

Massachusetts Housing Finance Agency  
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## Memorandum

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

### 2023 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>

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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. All Financial Compliance (F.C.) forms must be included in the financial statement report following the first full year of operation. Prior to the first full year of operation, only basic financial statements need to be submitted unless the owner plans to make a distribution from the initial, partial year of operation in which case all forms must be included in the report.

#### **General Submission and Financial Statement Requirements:**

- **Due Date:** March 31, 2024, 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](mailto: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](http://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](mailto: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. We would appreciate your

assistance in working with the owner to ensure that this essential information is correct when the financial statement is submitted to MassHousing.

### **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. (See Section II of the Resource Guide for a discussion of tax-basis exception).

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. All the Financial Compliance (F.C.) forms should be considered supplementary information. 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:

- A Statement of Funds Flow Available for Equity (Form F.C.-1)
- Statement of Operations & A Reconciliation to Form F.C.-1 (Form F.C.-2A & F.C.-2B)
- Balance Sheet or a Statement of Assets, Liabilities and Partners' Equity (Deficiency) - (Form F.C.-3A, F.C.-3B, & F.C.-3C), as well as a Supplemental Schedule of Long-Term Liabilities (Form F.C.-3D)
- Statement of Cash Flows (Form F.C.-4A, F.C.-4B & F.C.-4C)
- Statement of Funds Available for Distribution (Form F.C.-5)

- Calculation of Surplus Cash, Distributions and Residual Receipts/Excess Equity (Form F.C.-6) as discussed in Section XI for developments with the 1980 Form of the Section 8 Housing Assistance Payment Contract and MassHousing Determined Excess Equity.
- 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 and a Schedule of Developer's Contributions and Guaranteed Annual Payments (Form F.C.-7) as discussed in Section XII.

### **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 (July 2018 Revision) 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 Resource Guide and a set of Appendices for your reference. The Resource Guide includes information to assist in the preparation of the Financial Statements and Supplementary Information. The Appendices provide sample Audit 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](mailto:rentalportalsupport@masshousing.com).