



Housing Tax Credits Final Cost Certification

INDEPENDENT AUDITOR'S REPORT

To the Partners
[Partnership name]
[City, State]

We have audited the accompanying final cost certification of [partnership name] pertaining to the development of [project name], which comprises the Schedule of Project Costs (Minnesota Housing HTC Form 9) as of [date] and the related notes to the final cost certification.

Management's Responsibility for the Final Cost Certification

Management is responsible for the preparation and fair presentation of this final cost certification in accordance with the accounting and reporting practices relating to the Housing Tax Credit (HTC) Program as prescribed by Section 42 of the Internal Revenue Code (the Code) and the Minnesota Housing Finance Agency, as described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a final cost certification that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the final cost certification based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the final cost certification is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the final cost certification. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the final cost certification, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the final cost certification in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the final cost certification.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the final cost certification referred to above presents fairly, in all material respects, the actual project costs and eligible basis of [partnership name] pertaining to the development of [project name] as of [date], in accordance with accounting and reporting practices referred to above and described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the final cost certification, which describes the basis of accounting. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the final cost certification. The accompanying supplementary information shown on page [#], which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the final cost certification. Such information has not been subjected to the auditing procedures applied in the audit of the final cost certification and, accordingly, we do not express an opinion or provide any assurance on it.

Other Matters

We have no financial interest in [partnership name] other than in the practice of our profession.

Restriction on Use

This report is intended solely for the information and use of the Partners and Minnesota Housing Finance Agency and is not intended to be and should not be used by anyone other than these specified parties.

[City, State]

[Date]

[PARTNERSHIP NAME]

NOTES TO THE FINAL COST CERTIFICATION

[Date]

1. Organization

[Partnership name] (the Partnership) is a limited partnership formed on [date] in accordance with the provisions of the Minnesota Uniform Limited Partnership Act 2001. The Partnership will continue until [date] unless it is dissolved prior to that date in accordance with the provisions of the Partnership Agreement.

The Partnership was formed to construct, own, and operate an affordable [type] complex consisting of [#] low income housing tax credit units (the Project) located in [city], Minnesota. The Project will be known as [project name] and will have [#] [type] units. The land was acquired on [date]. Construction on the [type] units was complete in [month], [year].

The Partnership provides affordable housing utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels. The Partnership expects [year] to be the first year of the tax credit period for the [type] units. In order to avoid recapture, the Partnership must remain in compliance with various regulations through the end of the tax credit compliance period, which is expected to be [month], [year] for the [type] units. In addition, the Partnership has signed an extended use agreement extending the compliance period for 15 years beyond the tax credit compliance period (for a total of 30 years).

The General Partner is [entity name]. The Investor Limited Partner is [entity name].

2. Summary of Significant Accounting Policies

Basis of Accounting - The final cost certification was prepared in conformity with the accounting and reporting practices relating to the Housing Tax Credit (HTC) Program as prescribed by Section 42 of the Internal Revenue Code, under the accrual method of accounting, and in conformity with the format specified by Minnesota Housing Finance Agency (Minnesota Housing). That basis differs from generally accepted accounting principles primarily in that IRS Regulation 1.42-17(a)(5) requires the Partnership to submit a schedule of project costs prepared on the method of accounting used for federal income tax purposes that details the project's total costs as well as those costs that qualify for inclusion in eligible basis.

Also, reported costs include reserves that have not been funded and estimates of costs that have not been incurred. Costs that have not been incurred as of [date] include [dollar amounts and items].

Estimates - Management uses estimates and assumptions in preparing the final cost certification. Those estimates and assumptions affect certain reported amounts of project costs and eligible basis.

3. Reserves

The Partnership Agreement and mortgage documents require the following reserves:

Operating Reserve - The Partnership is required to fund an operating reserve in the amount of [amount] from the construction completion installment of Investor Limited Partner capital. No withdrawal will be made from the operating reserve unless the General Partner has fulfilled its obligations to [requirements]. The operating reserve is to be used to fund [items], or other expenses approved by the Investor Limited Partner. The operating reserve has not been funded as of [date].

