

4.3.4.170 Housing Authorities – Statement of Revenues, Expenses, and Changes in Fund Net Position – Additional Reporting Instructions

- 4.3.4.170.10 The following forms do not contain provisions for component units. If the authority has a component unit as defined by [GASB Statement 14](#)¹ you will need to make the appropriate modifications to the statements. The Manual discusses the reporting entity and potential component units in [GAAP Reporting Requirements](#) and provides examples of financial statements which include component units. For further information, refer to the Manual and the [GASB Statement 14](#).
- 4.3.4.170.20 GAAP, as interpreted by the GASB, requires reporting HUD operating subsidies and grants as nonoperating revenues. When HUD issued GAAP implementation guidance they interpreted this standard differently and advised authorities to report these grants as operating revenue. Because HUD is the primary user of the financial statements, the SAO has taken the position that this is not a material departure from GAAP. This allows the authorities an option in reporting HUD grants. However, if the authority elects to classify operating subsidies and grants as operating revenues, this must be clearly disclosed in Note 1, *Summary of Significant Accounting Policies, Operating Revenues/Expenses*. See Note 1 for an example disclosure. Classification of operating grants should not affect expenses. If an expense is operating it should be reported as operating regardless of the source of revenue to pay it.
- 4.3.4.170.30 Recognition of grant revenue: Recoverable grants are nonexchange transactions and should be reported as revenue when the eligibility requirements are met. Grant eligibility requirements are considered to be met when the asset is in place and being used for low income purposes. A time requirement for maintaining low income housing by its self is not an eligibility requirement, placing the asset in use for low income purposes is the requirement. These transactions require disclosure of the recoverability conditions in the notes.
- 4.3.4.170.40 Loans with forgiveness clauses do not meet the definition of grant revenue due to the existence of a note payable or loan contract. Until the note payable or loan contract terms are met or removed, a liability must be reported. These transactions also require disclosure in the notes.

¹ As updated by the [GASB Statement 39, Determining Whether Certain Organizations Are Component Units](#).