



The Housing Conference
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RAD Financial Reporting

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RAD Financial Reporting

- The Rental Assistance Demonstration (RAD) program allows PHAs to convert public housing projects to one of the following types of project-based rental assistance.
 - Project-Based Voucher (PBV) or
 - Project-Based Rental Assistance (PBRA)

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- To be considered, a PHA must submit an application to HUD.
- Projects converting to RAD will experience a series of reporting changes based on the phase of the conversion.
- Upon approval of the RAD application, HUD will issue a Commitment to Enter into a Housing Assistance Payments Contract (CHAP).

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- Once the CHAP is issued, HUD will cease scoring projects covered under PHAS.
 - It is the responsibility of the PHA to identify these projects in PIC.
 - They must be flagged as "RAD Conversion PBV" or "RAD Conversion PBRA".
 - When reporting in REAC, a PHA must verify that all RAD projects have the FASS-PH RAD indicator marked "YES" before entering any financial information for the FY.

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- When the HAP contract is issued, the project(s) covered will be transferred to another program.
 - If PBV, may be the PHA or a separate legal entity.
 - If PBRA, a separate legal entity.

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- The converted project will continue to receive public housing funds through the end of the CY in which the HAP contract is issued.
 - The PHA will transfer this funding to the new project.

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- Following the RAD conversion (the final closing process), the PHA is required to follow the financial reporting and funding rules for the new program.

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- The closing process (the RAD conversion is complete) refers to the project(s):
 - Release from the Declaration of Trust;
 - Removal from the PH ACC;
 - Execution of the new HAP contract and RAD Use Agreement; and
 - Recording of the terms and conditions of the RAD Conversion Commitment.

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- The owner of the project, after issuance of the HAP contract, may not be the PHA.
 - ✓ May be a separate legal entity.
 - ✓ How the project will continue to be reported on the FDS and PHA's financial statements after the issuance of the HAP contract is dependent on the following:
 - ✓ Legal ownership of the project; and
 - ✓ How much control or dependency the PHA retains over the project.

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- What we are making reference to is whether there is a component unit relationship and if so what type it is.
 - ✓ Two GASB Statements assist in determining whether a component unit relationship exists.
 - GASB Statement 14 – The Financial Reporting Entity.
 - GASB Statement 61 – The Financial Reporting Entity: Omnibus.

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- Component units are defined as legally separate organizations for which the elected officials of the agency are financially accountable.
- In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the PHA's financial statements to be misleading.

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- Two types of component units:
 - ✓ Discretely presented
 - ✓ Blended
 - ✓ On the FDS, depending on the type, you will use either of the following:
 - Column 6.1 - Discretely Presented
 - Column 6.2 - Blended

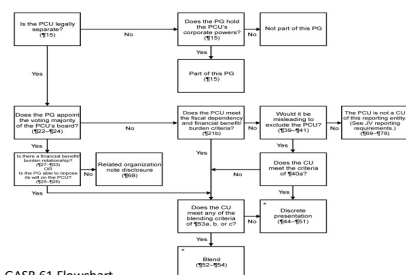
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- Blending refers to the method of reporting the financial data of a component unit that presents the component unit's balances and transactions in a manner similar to the presentation of the balances and transactions of the primary government.
- Discretely presented refers to the method of reporting financial data of component units in columns and rows separate from the financial data of the primary government.

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GASB 61 Flowchart

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- Regardless of the specific conversion, there are only 4 possibilities (columns on the FDS) for reporting the project on the FDS:
 - ✓ Business Activity
 - ✓ Multifamily Project
 - ✓ Component Unit (Blended or Discrete)
 - ✓ Not reported on the FDS

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- PBV RAD conversion scenarios and the reporting requirements:
 - ✓ Scenario 1: PHA continues to own the project under a wholly-owned affiliate organization.

Project	HCV Program
The financial activity of the project (wholly-owned affiliate organization) is reported as a component unit in FASS-PH and is no longer part of the public housing program.	PHA enters into a HAP contract with the wholly-owned affiliate.
Depending on whether the blending requirements are met, the project will be reported as a discreetly presented or blended component unit.	The PHA receives additional vouchers that become project based vouchers under the ACC Contract.
	All PBV financial activity is reported as part of the PHA's regular HCV Program in FASS-PH.

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- PBV RAD conversion scenarios and the reporting requirements:
 - ✓ Scenario 2: PHA continues to own the project outright (unusual case, requires HUD approval). The PHA will create a separate legal entity to serve as the management agent.

Project	HCV Program	Managing Agent
The financial activity of the project (wholly-owned affiliate organization) is reported as a business activity in FASS-PH and is no longer part of the public housing program.	PHA enters into a HAP contract with the management agent.	Reported as a blended component unit on the Financial Data Schedule
	The PHA receives additional vouchers that become project based vouchers under the ACC Contract.	
	All PBV financial activity is reported as part of the PHA's regular HCV Program in FASS-PH.	

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- PBRA RAD conversion scenarios and the reporting requirements:
 - ✓ Scenario 1: PHA disposes of the property to a legally separate organization. The PHA remains financially accountable for this legal entity (component unit).

PHA (FASS-PH Submission)	Multi-Family (FASS)
The financial activity of the project is reported as a component unit in FASS-PH and is no longer part of the public housing program.	Due to the Multifamily program requirements, the project must be reported separately and submitted as part of the FASS-Multifamily System.
Depending on whether the blending requirements are met, the project will be reported as a discreetly presented or blended component unit.	Multifamily program requirements use different account codes than the PDS.
Due to the Multifamily program requirements, the project must be audited separately and submitted as part of the FASS-Multifamily System.	Must follow FASB accounting requirements for a Nonprofit or For-Profit entity.
	Tax returns are typically required for nonprofit corporations, LLCs, or partnerships.

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RAD Financial Reporting

- PBRA RAD conversion scenarios and the reporting requirements:
 - ✓ Scenario 2: PHA disposes of the property to a non-profit but a component unit relationship still exists (actually sold property).

PHA (FASS-PH Submission)	Multi-Family (FASS)
The sale of the project is reported at the project level on the Financial Data Schedule.	The buyer (management agent) of the project will be responsible for the reporting of the project in the FASS-Multifamily System.
As long as the buyer is not connected as a component unit to the PHA, the project would cease to be reported as part of the PHA and the FASS-PH System.	

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- The following table provides a listing of FDS lines to use for the actual transfer of the project from Public Housing.

FDS Column	Project	Transfer In (Fund, Entity, Program)
Business Activity	Line 11040, Prior Period Adjustment, Equity Transfers	Line 11040, Prior Period Adjustment, Equity Transfers
Blended Component Unit	Line 10080, Special Items (Net Gain/Loss)	Line 10080, Special Items (Net Gain/Loss)
Discretely Presented Component Unit	Line 10080, Special Items (Net Gain/Loss)	Line 10080, Special Items (Net Gain/Loss)

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Questions?

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