

**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.

**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 submitted ***on or before June 30, 2010***. 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, the owner’s *Statement of Certification* and, if applicable, *Plan of Action* must be submitted in hard copy format by the June 30<sup>th</sup> deadline date.

***Manually*** – Owners and/or management agents electing NOT to submit his/her financial report(s) electronically MUST SUBMIT a paper report to MHC ***on or before*** June 30, 2010 using the forms provided.

**Manual reports must be submitted to:**

Mississippi Home Corporation  
Attn.: Compliance Monitoring Division  
735 Riverside Drive  
PO Box 23369  
Jackson, MS 39225-3369

## 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 will tell 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 31, 2009***

**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".

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

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### **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 more than two (2) 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.

*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. 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.

**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.

**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).

## 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.

*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.*

**Part C** of the DFAR is not applicable for developments allocated credits prior to 2009.

## Part D: Report of Owner Subsidy Reserve Account

**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 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. Forward MHC 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.

**SUBSIDY INFORMATION:** Enter the date the first building in the development placed in service. In the next cell, enter the date of your first subsidy payment at the development.

**FUNDING:** Enter the method to which owner used to evidence compliance with the owner rental subsidy obligation: *rental credit or rental credit and owner rental assistance reserve account*. Rental Credit is the amount the owner discounts the tenant's contract rent, usually fifty dollar (50) per unit. The Rental Credit and ORA Reserve Account is an account that the owner has established and maintain funding evident to provide the assistance. Next identify the source of the deposit into the ORA reserve account. Please note this field is not applicable to owners who provide rental credits only.

**FDIC Insured Financial Institution:** Enter the name of the banking institution in which the replacement reserve funds and information 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.

**Table D (1): Report of Owner Subsidy Reserve Accounts during Reporting Period**

Track use of owner subsidy reserves on Table D (1), not on Part A Operating Statement Summary sheet.

**Beginning Balance:**

Begin this table by entering the balance in the owner subsidy reserve account at the beginning of the reporting period. This balance should be the same ending balance amount you reported on your previous year's annual report and must match with the actual bank balance in your reserve account(s).

*Do not submit a copy of your Owner Subsidy Reserve account bank statement as of 12/31/09. Maintain for your records!*

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 month of an activity in the Month column. Next, enter the number of units in which the owner provided rental assistance for the month. This number should include the number of UNITS assisted, not households. **NOTE:** 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. Explain the reason for any withdrawals in the next column if the activity was a withdrawal and/or subsidy payment. Enter owner subsidy reserve deposits in the 4th column. Enter the amount of the withdrawal and/or subsidy payment in the next column, if appropriate. Interest earned on your reserve account can also be entered as a deposit. Running balances are calculated automatically. The ending balance will become your beginning balance on next year's report. (Please see example provided.) Rental credits should be listed in the last column. In the rental credit column enter the total dollar amount of rental credit given during the month.

Note (1): Owner Subsidy Reserve Account is intended to be used as a reserve account in the event of noncompliance with an owner's rental subsidy obligation.

Note (2): Owners who are not utilizing an ORA reserve account should but "\$0.00" or leave blank the deposits and withdrawals columns.

## Part E: 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.

**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.

**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 source of finance and the one who holds the loan. In this cell, provide the name of the primary lender(s), the date of the loan closing 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 work-out 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.

**REPORT PREPARER:** 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.  
(individual who prepared this financial report)

Development Financial Analysis Report  
Instructions

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:** Acquire the signature of the owner or the owner's representative validating the accuracy of the information contained within the report.  
(Keep a copy for your records)

**NOTARY:** Acquire the signature, date and notary of an authorized notary.