

**Mississippi Home Corporation
Development Financial Analysis Report
INSTRUCTIONS**

PURPOSE Information from this report will be used to track the overall health of a housing tax credit (HTC) development, as well as serve as an additional resource to Mississippi Home Corporation (MHC) in monitoring for compliance, underwriting future developments and allocation planning.

WHO SHOULD SUBMIT A REPORT Generally, all developments receiving an allocation of HTC's, excluding developments whereby the permanent loan has not closed during the reporting period and developments that were in the extended use period during the reporting period and did not have an active replacement and/or operating reserve requirement, are required to submit a DFAR.

CAUTION **DO NOT ADD OR CHANGE LINE ITEMS**
Please do not add or delete rows in the spreadsheet. Any changes to the format could possibly alter automatic calculations. Income, Other Expenses, and/or Debt Service Payments may need to be combined to fit the spreadsheet.

HOW TO SEND REPORT The Development Financial Analysis Report (DFAR) must be submitted to MHC in the method prescribed and/or approved by MHC. Substitute files, forms or submission methods are NOT acceptable. The DFAR may be submitted to MHC in one of two following ways:

Electronically – Log onto MHC's website at **www.mshomecorp.com** in order to complete the DFAR online. Report must be electronically submitted ***on or before September 2nd***. You must be a recognized management agency with an active tax credit development(s) in order to submit your DFAR via our web-based application.

In addition to the online submission, an owner must forward to MHC an executed copy of the owner's Statement of Certification (Part D) and, if applicable, Plan of Action.

Manually – Owners and/or management agents electing NOT to submit his/her financial report(s) electronically MUST SUBMIT a paper DFAR to MHC with the manual processing fee of \$100 per development.

The DFARs must be submitted manually, ***on or before*** September 2nd using the forms provided. *Reports should be emailed to **compliance.htc@mshc.com**.*

Required Attachments First time reporters MUST include with the DFAR the following support documentation:

- Copy of permanent loan closing documentation, including the Promissory Note

For continuing reporters, should the permanent loan be modified during the certification period, the owner should submit a copy of the loan modification documentation.

Part A: Operating Statement Summary Report

Part A: Operating Statement Summary

Part A *Operating Statement Summary Report* is intended to be a simple income and expense report which tells MHC how a development is performing. It is intended to report only operational activity as a means of assessing development performance. Part A *Operating Statement Summary Report* needs to be supported by year-end internal accounting statements.

Some line items have formulated cells that will auto-calculate the totals for you.

DO NOT add or change line items

Instructions for the Reporting Period of: January 1 to December 31st

CERTIFICATION PERIOD: Enter the period in which the report covers if it differs from the auto-populated field. Generally, the report should cover the 12 month period immediately BEFORE the year in which that the report is due.

DEVELOPMENT INFO: Enter information relative to the development in which the DFAR is being prepared.

Project Number: Enter the project number of the development as assigned by MHC. Example: 00-000 or 00-0-000.

Project Name: Enter the name of the development as it appears on MHC records. If the name of the development has changed and MHC has NOT been notified, enter the name of the development as it is listed on MHC records and add as a side note the current name of the development.

Project County: Enter the county in which the development is located.

Address, City, State, Zip Enter the physical street address of the development, the city and the zip code in which the development is located.

Tax I.D. # of Ownership Entity: Enter the tax identification number of the ownership entity of the development in which the DFAR is being prepared.

Gross Income

Gross Actual Rental Income (GARI):

Enter the total amount of the gross actual rent charged to all tenants for the year by development. See example below:

Please note: Include total unit rent amount for Manager's unit in actual gross rent. If Manager receives a "rent free" unit, note the cost of the free rent in Expenses under "Manager Salaries".

Do not put rent concessions in rental income. Note the cost of any rent concessions in Expenses "Other".

Please note: Put BAD DEBT in Expenses "Other" line

Other Residential Income (ORI):

Enter all other income generated by the development and deposited into the operating account. Do NOT report development funds/activity on this report. Specify source with exact amounts noted separately for each source. Do not add rows to the form. If you have more sources than lines allow, combine sources on one line item.

