



LESSONS LEARNED ABOUT AFFORDABLE HOUSING AT CFO BOOT CAMP

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In 2015, Lindquist, von Husen & Joyce LLP was asked to create a “boot camp” training for CFOs, Controllers and Accounting Managers who are either new to the world of nonprofit affordable housing development, or who may have been narrowly focused on a particular aspect such as property development or property management, and in need of a broad overview of the industry’s unique accounting issues.

We created a two-day class, covering the entire life cycle of an affordable housing project. We start with entity selection and formation issues, move forward with pre-development and development issues, then placing a project in service, operating and managing the project, consolidating related entities’ financial statements, and finally addressing issues that arise during the year-15 buyout and its aftermath.

All of these topics focus on the unique accounting and financial reporting challenges we have seen in more than 30 years of working with nonprofit affordable housing developers and managers. We designed the course to be led by two instructors: an external CPA and a CFO. This way, participants gain insight into the issues from two points of view.

So far, I’ve personally presented this course four times with two different CFOs in several cities. I will also present at least two more boot camps during the remainder of 2017. Response has been overwhelmingly positive. Attendance continues to exceed the maximum registration at every boot camp. Evidently there is a large unfilled need for training of this type across the country.

The course was originally commissioned by StrengthMatters but has been featured at several NeighborWorks Training Institute weeks, as well as either in our firm’s office or in clients’ conference rooms.

Various modules are presented over the course of the two days, covering specific topics which vary from technical lecture formats to group exercises with class participation. Having heard comments from over 100 participants attending the boot camps thus far, I can summarize a few of the insights gained and lessons learned that may help your organization improve accounting, financial reporting and management oversight.



“StrengthMatters was created 10 years ago to increase nonprofit affordable housing developers’ access to capital through increased transparency and consistency in financial reporting.”

OBSERVATION #1 –

A HIGH PERCENTAGE OF PARTICIPANTS LET THEIR EXTERNAL CPA FIRMS SELECT AND APPLY VARIOUS ACCOUNTING PRINCIPLES.

It is evident from teaching this boot camp that many CFOs, controllers and accounting managers don't deal with certain technical accounting issues with very much confidence. A frequent comment heard during the training is, "We let the auditors do that part."

It is encouraging to see that, after exposure to the concepts, attendees feel more comfortable understanding (and occasionally questioning) the accounting principles that their auditors are applying.

For example, the module on forgivable loans and accounting for contributions generally raises questions in the minds of participants about whether their financial statements are treating such transactions consistently with other organizations.

Another module on elimination entries arising during the consolidation process raises questions about how much of the developer fee should be eliminated as an inter-company transaction. Many participants realize during this module that their consolidated financial statements don't reflect the correct balances in property and net asset accounts.

StrengthMatters was created ten years ago in order to tackle inconsistencies in financial reporting such as these examples, which are still being encountered. As a result of participating in the StrengthMatters' CFO Working Group, I have co-authored and edited several whitepapers on accounting issues as well as financial statement footnote disclosures to bring consistency to reporting. [Read LvHJ's previous whitepaper on this topic.](#)



OBSERVATION #2 – ACCOUNTING AND DEVELOPMENT PERSONNEL NEED BETTER MEANS OF COMMUNICATION.

Audience members often share stories about transactions that were entered into by project managers with minimal oversight from management and/or without the knowledge of the finance team. This results in internally-generated financial statements which omit significant transactions. Often these transactions are uncovered during the external audit process when auditors compare the books to the financial projections and ask questions about missing activity.

There were also some stories shared about transactions that could have been more advantageous to the organization if someone from the finance team had been involved before the contracts were signed.

One of the major takeaways from the training is how vital it is to interject an accounting perspective into the deal-making process in order to avoid some unintended consequences like those mentioned above.

CFOs in our boot camps recognized the importance of improving communication in the development stage. For example, the documentation in most development service agreements and others of this type focus only on the timing of cash payments, which are released as various project milestones are reached. One CFO described a change in the wording of her organization’s development services agreements in order to allow developer fee revenue recognition to be more transparent — based on percentages of completion toward milestones appearing within the agreement. This CFO wants better documentation in her organization’s contracts to support the revenue recognized along the way towards each milestone.



**OBSERVATION #3 –
STRENGTHMATTERS’ ACCOUNTING PAPERS HAVE NOT REACHED A CRITICAL MASS OF
DISTRIBUTION WITHIN THE INDUSTRY YET.**

Although many of the accounting issues presented during the boot camp training are drawn from the technical papers available on StrengthMatters’ website, it was clear that most audience members haven’t read those papers and, in more than a few instances, were not following the accounting policies recommended in them. As I bring up the recommendations during boot camp, it becomes clear that attendees recognize their value.

Adoption is slow, in some cases, because the CPA firms used by these developers were not part of the StrengthMatters CFO Working Group. They may be unaware that various issues and topics have already been deliberated by a group of knowledgeable CPA firm and affordable housing industry peers, with results now published and available to the industry.

In other cases, although a particular CPA firm’s partner may have been part of the editorial group that approved the papers, knowledge of the papers’ existence hasn’t filtered down to each of the partners or offices belonging to that CPA firm yet. Partners in national CPA firms who are active in the CFO Working Group have mentioned that it can be very challenging to obtain consistency throughout their offices.



OBSERVATION #4 –

THERE IS A NEED FOR MUCH MORE TRAINING OF THIS TYPE.

Suffice it to say, eyes were opened to the possibilities of improved accounting, better communication and standardized reporting for their organizations. Participants routinely made the comment (in their evaluation forms) that more training like the boot camps is needed. Requests were made for more frequent boot camps and for more detailed classes on various modules presented during the two-day sessions.

Attendees often comment that they would like to send others from their office to the next session. During the boot camp, each topic is condensed into an hour or two at the most, whereas some of the topics could easily span an entire day. Oddly, there appears to be nothing like this type of training available. That's why StrengthMatters asked us to create it in the first place.

The technicality of the accounting issues that are pervasive to real estate development, nonprofit organizations, limited partnerships utilizing LIHTC and other programs, demands more time in understanding and applying concepts. It helps us as the external CPA, as well as our clients, when these concepts are well understood. In that way clients can maintain their own accounting records more accurately, instead of relying on auditors to discover issues during the annual audit. Accurate accounting leads to effective management and reliable reporting both internally and to third parties whose decisions are impacted by the financial information that they receive. Organizations can continue to rely on external CPAs to straighten out their accounting records, but doing so leads to internal control findings, more expensive audits, and increased potential for misleading financial reports.

Now that the boot camp training materials are solidifying after several run-throughs, it should be easier to repeat the training more often each year around the country. The next step will be to develop additional courses for a deeper dive into selected topics.

Past CFO Boot Camps have occurred in San Francisco, Los Angeles and Hayward, CA and in Minneapolis, MN. Additional boot camps are scheduled in Oakland, CA, and Washington, D.C. To host or inquire about a boot camp in your city, contact LvHJ or info@strengthmatters.net.



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If you would like to learn more about affordable housing CFO boot camps coming to your area, talk to us at LvHJ. We have regularly scheduled boot camps through StrengthMatters or can customize a training event for your organization or region.