Minnesota Housing Development Cost Escrow (DCE) Reserve - This reserve will be funded in the amount of [amount] from the proceeds of the [type] loan and will be held by Minnesota Housing. This reserve is to be used in the following order: [Uses in order of priority]. The DCE reserve has not been funded as of [date].

4. Transactions with Affiliates

Under the Development Fee Agreement, [entity name] (the Developer), an affiliate of the General Partner, is to receive a developer fee totaling [amount], all of which has been earned and [amount] remains to be paid as of [date].

The land was purchased from affiliates of the General Partner in [date] for [amount].

[Entity name] ([Any d/b/a]), an affiliate of the General Partner, is the construction contractor for the Project. The construction contract plus change order was [amount], of which [amount] remains to be paid as of [date].

The construction loan has been provided by an affiliate of the Investor Limited Partner. Construction interest of [amount], other origination fee of [amount], construction loan fees of [amount], post construction interest of [amount], and [other items and amounts as appropriate], relate to the construction loan.

5. Subsequent Events

On [date], the Partnership closed on the [lender name] [type] loan ([amount]), received a capital contribution from the Investor Limited Partner ([amount]), paid off the construction loan, post construction interest, mortgage insurance premium, title and recording, funded the operating reserve and the Minnesota Housing Development Cost Escrow and made a developer fee payment of [amount].

Management has evaluated subsequent events through [date], the date on which the Schedule of Project Costs was available for issue, and identified no further significant events or transactions to disclose.

INSTRUCTIONS

- 1. IRS Requirements.** Internal Revenue Code Section 42(m)(2)(A) through (C) requires Housing Credit Agencies to evaluate the sources and uses of funds for a project at the time the project is placed in service. IRS Regulations Section 1.42-17 (a) (5) requires a taxpayer to submit a **Schedule of Project Costs (the Schedule)** to the Housing Credit Agency for this evaluation.
- 2. Total Project Costs and Eligible Basis.** The Schedule must detail the project's total costs as well as those costs that qualify for inclusion in eligible basis under Code Section 42(d) of the Internal Revenue Code.
- 3. CPA Report.** The Schedule must be accompanied by a Certified Public Accountant's audit report. The audit must be conducted in accordance with generally accepted auditing standards. The auditor's report must be unqualified.
- 4. Method of Accounting.** The Schedule is to be prepared on the method of accounting used by the taxpayer for federal income tax purposes.
- 5. Cut-Off Timing and Eligibility of Costs.** In general, the Schedule should be prepared as soon as possible after the project has been placed in service and new construction and/or rehabilitation has been completed. The cut-off date selected by the taxpayer should represent the date when construction is complete and the costs includable in eligible basis have been incurred.
 - a. Total Project Costs.** In general, only costs that have been paid in cash or have been incurred (i.e., the work has been completed and billed) should be included in the Total Project Costs column. When escrows are established for items of incomplete work, the full amount of the contract may be included. Costs to be paid in cash within 45 days of the cut-off date (such as cost certification fees or tax credit fees) may be included. Reserves, such as the Development Cost Escrow (DCE) and permanent loan closing costs that will be funded out of a final loan closing, or Operating Reserves that will be funded out of future capital contributions, may be included if the source of funding is available by a firm commitment.
 - b. Eligible Basis.** Eligible basis is determined as of the close of the first taxable year of the credit period. Accordingly, costs that qualify as eligible basis must be incurred (in accordance with the taxpayer's method of accounting for federal income tax purposes) by the close of the year.
- 6. Due Date.** The Schedule along with the CPA report must be submitted to Minnesota Housing prior to the issuance of the final tax credit allocation (if applicable) and the IRS Form 8609. To optimize timely processing of requests for issuance of Form 8609, it is recommended the Owner make every effort to submit the Final Cost Certification along with the complete Application for 8609 to Minnesota Housing no later than 30 days following completion of the project (also see HTC Procedural Manual Chapter 3.S.). At the latest, the Final Cost Certification along with the complete Application for 8609 **must** be submitted to Minnesota Housing **no later than** 15 days following the close of the first taxable year of the credit period.

