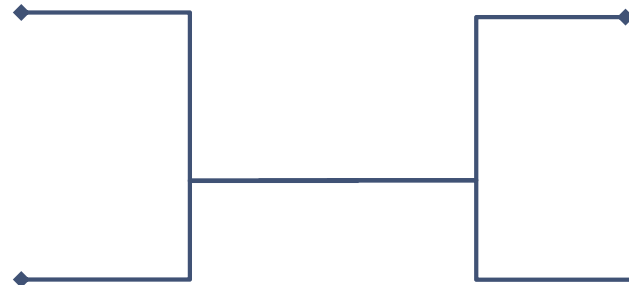
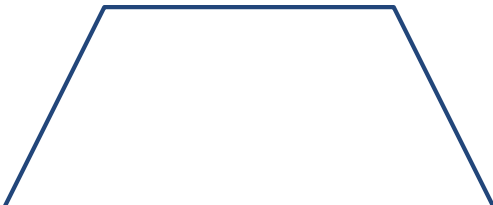


## Financials

Materially correct

## Compliance

Significant or Material Weakness



## Internal Controls

Significant or Material Weakness

## REAC / SF-SAC

Electronic Submission





# FINDINGS

## Financial

## Program

Internal Controls Over Financial

Internal Controls Over Compliance

Accounting Dept

Program Department

Bank Recon, Journal Entries, Disbursements, Allowable Costs

Eligibility, Inspections, Recertification, 5058s





# FDS THE PROCESS

# THE FDS PROCESS HOUSING AUTHORITY

01

**UNAUDITED SUBMISSION DUE 60 DAYS AFTER YEAR END.**

- 3/31 - 5/31
- 6/30 - 8/31
- 9/30 - 11/30
- 12/31 - 2/28

02

**AUDITED SUBMISSION 9 MONTHS AFTER YEAR END.**

- 3/31 - 12/31
- 6/30 - 3/31
- 9/30 - 6/30
- 12/31 - 9/30

03

**MORE THAN ONE PERSON CAN WORK ON FDS AT A TIME IF THEY HAVE ID.**



# ROLES ON FDS

- FASPHA-PHA (FIA) – INPUT ROLE ONLY
- FASPHA-PHA DIRECTOR (PID) –  
GENERALLY ED OR CFO HIGHEST LEVEL  
ROLE
- FASPHA-PHA SUBMITTER (SMT) –  
GENERALLY FEE ACCOUNTANTS INPUT  
AND SUBMIT
- FASPHA-PHA VERIFICATION (CPV) –  
AUDITOR ONLY ABLE TO VERIFY DATA
- GENERALLY, YOU SHOULD HAVE  
SOMEONE IN THE LAST THREE ROLES –  
THE FIRST ROLE IS OPTIONAL





# THE FDS PROCESS (UNAUDITED)

- **DRAFT FDS SUBMISSION**

- SINGLE AUDIT/NON-SINGLE AUDIT (\$750,000 SEFA)
- NON-ASSET MANAGEMENT
  - COCC/ELIMINATIONS
  - ELIMINATIONS ONLY
- ASSEST MANAGEMENT
  - WITHOUT COCC/ELIMINATIONS
  - COCC/ELIMINATIONS
  - ELIMINATIONS ONLY

- **THIS IS IMPORTANT TO GET RIGHT. IF YOU SELECT INCORRECTLY, THE ENTIRE SUBMISSION MUST BE DELETED IN ORDER TO CHANGE THESE SELECTIONS!**





# THE FDS PROCESS (UNAUDITED)

- SELECT PROGRAMS AND INPUT BALANCE SHEET/INCOME STATEMENT DATA
- SAVE AND SAVE OFTEN, THEN VALIDATE
- EACH PROGRAM, PROJECT AND COCC
- COMPLETE DATA COLLECTION FORM (DFC)
- FEDERAL AWARDS
- RUN COMPLETE CHECK
- SUBMIT TO HUD
  - ACCEPTED
  - CONDITIONALLY ACCEPTED
  - REJECTED
- HUD IS SUPPOSED TO REVIEW AND APPROVE WITHIN 30 DAYS OF SUBMISSION
  - SUBMITTED – REVIEW – ACCEPT







