



Making “Cents” of PHA Financials for Commissioners

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Objectives

- Identify which financial indicators matter the most for your Authority
- Demonstrate how to read a financial statement
- What do YOU want to get out of this session?



Every accountant's dream...

When you have mastered numbers, you will in fact no longer be reading numbers, any more than you read words when reading books. You will be reading meanings.

-W. E. B. Du Bois



Why are you so important?



Audience Poll

#1

Who is here today?

#2

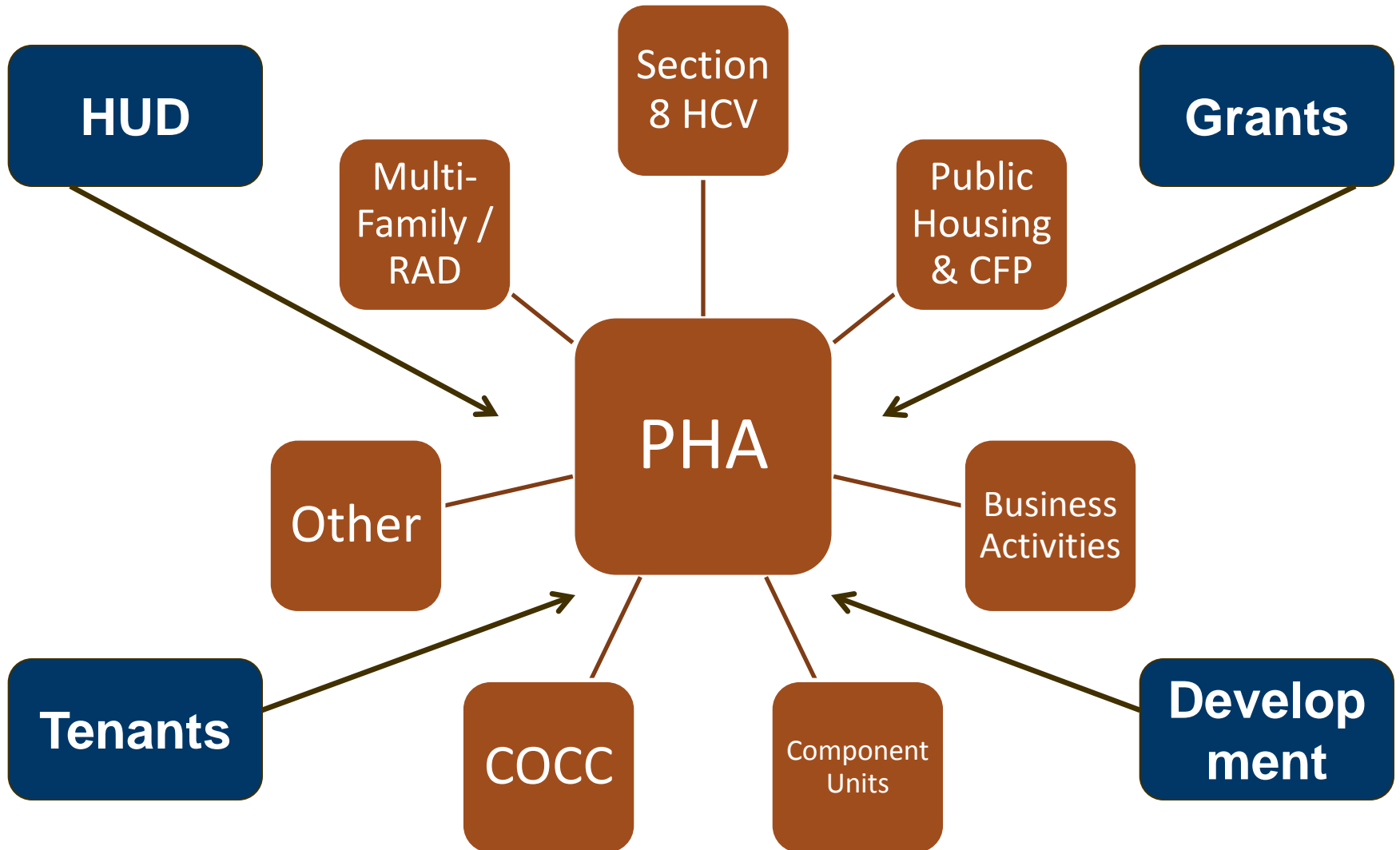
How many years have you served as governance?

#3

How would you rate your PHA financial IQ?



What makes a PHA unique?





