



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

June 5, 2009

MEMORANDUM FOR: All Multifamily Hub Directors
All Multifamily Program Center Directors
All Multifamily Operations Officers
All Supervisory Project Managers
All Project Managers

FROM: Beverly J. Miller, Director, Office of Asset Management, HTG

SUBJECT: Clarification of Filing Requirements for Audited Annual Financial Statements for HUD Insured/Assisted Cooperatives

This memorandum provides clarification on the audited annual financial statement filing requirements for HUD insured/assisted cooperatives. Chapter 4 of the Industry User Guide for the Financial Assessment Subsystem – Multifamily Housing (FASSUB) Release 7.0.0.0 provides the owners of HUD insured/assisted housing cooperatives with incorrect guidance on filing their annual audited financial statements.

Specifically, the guidance on page 4-8, *Combined Submission*, states that:

While all cooperatives are developed under HUD regulations as non-profits, not all cooperatives have 501(c)(3) status with the Internal Revenue Service (IRS). In those cases, the cooperative will file an IG 2000.04 submission as they file a corporate tax return with the IRS. The Mortgagor Type in REMS will indicate “Other” along with the Owner’s Legal Structure of “Cooperative Corporation.”

While this guidance may have been intended to accommodate cooperative mortgagors that file corporate tax returns with the IRS, the wording is causing confusion with industry users attempting to submit audited financial statements on our projects through FASSUB. HUD regulations regard all housing cooperatives as non-profits. Audits are submitted to HUD following either the audit requirements of IG Handbook 2000.04 REV-2, CHG -7, Consolidated Audit Guide for Audits of HUD Programs for profit motivated companies, or the audit requirements for non-profits under the Single Audit Act following requirements issued by the Office of Management and Budget (OMB) through their Circular A-133.

To make this distinction clear, the recently revised Chapter 3 of IG Handbook 2000.04 states at pages 3-2 and 3-3 that:

Practitioners with nonprofit projects as clients, who participate in HUD/FHA multifamily housing programs covered by the Single Audit Act, are to conduct audits in accordance with Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and with the requirements contained in the OMB Circular A-133's, Compliance Supplement, which can be found on the OMB website.

Consequently, all HUD insured and/or assisted cooperatives must submit project financial statements audited in accordance with OMB Circular A-133 for the fiscal year ending 12/31/09. This discovered error was not in time to make the required changes before the start of the Fiscal Year 2008 audit season. Please make owners and management agents of all HUD insured and/or assisted cooperatives within your jurisdiction aware of this clarification as soon as possible.

The Real Estate Assessment Center will be revising Chapter 4 of the FASSUB to correct the confusion which incorrectly permitted cooperatives to file audited financial statements following audit requirements of IG Handbook 2000.04, and will no longer have the option of choosing the Mortgagor Type "Other." All financial reporting using FASSUB will be either profit motivated or non-profit as to type. Profit motivated types will conduct audits following the requirements of IG Handbook 2000.04. Non-profit types will conduct audits following the requirements of OMB Circular A-133.

If you have any questions or need more information, please contact Brandt Witte at (202) 402-2614