# FDS THE PROCESS (AUDITED)



- **DRAFT FDS SUBMISSION**
  - **SINGLE AUDIT/NON-SINGLE AUDIT (\$750,000 SEFA)**
  - **NON-ASSET MANAGEMENT**
    - **COCC/ELIMINATIONS**
    - **ELIMINATIONS ONLY**
  - **ASSET MANAGEMENT**
    - **WITHOUT COCC/ELIMINATIONS**
    - **COCC/ELIMINATIONS**
    - **ELIMINATIONS ONLY**
- **AGAIN, IMPORTANT YOU MATCH THE UNAUDITED OR ELSE YOU CAN NOT COPY THE SUBMISSION DATA FROM UNAUDITED!**



# THE FDS PROCESS (AUDITED)



1	2	3	4	5	6	7
SELECT PROGRAMS AND INPUT BALANCE SHEET/INCOME STATEMENT DATA.	SAVE AND SAVE OFTEN, THEN VALIDATE EACH PROGRAM, PROJECT, AND COCC.	COMPLETE DATA COLLECTION FORM (DCF) FEDERAL AWARDS.	RUN COMPLETENESS CHECK	SUBMIT TO IPA (AUDITORS) ACCEPTED/ REJECTED	SUBMIT TO HUD	HUD SHOULD REVIEW AND APPROVE WITHIN 30 DAYS OF SUBMISSION  * SUBMITTED – REVIEW - ACCEPTED





# MOST COMMON REJECTIONS

- INTERFUND BALANCES OR LARGE % OF ASSET/LIABILITY
- FDS DOESN'T EQUAL VMS HAP / ADMIN NET POSITION
- UNAUDITED % CHANGE FROM AUDITED FDS
- CALCULATION OF RESTRICTED NET POSITION (ADD NOTE TO FS)
- CONDITIONAL ACCEPTANCE ISSUES NOT RESOLVED FROM UNAUDITED
- MANAGEMENT FEES FORMULA (UNIT MONTHS X RATE)



# THE FDS PROCESS MULTIFAMILY HOUSING

01

**UNAUDITED SUBMISSION DUE 90 DAYS AFTER YEAR END.**

- 3/31 - 6/30
- 6/30 - 9/30
- 9/30 - 12/31
- 12/31 - 3/31

02

**AUDITED SUBMISSION 9 MONTHS AFTER YEAR END.**

- 3/31 - 12/31
- 6/30 - 3/31
- 9/30 - 6/30
- 12/31 - 9/30

03

**CAN FILE ONE AUDITED SUBMISSION IF DONE BY 90 DAYS**



# THE FDS TYPES (MFH REAC)



1	2	3	4
Owner Certified Unaudited submission EVERYONE CAN DO	14.195 Column of HA FDS (request waiver each year)	Uniformed Guidance (NPO A- 133 Audit) over \$750,000 Federal \$	HUD Audit Guide (For Profit) over \$500,000 Federal \$





# ASSETS AND DEFERRED OUTFLOWS





# CASH SECTION (111-119)

## CHECKING, SAVINGS, MONEY MARKET, CD < 90 DAYS



LINE 113 – CASH RESTRICTED OTHER  
–HCV HAP CASH, **FSS ESCROW CASH > 12 MONTHS**, REPLACEMENT RESERVES

LINE 114 – CASH TENANT SECURITY DEPOSIT SHOULD MATCH 341 LIABILITY ACCOUNT

LINE 115 – CASH RESTRICTED FOR PAYMENT OF CURRENT LIABILITIES  
–GRANT FUNDS RECEIVER IN ADVANCE, DEBT SERVICE PAYMENTS, **FSS ESCROW < 12 MONTHS**

