



STRENGTH MATTERS

Boot Camp on Financial Reporting for Rental Housing Not-for-Profit Enterprises

Module 9: Financial Statement Presentation & Intro to Surplus Cash

Wednesday, November 13, 2024
1:00 – 2:30 PM Eastern



Thank You Presenters!

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Chief Financial Officer

Volunteers of America of Massachusetts



Rita B. Dela Cruz, CPA, CGMA

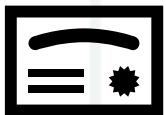
Partner

Lindquist, von Husen & Joyce LLP



CPE Credit Requirements

- Poll submissions and the Zoom attendance record are used 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.**



For more information on CPE credits, **contact Lindsay Wells at consult.lwells@gmail.com.**

**** Certificates will be issued after completion of the full course.** For an interim certificate showing modules completed to date, please contact Lindsay.

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.
- During the break, you may unmute to ask questions.
- Participants will be muted during the course presentation. We encourage you to turn on your camera as you are able.

Module 9: Financial Statement Presentation & Intro to Surplus Cash

90 min/up to 1.6 CPEs

**Actual session length and CPE credits vary depending on participant questions.*

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

Module 9 Materials

***Please have your Handout
PDFs available for reference.***

1B – Excerpt from Strength-Matters-Liabilities-Papers-4.-Financial-Statement-Disclosures-Notes-Payable

15 – Section 10 of Restoration Housing's Limited Partnership Agreement - Surplus Cash (page 72) *****

17 – Restoration Housing Limited Partnership's 2017 Financial Statements / Audit (pages 7 - 50)

18 – Big Charity Sample Financial Statements

27 – FASB Liabilities 470-10-45 Other Presentation Matters

******* Asterisks indicate file you will need in class today**

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 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 covered to date (continued)

- Module 7
 - Transition to Operations, Key Operating Documents
- Module 8
 - Operations Issues

Module 9: Financial Statement Presentation & Intro to Surplus Cash

Topics for this session:

- Not-for-profit financial statement presentation
- Partnership or Limited Liability Company financial statement presentation
- Surplus Cash & Waterfall



Financial Statement Presentation



Poll 1

1. Who within your organization plays a role in the preparation of the financial statements?
 - A. The CFO or Controller
 - B. The Executive Director
 - C. The program and real estate development staff
 - D. All of the above

Financial Statement Presentation

Not-for-Profit Organization (NPO)

- Statement of financial position, statement of activities and functional expenses
- Assets – liabilities = net assets
 - No equity since no ownership
 - Net assets are normally broken down between those with donor restrictions and those without donor restrictions
- Balance sheet may not be classified between current / non-current but items should appear in order of liquidity
- Multi-column format for statement of activities to show net assets with donor restrictions and net asset without donor restrictions.



Financial Statement Presentation



Poll 2

1. Does your organizations have more donors with restrictions or general donors without restrictions for the use of their donation?
 - A. More donors with restrictions on the use of funds
 - B. More donors without any restrictions on the use of funds

Financial Statement Presentation

Not-for-Profit Organization (NPO)

- Expenses are shown based on function: program, management/general and fundraising
 - Program = expense related to the program that you are providing (in this case housing and/or services)
 - Management/General = expense related to the management or oversight of the program
 - Fundraising = expense related to fundraising activities that resulted in charitable donations
- No statement of changes in equity, since there is no ownership



Financial Statement Presentation



Poll 3

1. Does your agency have more or less than 10 programs listed on your financial statements?
 - A. More than 10
 - B. Less than 10
 - C. I don't know

Financial Statement Presentation

Partnership or Limited Liability Company (LLC)

- Classified balance sheets
- Statements of Operations (Income Statement)
- Statements of Changes in Partners' Capital
- Surplus cash
- Could also be presented in real estate financial statement format:
 - Classified balance sheet not presented; real estate is the first asset and mortgage is the first liability presented
 - This format is not required by GAAP, but some investors prefer it

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

*Other ideas? Share them in the **Chat**.*

1. Which would you rather do?
 - A. Scuba dive in the tropics
 - B. Snow ski in the mountains
 - C. Go rafting on a river
 - D. Zipline in a rainforest
 - E. Watch a documentary about one of the above

Surplus Cash & Waterfall

See the sample financials and the waterfall section of the LPA agreement in the Handouts.

- Priority distribution of surplus cash
- What to do when the partnership, loan and regulatory agreements contradict each other?
- Accrual of fees payable from surplus cash flow
 - Cumulative - Accrued and paid to the extent of surplus cash
 - Noncumulative – Not accrued if there is insufficient surplus cash



Surplus Cash

Poll 5

1. When should you calculate the amount of the surplus and to whom it is distributed?
 - A. After the audit is completed and you are certain of the amount to be distributed.
 - B. As you get close to year end and can estimate
 - C. The year prior with an estimate for the surplus so that you have some understanding of the impact on cash for the year, and so that you can budget for any fees that you will earn.
 - D. All of the above

Surplus Cash & Waterfall

Surplus Cash Methods

- Income statement approach
 - usually defined in the LPA or operating agreement and various regulatory agreements
- Balance sheet approach
 - usually required for HUD deals

Best Practice

- Reconciliation between required approach and other approach – if you don't reconcile the two then you could be distributing surplus cash that doesn't exist or not distributing surplus that does exist

Surplus Cash & Waterfall

Class Exercise

- Let's Look at the Surplus Cash Calculation for Restoration Housing for 2017
- Handout 17 – Restoration Housing 2017 financials



Surplus Cash & Waterfall

Poll 6

1. Does your agency rely on surplus cash distributions from your properties to fund program costs?
 - A. Yes, it does.
 - B. No, it does not, we have other sources of revenue.
 - C. I wish that our properties had surplus cash to distribute.

Please submit the evaluation
before you leave.

QUESTIONS?

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

Next Session: Surplus Cash Case Studies

Date: November 20, 2024

Time: 1:00 – 3:00 PM Eastern

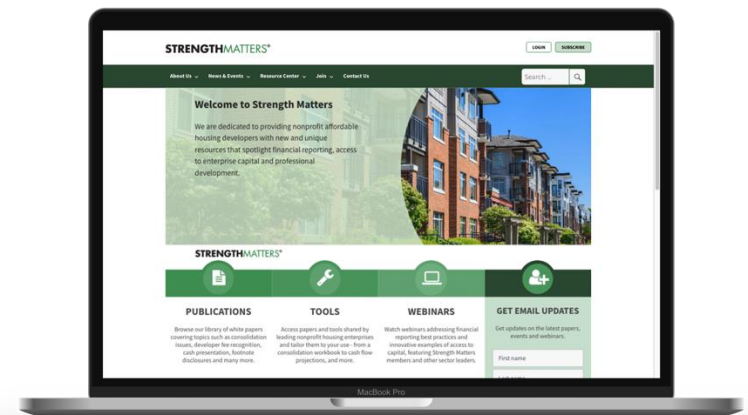
Actual class time likely to be less than 2 hrs.

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.**

Visit www.strengthmatters.net to subscribe and access resources.



CONTACT INFORMATION

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