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CHAPTER 4. INSTRUCTIONS FOR THE PREPARATION OF THE  
MONTHLY REPORTS

4-1. INTRODUCTION

This chapter presents the purpose, processes and key requirements to assist the cooperative housing corporation Board of Directors with the preparation and analysis of the monthly financial reports.

This chapter will also assist the Board of Directors with the review and handling of exception types of transactions and accounts (e.g., surcharges). The monthly reports help the Board of Directors determine the financial trend and condition of the corporation's financial status and accumulate information for the preparation of the ensuing year's budget.

A. OPTIONAL REPORTS.

The following monthly reports are optional for distribution to each member of the Board of Directors:

- o The former Form HUD-93211, "Monthly Report of Cooperative Housing Corporations"
- o Monthly Revenue/Expense Schedule
- o Statement of Position
- o General Ledger Trial Balance

These reports are discussed in the following paragraphs and samples of the forms used for some of these reports are included in Appendices 2 and 3.

B. OTHER REPORTS PREPARED WHEN REQUIRED BY HUD.

At HUD's discretion these reports may be required for monthly submission:

- o Monthly Report For Establishing Net Income (Form HUD-93479)
- o Schedule of Disbursements (Form HUD-93480)
- o Schedule of Accounts Payable (Form HUD-93481)

These reports are discussed in the following paragraphs and samples of these reports are included in Appendix 4.

Schedule, the Statement of Position or the General Ledger Trial Balance may be requested by HUD to monitor selected cooperative housing projects. These reports will be submitted along with the Monthly Report, Form HUD-93211, until such time HUD determines the detail is unnecessary. These reports should also be available to each member of the board of directors.

#### 4-2. REPORTING REQUIREMENTS

- A. For Section 236 and 221(d)(3) projects, Account 5120 Rent Revenue - Apartments or Member Carrying Charges records basic carrying charges due for tenants as shown on the latest Form HUD-92458, Rental Schedule, less tenant assistance payments. Surcharges received from over-income members must not be reflected in Account 5120. These amounts are not to be used by the cooperative housing corporation. For BMIR projects, surcharge amounts are reflected in Account 5190 Rent Revenue - Miscellaneous. Section 236 projects use Account 2115, Accounts Payable - HUD. Refer to the Chart of Accounts in Chapter 6 of this handbook for a listing and description of these accounts.

Over-income members are tenants that do not qualify for the basic rental rate and pay an amount greater than the basic rate. The excess revenue is the difference between the basic rate and the rate for the over-income members. For Section 236 projects, the over-income payments must be submitted monthly with Form HUD-93104, Monthly Report of Excess Income and Accrued Unpaid Excess Income (Appendix 5) to the following address:

Excess Rental Revenue  
P.O. Box 360333M  
Pittsburgh, PA 15250

Note: Form HUD-93104 is designed to calculate the following two amounts; 1) amount of funds collected from tenants which are in excess of the basic rent due, and 2) to track accrued unpaid excess rent over basic which has not been paid by tenants who do not qualify for basic rent. Form HUD-93104A, Schedule for Calculating Excess Income and Report of Excess Income Delinquencies (Appendix 6) should be used

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to assist with the completion of Form HUD-93104. This form must be submitted monthly even if no funds are due HUD.

- B. Refer to Handbook 4350.3 Occupancy Requirements of Subsidized Multifamily Housing for additional information and procedures for completing and submitting Form HUD-93104, Monthly Report of

Excess Income and Accrued Unpaid Excess Income.

C. OTHER REPORTS MAY BE REQUIRED BY HUD

1. Monthly Report For Establishing Net Income (Form HUD-93479)
  - a. Definition. The Form HUD-93479, Monthly Report For Establishing Net Income, (Appendix 4) summarizes cash inflow and outflow during the month and the project's working capital position as of the end of the month.
  - b. Discussion. Details of distributions and payables are shown on the Schedule of Disbursements, Form HUD-93480 and the Schedule of Accounts Payable, Form HUD-93481, respectively.
2. Schedule of Disbursements (Form HUD-93480)
  - a. Definition. The Form HUD-93480, Schedule of Disbursements, (Appendix 4) lists all disbursements from the project's operating account for the month covered by the report.
  - b. Discussion. It identifies the date the check was disbursed, the check number, the payee, the specific purpose of the disbursement and the amount of the check.
3. Schedule of Accounts Payable (Form HUD-93481)
  - a. Definition. The Form HUD-93481, Schedule of Accounts Payable (Appendix 4) lists all vendor accounts payable, including amounts delinquent under the mortgage.

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- b. Discussion. The report identifies the date the project incurred the expense, the vendor to whom payment is due, the specific purpose of the obligation, and the amount owed.

D. MONTHLY REPORT ANALYSIS AND TRACKING

The Monthly Reports should be reviewed to ensure accounts are in balance and contain sensible balances and to compare the revenue and expense of monthly operations against those projected in the current annual budget.

Individual categories can be checked to determine which expenses are running more or less than the budgeted amount.

1. On an accrual reporting basis, net income, (loss) revenue over (under) expenses will reflect a surplus or deficit operation to a fairly accurate degree. On a cash reporting basis, net income will not reflect a proper surplus or deficit condition because matching of expenses and revenues is based on cash inflows and outflows.
2. When a deficit condition exists, actual amounts and budgeted amounts should be compared. For example, if the cumulative collections (actual this year) are less than the cumulative budget (Budget to Date), the deficit condition is probably caused by a failure to collect monthly charges. If however, collections are adequate, it will probably be found that the cooperative expenses were underbudgeted or it spent money for items that were not included in the budget and additional analysis should be conducted to determine the unplanned spending.
3. When underbudgeting or overexpending is indicated, all expense accounts should be reviewed to indicate which accounts are over or under budget. An overage associated with a utility that fluctuates with seasonal changes or a lump sum payment, such as insurance can normally be ignored as it will stabilize itself within the budget period if it was properly budgeted on an annual basis. Overages should be noted in the month recognized and follow-up review for the next period should occur.

4. If, when reporting on a cash basis, an overage appears in the early part of the new budget year, an investigation should be made as to whether an item from the prior budget was paid and included in the report for the current year budget. If expenses were incurred in the prior budget year and not paid until the current budget year, a separate cash flow statement should be completed and these expenses not included in the current year reports. Delinquent charges incurred in the prior budget year and collected in the current year should be reported in a similar manner. If this is not done, the cumulative amounts on the current year monthly reports will reflect an erroneous picture with respect to the current budget.
5. If, in Section 221(d) (3) and 236 projects, the actual Carrying Charges amount reflects higher collections than the budgeted amount and no members have prepaid their monthly charge, it is possible that the surcharges are being reported as part

of carrying charges. Surcharges must be reported separately as they are not included in the budgeted revenue.

6. The General Ledger Trial Balance should be reviewed to ensure that current month totals balance to zeros. This ensures that postings to the journals are accurate and have been carried forward to the Trial Balance correctly.
7. The Statement of Financial Position should be reviewed to ensure that no significant changes have occurred since the previous Statement was developed. If account balances have changed significantly, additional review should be conducted to understand the reasoning; What transactions were posted to the account? Was a transaction posted in error? Where is the supporting documentation?
8. All the statements, even though focused on the current financial position of the project can be used as a tool to evaluate the short- and long-term solvency of the project.