LINE 111 – ALL THE OTHER CASH





# CASH MultiFamily Housing

- 1120 - Cash Operation (unrestricted) similar to 111 cash
- 1191 - Tenant/Patient Deposits Held similar to 114 cash
- 1310 - Escrow Deposits would be prepaids in PHA
- 1320 - Replacement Reserves (Restricted) similar to 113 cash
- 1340 - Residual Receipts (Restricted) similar to 113 cash



# OTHER KEY CURRENT ASSETS LINE

- × 142 – PREPAID EXPENSE
- × 143 / 143.1 – INVENTORIES AND ALLOWANCES
- × 144 – INTER-PROGRAM – DUE FROM (NOT LOAN) REPAID WITHIN 12 MONTHS
  - × ZERO IS THE BETTER ANSWER HERE
- × 145 – ASSETS AVAILABLE FOR SALE – HOMEOWNERSHIP, NO DEPRECIATION





# CAPITAL ASSETS

- 161 - LAND - ESTIMATE COST BASIS IF NOT KNOWN, ANY IMPROVEMENTS SHOULD BE IN 162
- 162 - BUILDINGS - INITIAL COSTS AND IMPROVEMENTS THAT EXTEND THE LIFE
- 163 - FURNITURE, EQUIPMENT - DWELLING - ITEMS NOT ATTACHED TO THE BUILDING
- 164 FURNITURE, EQUIPMENT - ADMIN - ITEMS USED IN ADMINISTERING OR MAINTAINING
- 165 - LEASEHOLD IMPROVEMENTS - **LEASE PROPERTY AND CAPITAL LEASE ITEMS**
- 166 - ACCUMULATED DEPRECIATION - FOR LINES 162-165
- 167 - CONSTRUCTION IN PROCESS - CFP



# CAPITAL ASSET – MultiFamily Housing



LINE 1410 – Land similar to 161

LINE 1420 – Buildings similar to 162

LINE 1440 – Building Equipment (Portable)

LINE 1450 – Furniture for Project/Tenant Use

LINE 1460 – Furnishings

LINE 1470 – Maintenance Equipment

LINE 1480 – Motor Vehicles

LINE 1495 – Accumulated Depreciation similar to 165





# LIABILITIES AND DEFERRED INFLOWS



# CURRENT LIABILITIES (311 - 348)

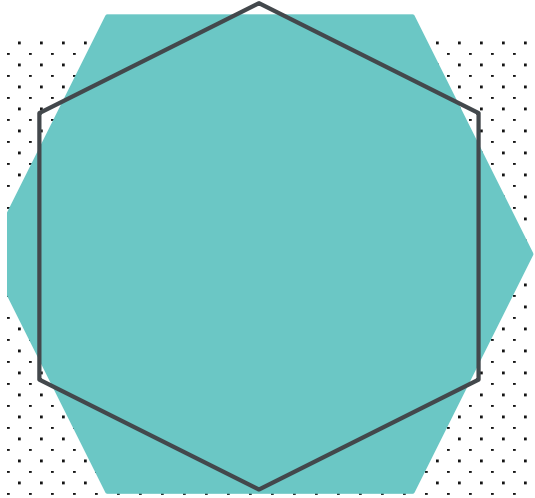


- 311 - BANK OVERDRAFT - DO NOT USE THIS LINE UNLESS YOU TRULY HAVE AN OVERDRAFT
- 312 - ACCOUNTS PAYABLE < 90 DAYS - PAYABLES TO CONTRACTORS AND VENDORS INCLUDE EMPLOYEES ALSO (313 IF OVER 90 DAYS)
- 321 - ACCRUED WAGES / PAYROLL TAXES
- 322 - ACCRUED COMP ASB - CURRENT PORTION - GENERALLY SEE 20% TO 30% OF BALANCE HERE. CHANGE IN CA DOES NOT GO TO LINE 96210.
- 325 - ACCRUED INTEREST PAYABLE - ALL INTEREST PAYABLE (HOWEVER LONG-TERM NOTES)
- 331 - AP - HUD PHA PROGRAM - AMOUNTS DUE TO HUD
- 332 - AP - PHA PROJECT - PORTABILITY HCV DUE TO OTHER HA.