Foundational Accounting Concepts

Financial Statement Case Study

Statement of Net Position

- In the for-profit world this is known as a “Balance Sheet”

Assets / Deferred Outflows

- What the Authority “owns”

Liabilities / Deferred Inflows

- What the Authority “owes”

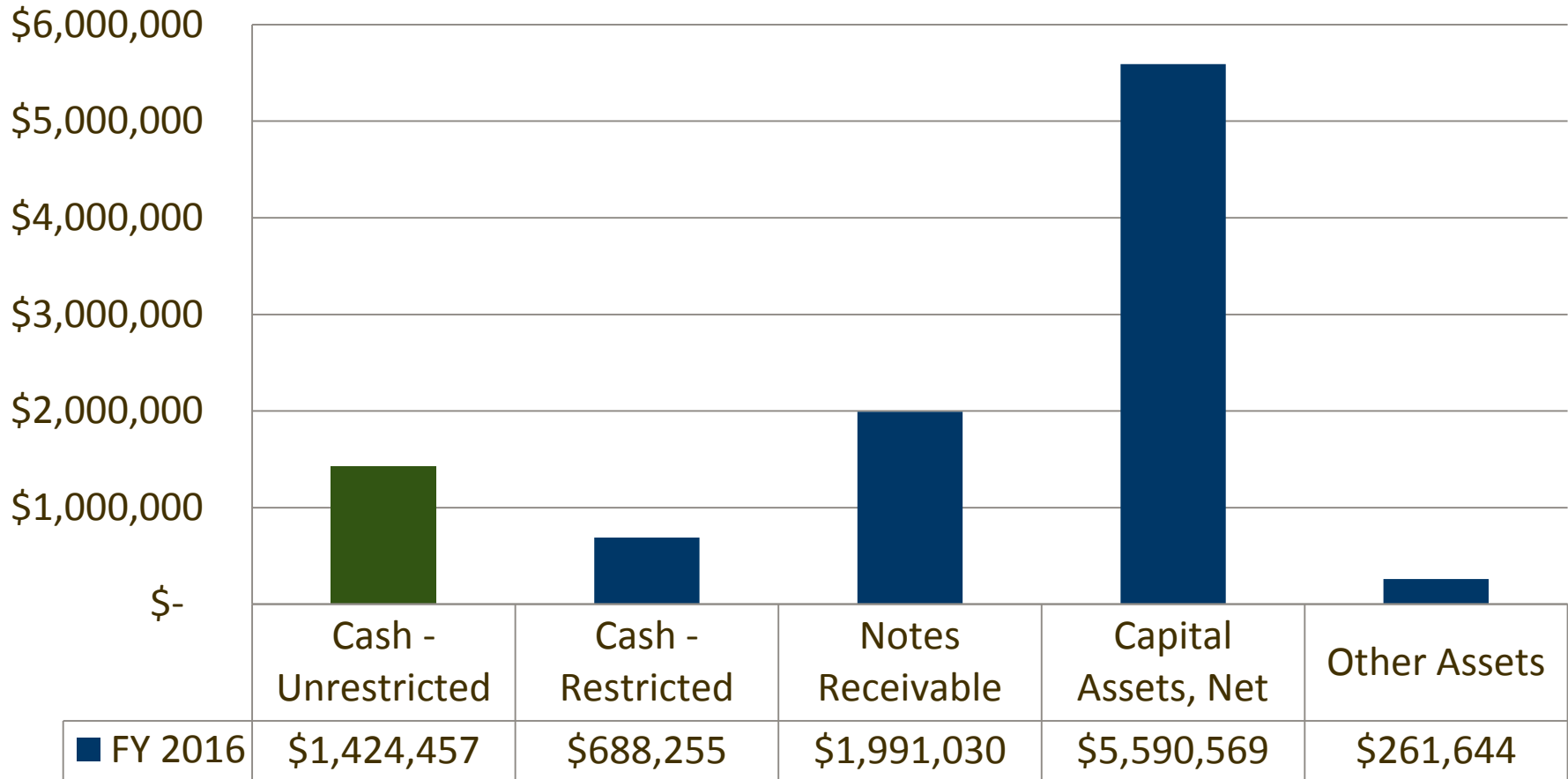
Net Position

- The difference between what the Authority “owns” and “owes”