Examples of Other Residential Income:

- Agency Contribution
- Damage, NSF & Late Fees, Screening Fees, Other Fees
- Fundraising/Donations
- Laundry
- Parking
- Other (please identify and explain on a separate sheet of paper)

Interest Income (II):

Interest Income (this is interest on your operating account, NOT your reserve accounts)

Enter all interest income generated by the development and deposited into the operating account. Do NOT report development funds/activity on this report. Specify source with exact amounts noted separately for each source. Do not add rows to the form. If you have more sources than lines allow, combine sources under one line item and attach a sheet detailing each source.

Other Income (OI): Enter all other income generated by the development and deposited into the operating account.

Effective Gross Income (EGI):

Verify calculated totals with your records. Total income should match financial statements.

Operating Expenses

Operating Expenses:

****PLEASE ITEMIZE EXPENSES****

Enter the annual operating expenses incurred by the development (not the overall organizational expenses). Do not change line items. If there were no expenses incurred for a specific line item such as travel, enter \$0 or leave blank. If the development has expenses not included in the line items, please specify the expense and the dollar amount in the "Other" lines. **Note:** Do your best to fit your expense categories into Part A's line items. The "Other" line should be used **ONLY** if there is absolutely no other place to put the expense (client case management, rent concessions, or bad debt are examples of "Other").

General Administration: Enter all amounts generated from expenditures associated with office, manager salaries, dues, fees, licenses, employee training, recruitment, travel, miscellaneous and any other expenditure associated with this line item.

Utilities: Enter all amounts generated from expenditures associated with electricity, water and sewer, garbage and waste removal, miscellaneous and any other expenditure associated with this line item.

Taxes: Enter all amounts generated from expenditures associated with real estate taxes, payroll taxes any other expenditure associated with this line item.

Insurance: Enter all amounts generated from expenditures associated with workers' compensations, group insurance, property insurance, and any other expenditures associated with this line item.

Marketing and Advertising: Enter all amounts generated from expenditures associated with signage, marketing, lease-up, any other expenditures associated with this line item.

Reserve Accounts: Enter all amounts generated from expenditures associated with the development's reserve accounts (i.e., replacement reserve, operating reserve and owner rental assistance reserve).

Reserve line items should show only the total GROSS payment you made in that year into your replacement reserve and operating reserve accounts. Do not show net amounts of reserve account activity. Expenses paid directly out of replacement or operating reserve accounts should be reported separately on the next page (Tables B1 & C1). Do not show on Part A the interest that the bank paid on your reserve accounts. That interest should show only on Tables B1 & C1.

Total Operating Expenses (TOE):

Verify calculated totals with your records. Total expenses should match building financial statements.

Net Operating Income (NOI):

This calculated field subtracts the total expenses from the total effective gross income.

Annual Debt Service Payment (ADSP):

List all of the amortized debt being carried by the development and for which payments are being made. If you have two (2) or more loans, combine the total annual debt payments into the line provided and then attach a sheet with details of each loan.

Debt Service Ratio:

This auto-calculated field divides total debt service into net operating income. Provide a written plan of action if the Debt Service Ratio is less than 1.15 or above 1.30. Attach the Plan of Action to *Part A Operating Statement Summary Report* addressing any DSCR outside the acceptable range. If no debt service payments was made during the reporting year and the net operating income is less than \$0.00, please provide attach a Plan of Action.

Plan of Action: *A plan of action should detail how an owner plans to improve and/or address the financial health of the development. Specifically, the plan of action should set forth in writing the future goals, detailing out planned actions and resources, to achieve the desired end. A plan of action should clearly address the financial status of the development as of the end of the certification period, including current initiative, targeted goals and benchmark measurements.*

At minimum, the Plan of Action should include:

- Level of action to be undertaken*
- Goals and objectives*
- Specific activities/actions,*
- Monitoring/evaluation methods*
- Current financial status of the development and any noted improvements since the end of the certification period*

Net Income:

This auto-calculated field subtracts the Total Debt Service from the Total Operating Expense and shows Cash Flow. Cash Flow is the amount of cash available after all payments have been made for operating expenses and mortgage principal and interest. If cash flow is negative, please attach an explanation and a Plan of Action that addresses the shortage.