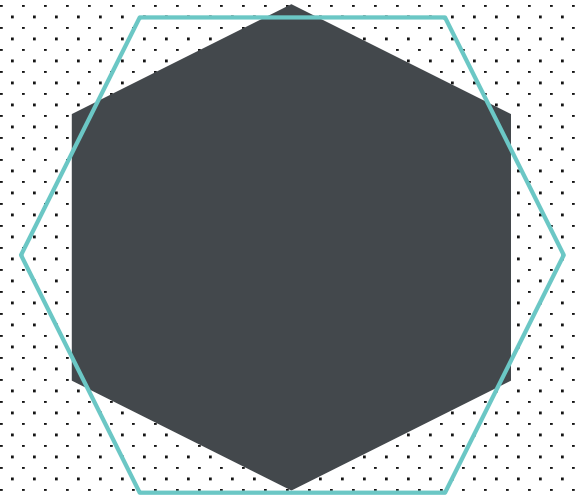
# NON-CURRENT LIABILITIES (350 – 357)

- ❖ 351 – LTD CAPITAL – CFFP, ENERGY PERFORMANCE CONTRACTS, CAPITAL LEASE PAYABLE
- ❖ 352 – LTD OPERATING – BORROWING FOR OPERATIONS OF AGENCY
- ❖ 353 – NC LIABILITIES OTHER – CATCH ALL AND INCLUDES FSS ESCROW BALANCES > 12 MONTHS
- ❖ 354 – ACCRUED COMP ABS NC – EMPLOYEE BENEFITS PLUS TAXES (VACATION, SICK, AND COMP TIME) LESS 322
- ❖ 357 – ACCRUED PENSION AND OPEB – ALL LIABILITY NO CURRENT PORTION ON THESE
- ❖ 400 – DEFERRED INFLOW OF RESOURCES – PENSIONS, GRANT ADVANCES (HCH), SOON-TO-BE LEASES



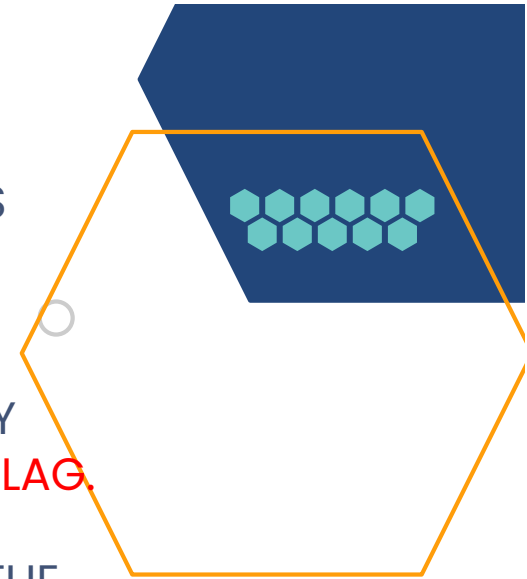


# **EQUITY (NET POSITION)**



# EQUITY (508 – 512)

- ✘ 508.4 – NET INVESTMENT IN CAPITAL ASSETS – REPRESENTS LINES 161-167 FEWER LINES 351 & 344. HUD EDIT FLAG.
- ✘ 511.4 – RESTRICTED NET POSITION – RESTRICTED CASH INCLUDING PENSION ASSET LESS SD, FSS ESCROW, AND ANY OTHER LIABILITIES PAID WITH RESTRICTED CASH. HUD EDIT FLAG.
- ✘ 512.4 – UNRESTRICTED NET POSITION – PLUG THE REST OF THE NET POSITION.