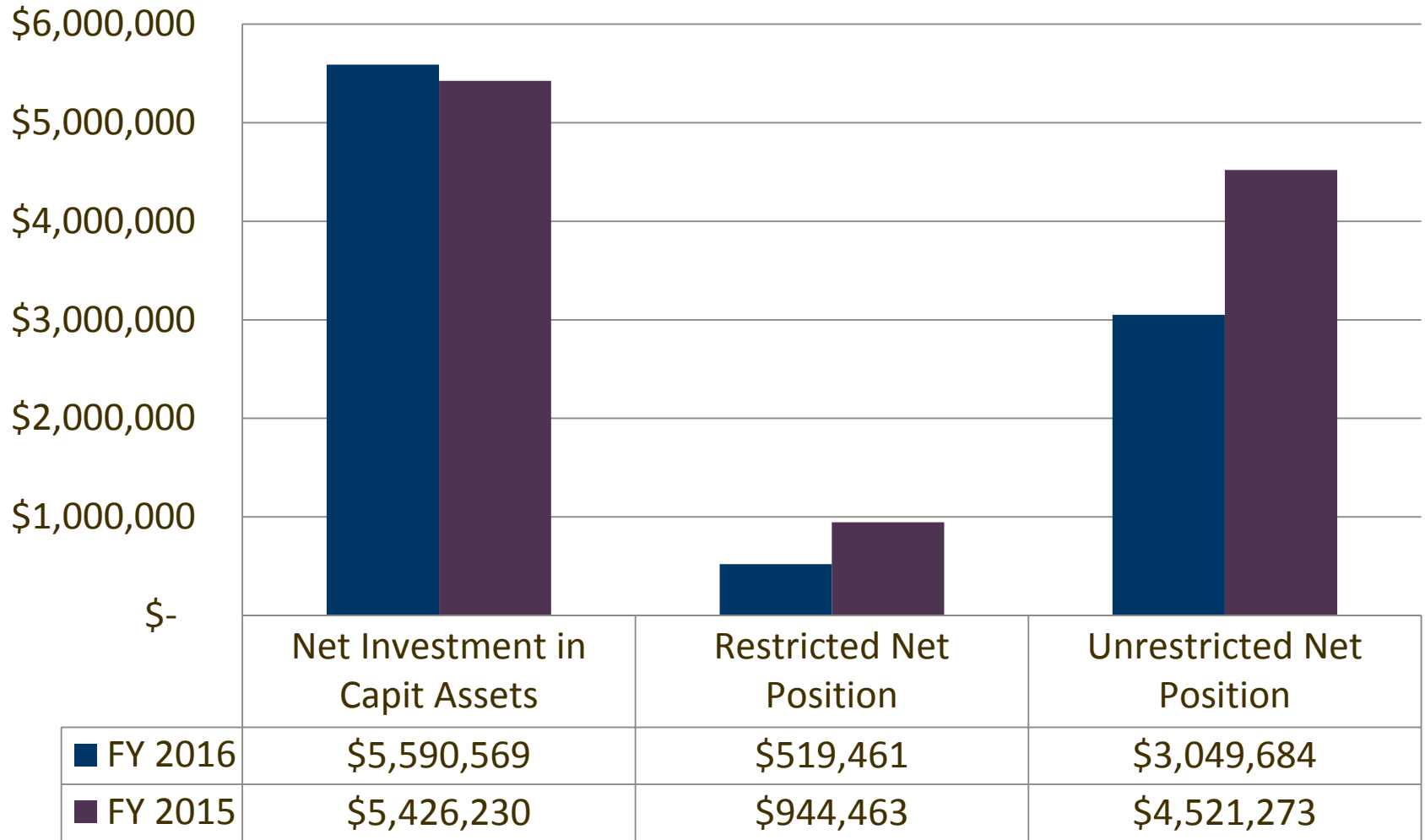


Closer Look at Assets

FY 2016



Closer Look Net Position



Statement of Revenues, Expenses and Change in Net Position

- In the for-profit world this is known as an “Income Statement”
- This is not a checkbook (full accrual)



Statement of Cash Flows

- Statement of Cash Flows
 - Show sources and uses of cash over the course of the year
 - Why did our cash increase/decrease this past year?