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Please Note: If account activity exceeds the amount of lines available, combine similar items. Do NOT add lines.
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Part B: Report of Replacement Reserve Account

Effective with 1999 allocations, MHC requires all HTC program participants to establish and maintain a replacement reserve account to assist with unanticipated capital improvements and system replacements. An owner of a HTC development is required to make annual contributions to the replacement reserve account for the term of the loan to the senior lender. In support of the same, an owner, at a minimum, must maintain written documentation in his/her organization's accounting system's chart of accounts, all activity related to the maintenance and use of these funds.

Many funders require separate interest-bearing accounts for replacement and operating reserves. Review your specific loan and regulatory agreements for your specific development requirements. However, regardless of other agency funding requirements, all program participants are required to adhere to MHC's replacement reserve requirements.

CERTIFICATION PERIOD: Enter the period in which the report covers. Generally, the report should cover the 12-month period immediately BEFORE the year in which that the report is due.

DEVELOPMENT INFORMATION: Enter information relative to the development in which the DFAR is being prepared.

Project Number: Enter the project number of the development as assigned by MHC. Example: 00-000.

Project Name: Enter the name of the development as it appears on MHC records. If the name of the development has changed and MHC has NOT been notified, enter the name of the development as it is listed on MHC records and add as a side note the current name of the development.

Address, City, State, Zip: Enter the physical street address of the development, the city and the zip code in which the development is located.

Tax I.D. # of Ownership Entity: Enter the tax identification number of the ownership entity of the development in which the DFAR is being prepared.

Development Financial Analysis Report
Instructions

FUNDING: Enter the name of the funding source (i.e., equity payment, operating account, etc.) of the replacement reserve account during the reporting period.

**FDIC Insured
Financial
Institution:**

Enter the name of the banking institution in which the replacement reserve funds are/were being held during the reporting period. Enter the **ending** balance of the account as of the last day of the certification period for all accounts listed. If the account is shared with multiple developments or development phases, please list the portion of the account's balance that is attributed to the development reporting.

If the account is shared, please mark the check box and indicate the **total** account balance at the financial institution. In the space provided, please indicate the developments that share this account.

Table B (1): Report of Replacement Reserve Accounts during Reporting Period

Track your use of replacement reserves on Table B (1), not on Part A Operating Statement Summary sheet.

Beginning Balance:

Begin this table by entering the balance in the replacement reserve account at the beginning of the reporting period. This balance should be the same as the ending balance amount reported on the previous year's annual report and/or Annual Owner Certification (AOC) report status letter and must match with the actual bank balance in the reserve account(s) as of year end.

If this is a new development (or a new account), enter '0' in this column. Remember to include reserve deposits that were required as capitalized reserves at the beginning of the development.

The remainder of the table is much like a checkbook register. Enter the date of an activity in the Date column. It is okay to combine similar activity in one line but note that you are combining this activity. For example, interest deposits throughout the year can be combined on one line. Identify the type of activity reporting in the activity type/description withdrawal column. Explain the reason for any withdrawals in the space provided at the bottom of the form. Enter the amount of the deposit in the deposit column, if appropriate. Enter reserve withdrawals in the 4th column. Interest earned on your reserve account should be entered as a deposit. Running balances are calculated automatically in the fifth column. The ending balance will become the beginning balance on next year's report.

Note (1): Replacement Reserves are intended to be used for scheduled capital improvements and/or replacements. It is recommended that a 20-year schedule of reserves and/or Capital Needs Assessment (deposits and projected uses) be developed for every development.

Note (2): Reserve withdrawals must be equal to or greater than \$5,000 (24 units or less) or equal or greater than \$10,000 (more than 24 units) for single transactions.

Part C: Report of Operating Reserve Account

Effective with 1999 allocations, MHC requires all Housing Tax Credit (HTC) program participants to establish and maintain an operating reserve account to assist with unanticipated operating deficits. Initially, the operating reserve account must be established in the equivalent of six months of the development's first year operating expenses. Such funding must be maintained throughout the development's 15-year compliance period, either by direct funding or letter of credit.

Note: HTC allocations made prior to 2009 are required to initially establish an operating reserve account; however, are considered exempt from the long-term account funding obligation.

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Project Number: Enter the project number of the development as assigned by MHC. Example: 00-000.

Project Name: Enter the name of the development as it appears on MHC records. If the name of the development has changed and MHC has NOT been notified, enter the name of the development as it is listed on MHC records and add as a side note the current name of the development.