# EQUITY MultiFamily Housing



## Nonprofit Equity

- 3131 – Net Assets Without Donor Restrictions
- 3133 – Net Assets With Donor Restrictions

## Partnership Equity

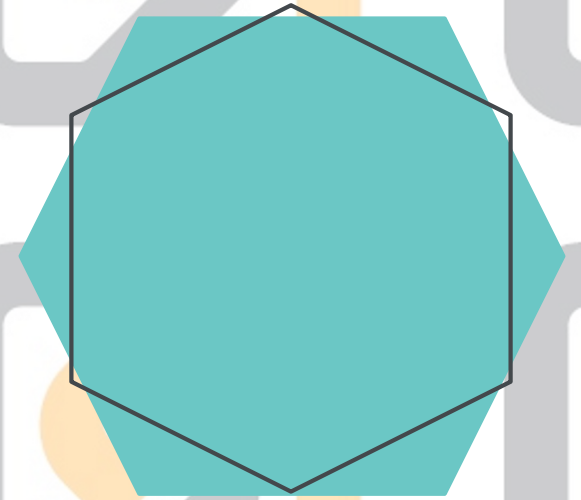
- 3300 – Partnership Equity
- 3301 – Contributions (Equity)
- 3302 – Distributions

## All Entity Types

- 3399 – Prior Period Corrections (All Types)



# REVENUES



# TENANT REVENUE (70300 – 70400)

## 70300 –



NET TENANT RENTAL REVENUE – TENANT RENTS LESS UTILITY ALLOWANCE PAYMENTS. NO FRAUD RECOVERY

## 70400 –

TENANT REVENUE OTHER – ALL OTHER TENANT RECEIPTS OTHER THAN RENT AND FRAUD RECOVERY. REPAIRS, LATE FEES, AND OTHER SERVICES.



# GRANT REVENUES (70600 – 70800)

- **70600 – HUD PHA OPERATING GRANTS – ALL PROGRAMS AND PROJECT HUD RECEIPT EXCEPT FOR CAPITAL FUND CAPITAL PURCHASES.**
- **70610 – CAPITAL GRANTS – ONLY CFP HARD COSTS.**
- **70800 – OTHER GOVERNMENT GRANTS – ANY OTHER GRANTS NOT DIRECTLY RECEIVED FROM HUD INCLUDING HUD GRANTS RECEIVED FROM STATE OR LOCAL AGENCY.**



# COCC REVENUES (70700 – 70750)



- ❑ 70710 – MANAGEMENT FEE – ALL MANAGEMENT FEES EARNED IN COCC ON FEDERAL PROGRAMS. NON-HUD PROGRAMS AND UNITS SHOULD BE IN LINE 70750. (91300)
- ❑ 70720 – ASSET MANAGEMENT FEE – COCC EARNS FROM PH MANAGEMENT WHICH HAS EXCESS CAHS ONLY (92000)
- ❑ 70730 – BOOK-KEEPING FEE – COCC EARNS \$7.50 PER UNIT (91310)
- ❑ 70740 – FRONT LINE SERVICE FEE – EXAMPLES ARE CENTRALIZED MAINTENANCE AND INSPECTION
- ❑ 70750 – OTHER FEES – ANY OTHER FEES COCC OR BA EARNS. MANAGEMENT FEES OF NON-HUD UNITS.