SUPPLEMENTARY INFORMATION

FINAL COST CERTIFICATION

Project Name and Address

Project Name

Minnesota Housing
HTC #

Address

City

County

Zip Code

SCHEDULE OF PROJECT COSTS (CUT-OFF DATE)

| | Total Project Costs | Existing Building Eligible Basis | Rehabilitation/ New Construction Eligible Basis |
|---------------------------------------|---------------------|-------------------------------------|---|
| ACQUISITION | | | |
| Land | \$ | | |
| Existing Structures | \$ | | |
| Demolition | \$ | | |
| Acquisition/Refinance Subtotal | \$ | | |
| Special Assessments | \$ | | |
| Other: | \$ | | |
| Other: | \$ | | |
| Holding Costs | \$ | | |
| Holding Costs | \$ | | |
| Acquisition/Refinance Total | \$ | | |
| NEW CONSTRUCTION | | | |
| Residential | \$ | | |
| Garages: \$ per stall | \$ | | |
| Accessory Structures | \$ | | |
| On Site Work | \$ | | |
| Off Site Work | \$ | | |
| Other: | \$ | | |
| Other: | \$ | | |
| New Construction Subtotal | \$ | | |

| | Total Project Costs | Existing Building Eligible Basis | Rehabilitation/ New Construction Eligible Basis |
|---|---------------------|----------------------------------|--|
| REHABILITATION | | | |
| Residential | \$ | | |
| Garages: \$ per stall | \$ | | |
| Accessory Structures | \$ | | |
| On Site Work | \$ | | |
| Off Site Work | \$ | | |
| Other: | \$ | | |
| Other: | \$ | | |
| Rehabilitation Subtotal | \$ | | |
| New and Rehabilitation Subtotal | \$ | | |
| General Requirements | \$ | | |
| Contractor's Overhead | \$ | | |
| Contractor's Profit | \$ | | |
| Construction Contract Amount | \$ | | |
| Construction Contingency | \$ | | |
| Total Construction Costs | \$ | | |
| ENVIRONMENTAL ABATEMENT | | | |
| Soil Abatement | \$ | | |
| Lead Abatement | \$ | | |
| Asbestos Abatement | \$ | | |
| Other | \$ | | |
| Abatement Contingency (Agency determined) | \$ | | |
| Abatement Total | \$ | | |
| PROFESSIONAL FEES | | | |
| Architect's Fee Total: | | | |
| Architect's Fee - Design | \$ | | |
| Architect's Fee - Supervision | \$ | | |
| Architect's Reimbursable | \$ | | |
| Marketing | \$ | | |
| Surveys | \$ | | |
| Soil Boring | \$ | | |
| Payment & Performance Bond Premium | \$ | | |
| Building Permit(s) | \$ | | |
| Sewer – Water Access Charge | \$ | | |
| Other Local Fees: | \$ | | |
| Appraisal Fee | \$ | | |
| Energy Audit | \$ | | |
| Energy Consultant | \$ | | |
| Environmental Assessment | \$ | | |

| | Total Project Costs | Existing Building Eligible Basis | Rehabilitation/ New Construction Eligible Basis |
|--|---------------------|----------------------------------|--|
| REHABILITATION | | | |
| Residential | \$ | | |
| Garages: \$ per stall | \$ | | |
| Accessory Structures | \$ | | |
| On Site Work | \$ | | |
| Off Site Work | \$ | | |
| Other: | \$ | | |
| Other: | \$ | | |
| Rehabilitation Subtotal | \$ | | |
| New and Rehabilitation Subtotal | \$ | | |
| General Requirements | \$ | | |
| Contractor's Overhead | \$ | | |
| Contractor's Profit | \$ | | |
| Construction Contract Amount | \$ | | |
| Construction Contingency | \$ | | |
| Total Construction Costs | \$ | | |
| ENVIRONMENTAL ABATEMENT | | | |
| Soil Abatement | \$ | | |
| Lead Abatement | \$ | | |
| Asbestos Abatement | \$ | | |
| Other | \$ | | |

