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Boot Camp on Financial Reporting for Rental Housing Nonprofit Enterprises

Module 6:

Cost Certifications & 8609's

Wednesday, June 28, 2023
1:00 – 3:00 PM Eastern

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Meet the Presenters

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CPE Credit Requirements

- We use polls and the Zoom attendance record to verify participation throughout the session.
- **Participants seeking CPE credits must:**
  - Participate fully in the learning activities and submit ALL polls throughout the course.
  - Log in to each session with first name, last name and email before the scheduled start time.
  - Request a certificate via the final evaluation or email.
- **If you plan to petition your state board of accountancy for CPE credits, please submit ALL polls, including the final evaluation.**

Certificates will be sent after the final session. For more information on CPE credits, **contact Lindsay Wells at consult.lwells@gmail.com.**

Getting Started

- If you have a technical issue, including issues with Polls, please contact the Host via **Chat**.
- Please use the **Chat** feature to submit all content questions.
- We will pause for questions during the presentation.
- Participants will be muted during the course presentation. Participant breakout rooms offer small group discussion with audio and video sharing.

Module 6: Cost Certifications & 8609's

120 min/up to 2.0 CPEs

- See CPE Summary handout for **Core Competencies and Learning Objectives.**

Please have your Handouts PDF available for reference.

Module 6 Materials

1. Handout 11 - Funding Requisition for Restoration Housing LP
2. Handout 12 - Restoration Housing Cost Certification
3. Handout 13 - Cost Certification Exercise Sheet
4. Handout 14 - Examples of Form 8609

Topics covered to date

- Module 1
  - Identify the Deal; Grants, Contributions & Exchange Transactions; Predevelopment Best Practices
- Module 2
  - Entity Formation and Deal Structure
- Module 3
  - Deal Structure, Deal Cycle & Participants, QAP, LIHTC calculations and the State Determination Letters
- Module 4
  - Financial Projections, Investor Letters of Intent
- Module 5
  - New Construction, Rehab & Funders Requisition

Module 6: Cost Certifications & 8609's

Topics for this session:

- Cost Certification
- Best Practices
- 8609s

Poll 1

1. How many times have you lost track of time in the past week?
   A. Never. I'm always aware of the time.
   B. 1-3 times.
   C. Daily.
   D. What time is it?!

Cost Certification

Close your handouts packet until class exercise is complete.

- A Cost Certification is an audit of the development sources and uses. The report is provided to the tax credit committee, state credit agency, investors, lenders and the sponsor
- The report outlines what costs are eligible to earn tax credits (eligible basis, or not eligible (depreciation and non-depreciation related items). The amount of the tax credits earned is also calculated
- Sometimes there are draft cost certifications or interim cost certifications that have estimates included up through the permanent loan closing
- Normally, a final cost certifications (all final actual costs) is also completed
- Each state may have its own cost certification format, which you can typically find online for each state tax credit agency.

Cost Certification

Poll 2

1. The Cost Certification's primary purpose is to determine how many tax credits were earned by the project.

   A. True

   B. False

Cost Certification

Best Practices

- Budget line items in both the General Ledger and on the funding requisitions should agree with the cost certification categories. Take a look at the sample Requisition & Cost Cert provided
- Your final funding requisition should agree with the cost certification. These should be part of your permanent documents. The general ledger may not agree as there are certain costs, like the Cost of the Cost Certification audit can be included as an eligible cost even if it has not yet been paid.
- You should not let your auditors control your cost certification. They do not get paid to spend the time to fine tune to bring you additional credits, so they don't, but you do. Be involved!

CPE requirement

Cost Certification

Poll 3

1. Cost Certification Best Practices – which is true?
   A. Use different categories to capture costs in the general ledger than are used in the cost certification.
   B. Your auditors are the Cost Certification experts, so they should control the process.
   C. The project's final funding requisition should materially agree with the cost certification.

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Cost Certification
Class Exercise

Please work on this Exercise in your Breakout room.

Refer to Handout #11: *Funding Requisition for Restoration Housing.*

Fill in Handout #13*: Cost Certification Class Exercise Worksheet.*

- Using the requisition line items – Work together to identify what line(s) they would go into on a cost certification. Mark the appropriate box(es) on the Cost Cert Worksheet for each.
  - Acquisition
  - Architecture
  - Audit and tax fees
  - Construction loan interest
  - Developer Fee
  - Legal
  - Syndication
- Note: Some may go into multiple categories on cost cert and financial statements

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Cost Certification

Let's review answers to the Cost Certification Class Exercise:

Cost Certification – Restoration Housing LP					
	Land	Building Shell	Rehab/ Construction Costs	Amortized & Expensed Costs	Non-Deductible
Acquisition	x	x			
Architecture			x		
Audit & Tax Fees				x	
Construction Loan Interest			x	x	
Developer Fee	x	x	x		
Legal	x	x	x	x	x
Syndication				x	x

Break

- We will take a 10-minute break.
- Remain logged in during the break.
- Please return promptly.
  - This is especially important for participants seeking CPEs so that you may receive full credit.

Checking In

Poll 4

*Please use the **Zoom Chat** to share what has been most helpful.*

1. Have you learned anything today that you already know will directly impact your work?
   A. Yes, definitely.
   B. Maybe.
   C. No, definitely not.
   D. Not sure.

Review Handout #12 – Restoration Housing Cost Certification

Cost Certification

Poll 5

1. On the Cost Certification, all costs fit clearly within ONLY one of these categories: land, building shell, rehab/construction costs, amortized and expensed costs and non-deductible costs.

   A. True

   B. False

Cost Certification – Forms 8609

Forms 8609 – These forms let the IRS know how many tax credits have been awarded to the investor.

They are generally prepared by the tax preparer and they must be signed by the state credit agency and the sponsor.

There are 8609's for each building

There can be two for each building, one for acquisition basis, the other for rehab costs

This is typically one of the last milestones to achieve to receive the final equity installment from the investor

- See two of Restoration's 8609's in the handouts

8609s

Poll 6

1. What is the purpose for the forms 8609?

   A. To have a record of how many credits were received for each building

   B. To let the IRS know how many tax credits were awarded to the investor

   C. A and B

QUESTIONS?

- Please use the **Zoom Chat** to submit questions.
- Instructors will remain on the line to answer remaining questions.

Next Session: Transition to Operations, Key Operating Documents
Date: July 19, 2023
No class next two weeks!
Time: 1:00 – 2:30 PM Eastern

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EVALUATION POLL

Your feedback is important to us!

- ✓ **Please complete the evaluation poll for this session.**
- ✓ **Email info@strengthmatters.net with any questions or concerns.**

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