# OTHER REVENUES (71400 & 71500)

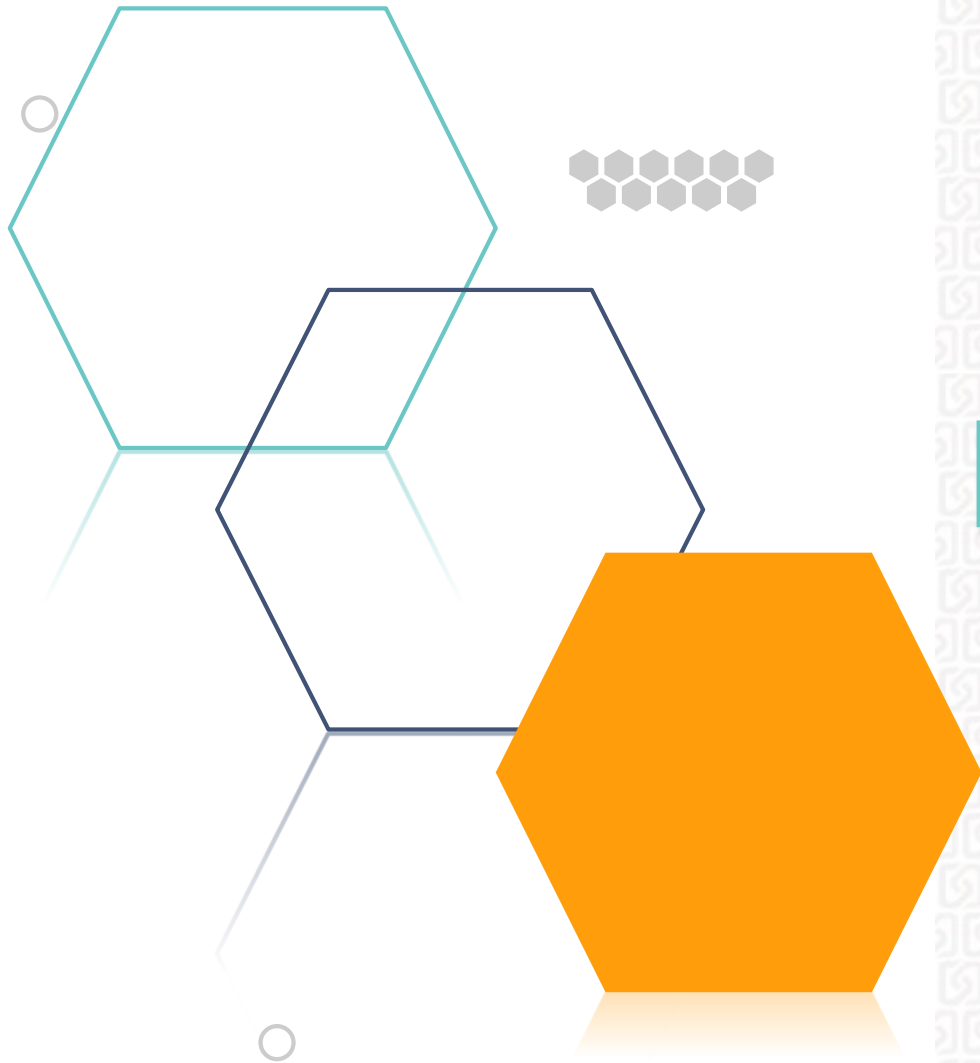
## 71400 –

FRAUD RECOVERY – FULL AMOUNT OF ANY FRAUD RECOVERIES EARNED

## 71500 –

OTHER REVENUE – ALL OTHER REVENUES INCLUDING FSS ESCROW FORFEITURES, PORTABILITY UNDER HCV, AND CAPITAL CONTRIBUTIONS IN LIHTC DEALS