| | Total Project Costs | Existing Building Eligible Basis | Rehabilitation/ New Construction Eligible Basis |
|--------------------------------|---------------------|----------------------------------|--|
| Cost Certification/Audit | \$ | | |
| Market Study | \$ | | |
| Tax Credit Fees (% of credits) | \$ | | |
| Compliance Fees (1st year) | \$ | | |
| Furnishings and Equipment | \$ | | |
| Legal Fees | \$ | | |
| Relocation Costs | \$ | | |
| Other Fees: | \$ | | |
| Other Fees: | \$ | | |
| Other Fees: | \$ | | |
| Other Fees: | \$ | | |

| | | | |
|---|----|--|--|
| Professional Fees Total | \$ | | |
| DEVELOPER FEE | | | |
| Developer Fee | \$ | | |
| Processing Agent | \$ | | |
| Owner's Construction Representative | \$ | | |
| Other Consultant Fees | \$ | | |
| Other: | \$ | | |
| Developer Fee Total | \$ | | |
| SYNDICATOR FEES/INVESTOR FEES | | | |
| Organization Fees | \$ | | |
| Bridge Loan | \$ | | |
| Tax Opinion | \$ | | |
| Due Diligences Fees | \$ | | |
| Other: | \$ | | |
| Syndicator/Investor Fees Total | \$ | | |
| FINANCING COSTS | | | |
| Construction Period Costs | | | |
| Hazard & Liability Insurance | \$ | | |
| Construction Interest at: | \$ | | |
| Builder's Risk Insurance | \$ | | |
| Taxes During Construction | \$ | | |
| Minnesota Housing Bridge Loan Origination Fee | \$ | | |
| Construction Loan Origination Fee | \$ | | |
| Minnesota Housing Inspection Fee | \$ | | |
| Other Inspection Fee | \$ | | |
| Other: | \$ | | |
| Permanent Financing Costs | | | |

Total Project Costs

**Existing Building
Eligible Basis**

**Rehabilitation/
New Construction
Eligible Basis**

| | | | |
|--|----|--|--|
| Minnesota Housing 1st Mortgage Application Fee | \$ | | |
| Minnesota Housing 1st Mortgage Origination Fee | \$ | | |
| HUD/FHA MIP | \$ | | |
| HUD/FHA Exam Fee | \$ | | |
| HUD/FHA Inspection Fee | \$ | | |
| Other Permanent Origination Fee | \$ | | |
| Mortgage Insurance Premium | \$ | | |
| Bond Issuance Fee | \$ | | |
| Bond Counsel | \$ | | |
| Underwriter Counsel | \$ | | |
| Trustee Fee | \$ | | |

| | | | |
|--|----|--|--|
| Rating Agency | \$ | | |
| Other Bond Fees | \$ | | |
| Title and Recording | \$ | | |
| Other: | \$ | | |
| Other: | \$ | | |
| Other: | \$ | | |
| Financing Costs Total | \$ | | |
| TOTAL MORTGAGEABLE COSTS | \$ | | |
| RESERVES AND NON-MORTGAGEABLE COSTS | | | |
| Operating Reserve | \$ | | |
| Replacement Reserve | \$ | | |
| Other: | \$ | | |
| Other: | \$ | | |
| Other: | \$ | | |
| TOTAL PROJECT COSTS | \$ | | |

I certify that the information contained herein is accurate, and I authorize Minnesota Housing to utilize this information to calculate the Housing Tax Credit and/or the eligible basis of the project.

IN WITNESS WHEREOF, the undersigned has caused this document to be duly executed in its name on

this ____ day of ____, ____.

Print or Type Name of Ownership Entity

By: _____
Signature

Its: _____
Print or Type Title of Managing General Partner

Print or Type Name of Signatory

STATE OF MINNESOTA)
)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of ____, ____,
by ____.
Print Name of Owner's Signatory

Notary Public