Address, City, State, Zip: Enter the physical street address of the development, the city and the zip code in which the development is located.

Tax I.D. # of Ownership Entity: Enter the tax identification number of the ownership entity of the development in which the DFAR is being prepared.

Development Financial Analysis Report
Instructions

FUNDING: Enter the name of the funding source (i.e., equity payment, operating account, etc.) of the operating reserve account during the reporting period.

**FDIC Insured
Financial
Institution:**

Enter the name of the banking institution in which the operating reserve funds are/were being held during the reporting period. Enter the **ending** balance of the account as of the last day of the certification period for all accounts listed. If the account is shared with multiple developments or development phases, please list the portion of the account's balance that is attributed to the development reporting.

If the account is shared, please mark the check box and indicate the total account balance at the financial institution. In the space provided, please indicate the developments that share this account.

Table C (1): Report of Operating Reserve Accounts during Reporting Period

Track your use of operating reserves on Table C (1), not on Part A Operating Statement Summary sheet.

Beginning Balance:

Begin this table by entering the balance in the operating reserve account at the beginning of the reporting period. This balance should be the same as the ending balance amount reported on the previous year's annual report and/or Annual Owner Certification (AOC) report status letter and must match with the actual bank balance in the reserve account(s) as of year end.

If this is a new development (or a new account), enter '0' in this column. Remember to include reserve deposits that were required as capitalized reserves at the beginning of the development.

The remainder of the table is much like a checkbook register. Enter the date of an activity in the Date column. It is okay to combine similar activity in one line but note that you are combining this activity. For example, interest deposits throughout the year can be combined on one line. Identify the type of activity reporting in the activity type/description withdrawal column. Explain the reason for any withdrawals in the space provided at the bottom of the form. Enter the amount of the deposit in the deposit column, if appropriate. Enter reserve withdrawals in the 4th column. Interest earned on your reserve account should be entered as a deposit. Running balances are calculated automatically in the fifth column. The ending balance will become the beginning balance on next year's report.

Note: Operating Reserves are intended to be used for unexpected or unusual operating costs that exceeded the yearly operating budget.

Part D: Statement of Certification

CERTIFICATION PERIOD: Enter the period in which the report covers. Generally, the report should cover the 12-month period immediately BEFORE the year in which that the report is due.

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Project Number: Enter the project number of the development as assigned by MHC. Example: 00-000.

Project Name: Enter the name of the development as it appears on MHC records. If the name of the development has changed and MHC has NOT been notified, enter the name of the development as it is listed on MHC records and add as a side note the current name of the development.

Project County: Enter the county in which the development is located.

Address, City, State, Zip: Enter the physical street address of the development, the city and the zip code in which the development is located.

Tax I.D. # of Ownership Entity: Enter the tax identification number of the ownership entity of the development in which the DFAR is being prepared.

PRIMARY LENDER: The Primary Lender is the main source of financing, the one who holds the loan. In this cell, provide the name of the primary lender(s), the date of the loan closing, date of first payment and the term of the loan.

RD-FINANCED DEVELOPMENTS ONLY: For developments financed through Rural Housing Services, this cell is to be used to report the status of an **approved workout plan**, a workout plan whereby RHS enters into an agreement with a borrower to resolve certain issues. The rate and term of the loan is unchanged in this instance. In this cell indicate if a workout plan has been approved and the plan year, if applicable.

CHECKLIST: Identify by marking an "x" in the box next to each form(s) attached to this report. If a particular form is not required for submission, indicate such by placing an "x" in the box next to the form that is not applicable.

Development Financial Analysis Report
Instructions

**REPORT
PREPARER:**

(individual who
prepared this
financial report)

Identify in the space provided the name and address of the preparer of this report. This person should be the person(s) that actually completed the DFAR only. This person may or may not be the Independent Auditor for the development.

Owner/Owner
Representative:

Enter the name, address and phone number of the owner and/or owner representative preparing/completing this report.

*Independent
Auditor (CPA):*

Enter the name, address and phone number of the Independent Auditor (CPA) preparing/completing this report.

**OWNER
STATEMENT:**

(Keep a copy for
your records)

Acquire the signature of the owner or the owner's authorized representative validating the accuracy of the information contained within the report.

NOTARY:

Acquire the signature, date and notary of an authorized notary.