The Footnotes

- Footnotes tell the rest of the story
- Personal Favorites:
 - Long-term debt
 - Notes Receivable
 - Accounts receivable
 - Subsequent events
 - Concentration footnote
 - Commitments and Contingencies
 - Prior period adjustment
 - Pension and Other Post Employment Benefits



Financial Data Schedules (aka REAC)

- Forms prescribed by HUD
- Organized by Line of Business (programs and projects)
- Standardizes HUD's ability to analyze PHAs to each other
- Same for every authority
- Used in HUD scoring
- Compared to other HUD systems to ensure data is consistent



Auditor Reports – The “Report Card”

- Independent Auditors’ Report
- Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 / UGG

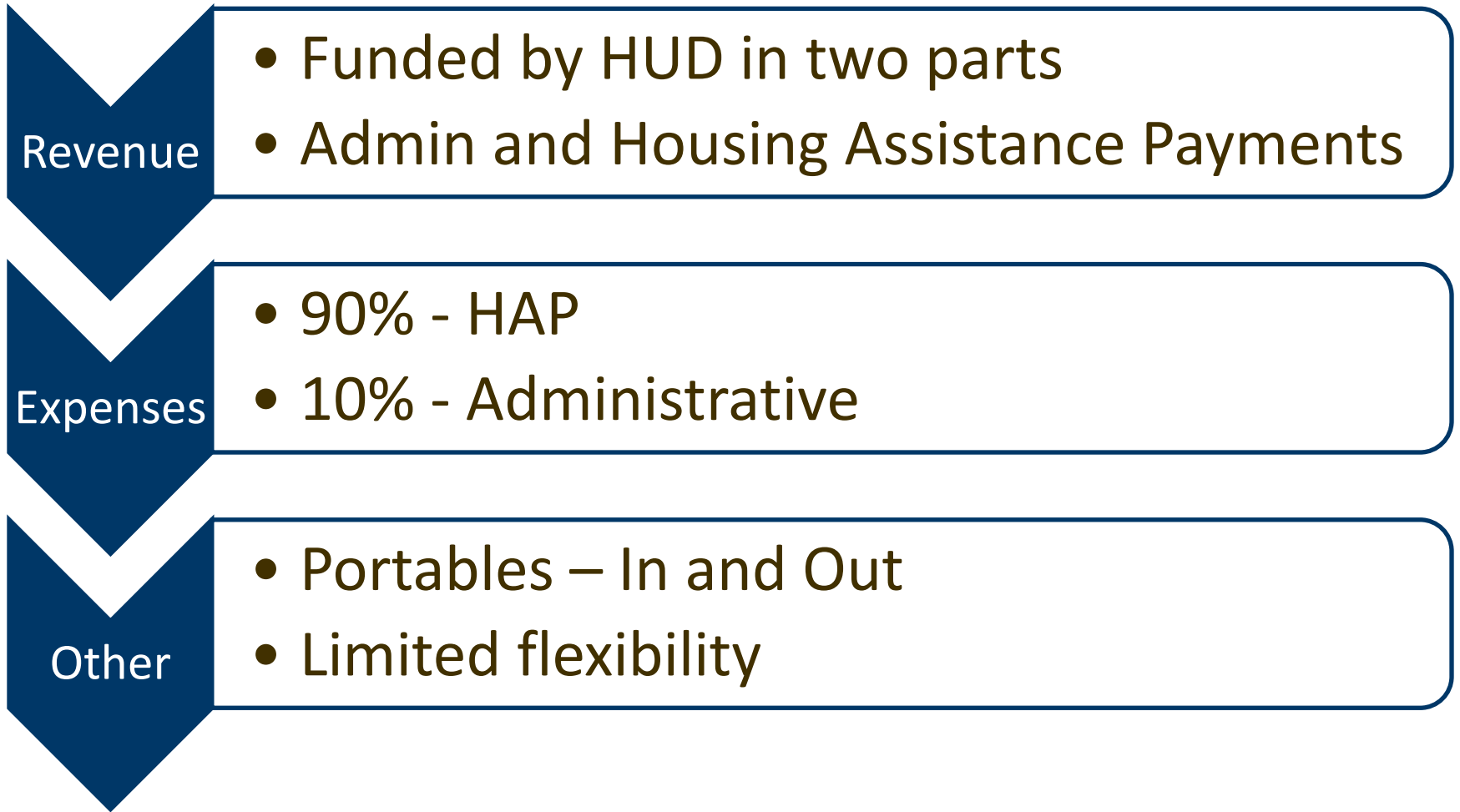




Defining Success for Your PHA

Looking deeper into PHA programs

1. Section 8 Housing Choice Voucher



1. Section 8 Housing Choice Voucher

- Key Metrics

- Number of vouchers leased determines admin funding (set amount per unit)
- Number of vouchers leased tells you how many families you are serving
- Section 8 Management Assessment Program (SEMAP)
 - ◇ 14 indicators to assess High, Standard, Substandard and Troubled
 - ◇ Self-reporting, though HUD may review
 - ◇ Largely driven by compliance
- Portables are the number one way PHAs get in trouble with this program
 - ◇ Is the PHA collecting amounts due from other authorities?