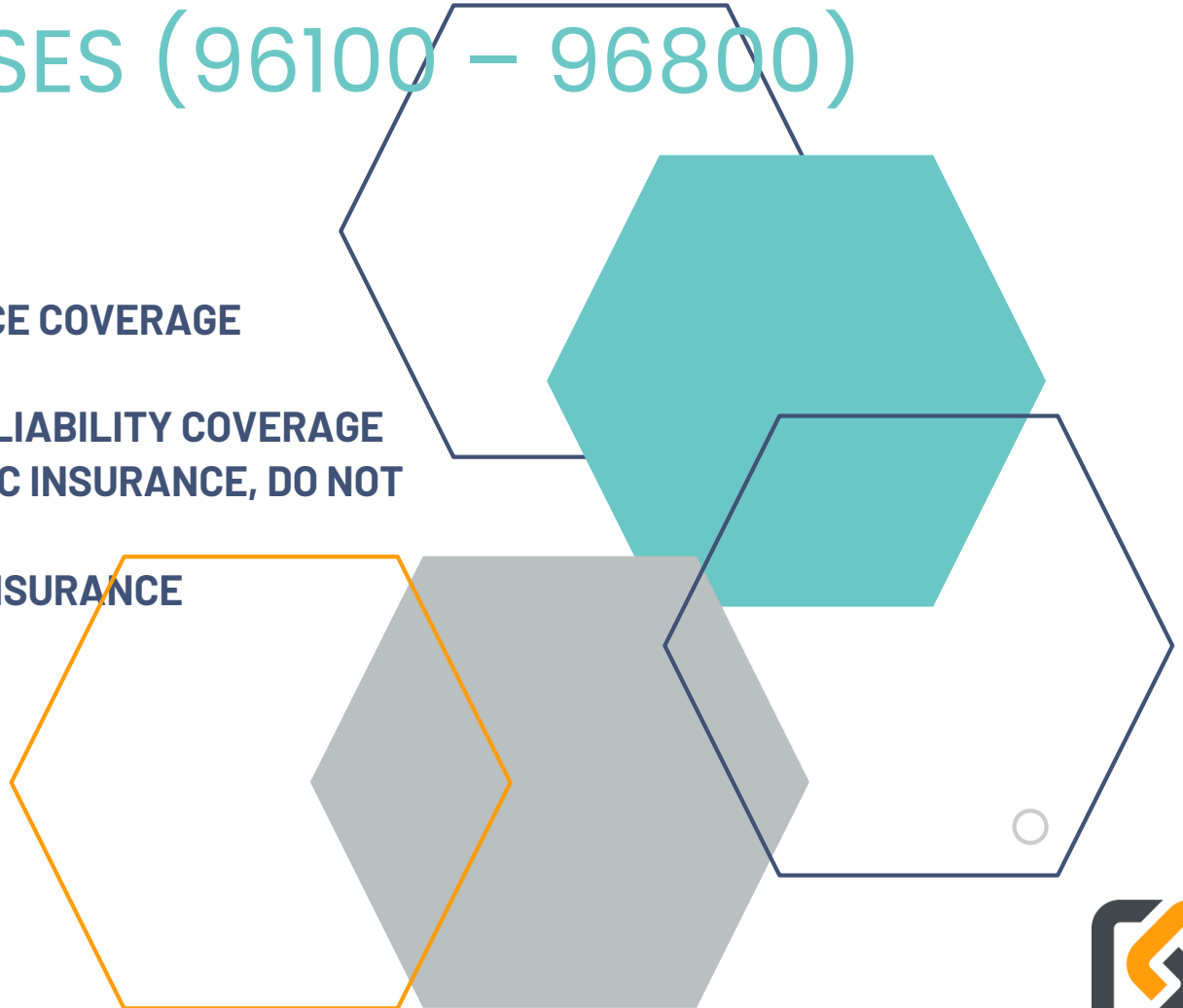
# EXPENSES



# GENERAL EXPENSES (96100 – 96800)

## INSURANCE

- **96110 – PROPERTY – INSURANCE COVERAGE RELATED TO FACILITIES**
- **96120 – LIABILITY – GENERAL LIABILITY COVERAGE**
- **96130 – WORKMEN'S COMP – WC INSURANCE, DO NOT PUT THIS IN BENEFITS**
- **96140 – OTHER – ALL OTHER INSURANCE**





