**[Letterhead of Firm]**

**INDEPENDENT AUDITOR'S REPORT**

[Date]

Minnesota Housing Finance Agency

400 Wabasha Street North, Suite 400

St. Paul, MN 55102-1109

[Name of Ownership Entity]

[Address]

Re: [Name and Location of Development]

 [Minnesota Housing HTC #]

Dear Sir/Madam:

We have audited the accompanying final cost certification of [name of ownership entity] (owner) pertaining to the development of [project name] (project), which comprises the Statement of Final Cost Certification for Housing Tax Credits (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 (IRC) and the Minnesota Housing Finance Agency, as described in Note 2in the Notes section below; this includes 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 [name of ownership entity] 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 in the Notes section below.

**Basis of Accounting**

We draw attention to Note 2, in the Notes section below, 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 to calculate the amount of housing tax credits and the 50% test for tax exempt volume limited bonds and is a required part of the final cost certification.

**Other Matters**

We have no financial interest in the owner 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 the Minnesota Housing Finance Agency and is not intended to be and should not be used by anyone other than these specified parties.

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Signature Date

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Name of Signatory (typed or printed) Independent Accounting Firm (name)

[**OWNER NAME]**

**NOTES TO THE FINAL COST CERTIFICATION**

**[Date]**

**1. Organization**

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

The owner 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 owner provides affordable housing utilizing the Housing Tax Credit (HTC) Program. The Housing HTC Program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels. The owner expects [year] to be the first year of the HTC period for the [type] units. In order to avoid recapture, the owner must remain in compliance with various regulations through the end of the HTC compliance period, which is expected to be [month][year] for the [type] units. In addition, the owner has signed an Extended Use Agreement extending the compliance period for 15 years beyond the HTC 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 HTC Program as prescribed by Section 42 of the IRC, under the accrual method of accounting, and in conformity with the format specified by the 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 owner to submit a Statement of Final Cost Certification prepared in 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 Owner Agreement and mortgage documents require the following reserves:

Operating Reserve – The owner 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’s Operating Deficit Escrow (ODE) 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 ODE 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 owner 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 Statement of Final Cost Certification was available for issue, and identified no further significant events or transactions to disclose.**INSTRUCTIONS**

1. **IRS Requirements.** IRC Section 42(m)(2)(A) through (C) requires housing tax 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 (**Statement of Final Cost Certification**)** to the housing tax credit agency for this evaluation.
2. **Total Project Costs and Eligible Basis.** The Statement of Final Cost Certification 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 IRC.
3. **CPA Report.** The Statement of Final Cost Certification 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 Statement of Final Cost Certification 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 Statement of Final Cost Certification should be prepared as soon as possible after the Project has been placed in service, new construction and/or rehabilitation has been completed, the bridge loan has been paid off and the funding sources have converted to permanent. 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 and disbursed.
6. **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 HTC fees) may be included. Reserves, such as the Operating Deficit Escrow (ODE) 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.
7. **Eligible Basis.** Eligible basis is determined as of the close of the first taxable year of the HTC 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.
8. Due Date. The Statement of Final Cost Certification along with the CPA report must be submitted to Minnesota Housing prior to the issuance of the final HTC award or 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 refer to the HTC Program Procedural Manual Chapter 2.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 HTC period.

**SUPPLEMENTARY INFORMATION**

**FINAL COST CERTIFICATION – Attach HTC Form 9 Exhibit A**

**I certify that the information contained herein is accurate, and I authorize Minnesota Housing to utilize this information to calculate the housing tax HTCsand/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