2. Public Housing and Capital Fund

Revenue

- Funded by HUD Operating and Capital
- Tenant revenue

Expenses

- Property Insurance, maintenance, utilities
- Labor intensive

Other

- Not allowed to borrow against property
- PHA responsible for all operations

2. Public Housing and Capital Fund

- Key Metrics
 - Number of units leased (“heads in beds”)
 - Managing operating costs (manage by the budget)
 - Collecting rent
 - Identifying tenant fraud
 - Managing “unit turnarounds” (the quicker the better)
 - Each AMP or Project is scored individually by HUD
 - Monitoring your PHAS score



3. Central Office Cost Center (COCC)

Revenue

- Funded by other PHA programs
- Fees set by HUD

Expenses

- All general administrative costs

Other

- Rules are changing for the COCC

3. Central Office Cost Center (COCC)

- So what went wrong?
 - HUD OIG determined HUD did not do enough to justify the management fees and costs been charged by the COCC
 - Also stated COCC **ARE** federal funds (previously these were considered by some to be de-federalized)
 - Still many things to be resolved



4. Business Activities

Revenue

- Sources of income vary from PHA to PHA
- Generally non-federal funding

Expenses

- Generally, anything is allowable in accordance with state and local laws

Other

- Provides funding for other affordable housing ventures

4. Business Activities

- Key Metrics
 - Are your PHA's business activities making earning a surplus?
 - Are the risks worth the investment?
 - What other opportunities exist that you are not taking advantage of?



4. Business Activities

- Maximize non-federal sources of income
 - Opportunity to more creative deals, retain good talent, provide beneficial services to tenants
- Ideas for generating income
 - No organization is better suited to provide affordable housing than you
 - ◇ Team up with the City and County to run their housing related programs (i.e. HOME, CDBG, Affordable Properties)
 - Taking over old LIHTC properties or multifamily properties that owners no longer want





Mixed Finance and Development

You can't afford to not ask these questions!

Audience Poll

#4

How many PHAs did a development deal recently?

#5

How many hired a consultant to assist with the project?



Questions you should be asking for mixed finance projects:

- How much is the management or developer fee?
- How much will the consultants cost?
- When will the management or developer fee be paid?
- If we make a loan in a mixed finance deal, do we know the likelihood we will ever be paid?
 - Are we ok if we never get paid?
- Do we get the property at a later date?
- Do we get to manage the property?
- What are risk or what can go wrong?





Call to Action

How can I make my Authority financially more healthy?

Audience Poll

#6

Has anyone ever read the financial statements for an Authority?

#7

How many people will look closer at your Authority's financial statements in the future?



Next Steps

- Know your Authority's programs
- Identify the key metrics important to the success of your authority
- Monitor the metrics
- Ask the tough questions
- Engage with your auditors



Address Significant Risks

- What risks exist at your Authority?
 - Financial Stability – Is the Authority threatened by decreased funding?
 - Is there excessive pressure on management to perform?
 - Is management compensation dependent on performance?
 - Is there related party transactions?
 - Adequate segregation of duties?



Monthly Board Financial Reports

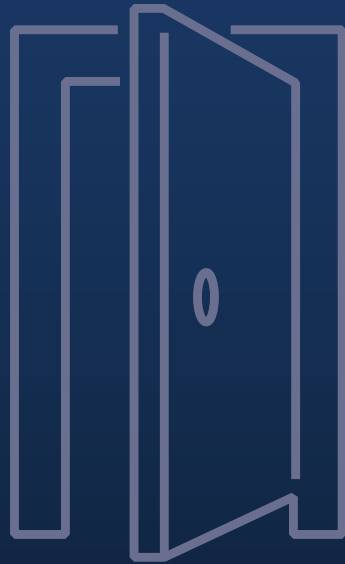
- Insist on timely and relevant financial information
 - Most authorities will need 30 days to close out the financial statements, some will be less
- Balance Sheet & Income Statement
 - Recommend year over year comparison and budget to actual comparison
- Tenants Accounts Receivable
- Vacancy Reports
- Portability Reports





Parting Thoughts

The Numbers Just Tell a Story



Questions?

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