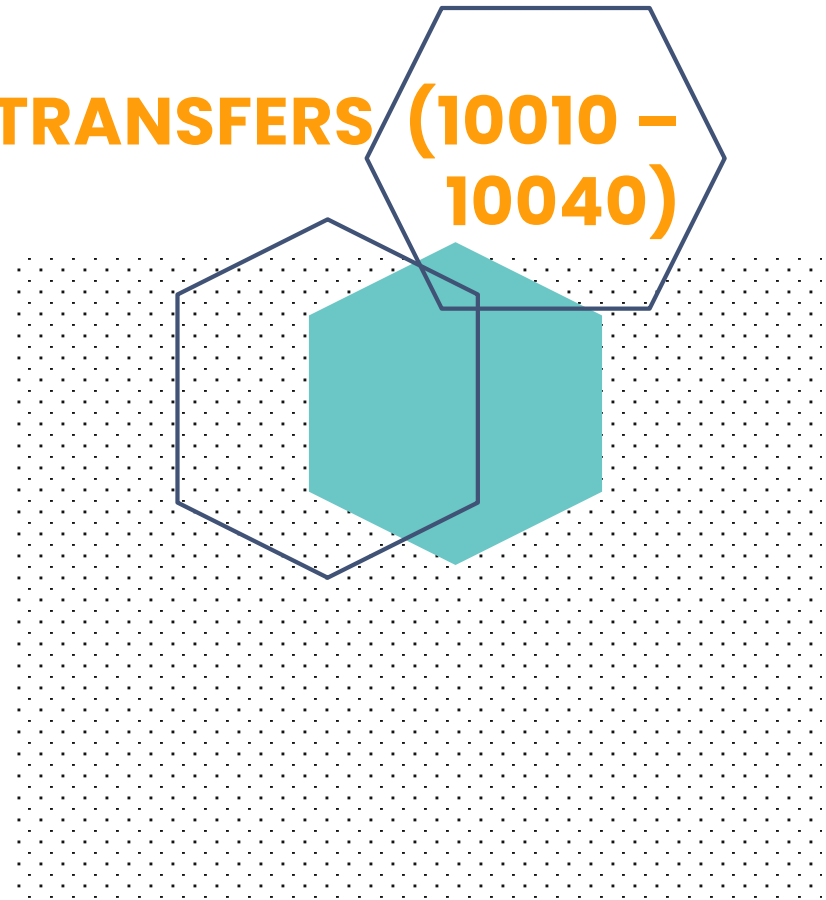
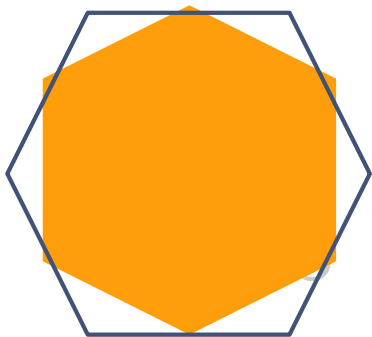
# GENERAL EXPENSES (96100 – 96800) – continued

- **96200 – OTHER GENERAL – CATCH-ALL INCLUDES THINGS LIKE PAYMENTS TO MIXED FINANCE FOR SUBSIDY, ADMIN FEE FOR PORTABILITY, ENERGY SAVINGS ON EPC, FINES, AND PENALTIES.**
- **96210 – COMP ABSENCE – REPRESENTS USED VACATION AND SICK DURING THE YEAR. NOT THE CHANGE IN THE LIABILITY.**
- **96300 PILOT – PILOT OR ANY REAL ESTATE TAXES PAID.**
- **96400 – BAD DEBT TENANT RENT – SHOULD NOT BE USING DIRECT WRITE-OFF METHOD.**
- **96800 – SEVERANCE EXPENSE – EMPLOYEE SALARY AND UNUSED LEAVE PAYMENTS UPON SEPARATION.**



## TRANSFERS (10010 – 10040)

- ❑ 100100 / 100200 – OPERATING TRANSFERS IN / OUT – TRANSFER OF OPERATING RESOURCES FROM ONE FUND TO ANOTHER FUND. NO LOANS OR REIMBURSEMENTS.
- ❑ 10030 – OPERATING FROM / TO PG – TRANSFERS FROM / TO PG TO OTHER LEGAL ENTITY.
- ❑ 10040 – OPERATING FROM / TO CU – TRANSFERS BETWEEN PG AND COMPONENT UNIT.





**ELIMINATIONS**  
**DON'T FORGET THESE**  
**IMPORTANT ENTRIES!**



THANKS!

Do you have any questions?  
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