

Overview of Financial Reporting Best Practice Papers - Topics 1-21

The STRENGTH MATTERS® CFO Working Group

The Strength Matters CFO Working Group is made of Chief Financial Officers (“CFOs”) and accounting professionals who have worked together since 2007, identifying the “best practices” we believe are important in presenting meaningful financial statements to the world. Our group held heated debates on many topics (e.g. developer fees and timing of revenue recognition, how are deferred fees tracked and booked, what is a functional expense). Surprisingly, we discovered that we held strong, even passionate, feelings about how our financial statements should speak. We want our financial statements to reflect the true value of our organizations. We want them to tell the corporate story in a shared, and therefore, meaningful language others can understand. We hope that you will share this goal.

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Next is an overview of our Financial Reporting Best Practice Papers.
Copies of these papers are available to subscribers on the STRENGTH MATTERS® website
www.strengthmatters.net

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TOPIC 1 – Determination of Parent Organization Fiscal Year-End

Consolidation requires fiscal year-end alignment. This paper discusses the factors to consider in deciding on fiscal years for your various corporate entities.

TOPIC 2 – Presentation: Comparative Statements vs. Non-comparative Statements

Boards, investors and lenders are key audiences for your audit. This paper discusses when and shows examples of how to format comparative statements over time.

TOPIC 3A – Consolidation Issues: Eliminations and Presentation of Minority/Non-controlling Interests

Consolidating financial statements requires detailed attention to eliminations of inter-company balances. This is your guide to many specifics related to eliminations in housing enterprises.

TOPIC 3B – Consolidation Issues – Steps for a Successful Consolidation

Consolidation can be a daunting task. Peers share their lessons learned on how to ease the process.

TOPIC 4A – Developer Fee Recognition

Developer fees are a major receivable for many housing nonprofits. But they turn into cash over a long period of time, and can be affected by many externalities. This paper discusses two approaches for recognizing developer fee revenues.

TOPIC 4B – Developer Fee Elimination During Consolidation or Combination

Two different approaches on how developer fees are eliminated in consolidation are discussed in this paper.

TOPIC 5 – Determination and Presentation of Supplemental Information

Supplemental information can make your audit transparent or opaque to the reader. This paper discusses which notes and schedules are most important to your readers.

TOPIC 6 – Preparation of the Statement of Financial Position

Consistency across a sector makes it easier for investors and lenders to underwrite. This paper recommends presenting your statement of financial position on a classified basis to distinguish between current and non-current items.

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TOPIC 7 - Net Assets Section of the Statement of Financial Position

This paper lays out recommended reporting options for net assets on the statement of financial position.

TOPIC 8 - Statement of Functional Expenses: Methodologies and Combining Allocation Methodology

While not required by GAAP, a schedule of functional expenses is useful supplemental information for financial statement users. This paper discusses the why and how to present a schedule of functional expenses.

TOPIC 9 – Issuance of Stand-Alone Financial Statements or Parent-Only Financial Statements

Parent-only statements are very useful to investors and lenders, especially when you are seeking enterprise level capital, instead of real estate secured capital. While not required by GAAP, this paper discusses how to present parent-only information.

TOPIC 10 – Allowances for Receivables

This paper discusses methods to appropriately value receivables on your balance sheet and techniques for turning receivables into cash.

TOPIC 11 –Capitalization of Fixed Assets (Policy)

This paper discusses how to establish and apply a capitalization policy to govern fixed assets.

TOPIC 12 – Statement of Activities

This paper discusses how to present the statement of activities so it provides a clear picture of your organization's primary revenue sources and related expenses.

TOPIC 13 – Statement of Cash Flows

This paper discusses the pros and cons of using the direct method vs. indirect method of reporting cash flow.

TOPIC 14 – Segment Reporting

While not required to provide segment reporting, this paper discusses why it can be beneficial to do so and offers formatting recommendations.

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TOPIC 15 – Cash Presentation

Cash is king, but actually - only when it's unrestricted! This paper discusses the importance of reporting cash designations clearly (e.g. restricted vs. unrestricted) and differentiating corporate level cash from property level cash.

TOPIC 16 – Footnote Disclosures

Notes are an integral part of your financial statements. This paper provides an overview of how notes can be presented to meet reporting requirements and provide the reader with key information about your organization.

The following sub-collection of papers present examples for specific types of disclosures:

16A. Financial Statement Disclosures - Affiliates

16B. Financial Statement Disclosures - Net Assets

16C. Financial Statement Disclosures - Notes Payable

16D. Financial Statement Disclosures - Commitments and Contingencies

16E. Financial Statement Disclosures - Investments

16F. Financial Statement Disclosures - Property and Equipment

NEW 16G. Financial Statement Disclosures - Related Party Transactions

NEW 16H. Financial Statement Disclosures - Notes Receivable

NEW 16I. Financial Statement Disclosures - Accounts Receivable

TOPIC 17 – Contingent Liabilities

What about all those guarantees and contingent liabilities? This paper recommends how to organize the supplemental information on contingent liabilities.

TOPIC 18 – Asset Valuation Guidance

This paper discusses the pros and cons of valuing assets according to the fair value method, which may be more costly than its worth. It also discusses when and how to impair assets.

TOPIC 19 – Free Cash Flow

This paper defines Free Cash Flow as an important way of representing the financial strength of a property portfolio after all the required distributions and reserves are met.

TOPIC 20 – Accounting for LIHTC Year 15 Disposition Options

This paper is a first primer on the options available for disposition of a tax credit project.

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TOPIC 21 – Accounting for Contributions, Exchange Transactions, and Forgivable Loans

Funding for affordable housing comes from many sources. This paper discusses how to appropriately account for these funds as contributions, exchange transactions or loans.

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