

**INSTRUCTIONS FOR PREPARATION OF
CHFA FORM HM 6-52 (Rev. 12/2006)**

Connecticut Housing Finance Authority
Asset Management – Multifamily Housing

The purpose of CHFA Form HM 6-52 is to compute Net Operating Income (NOI) derived from the current year project operations. The form assists the CPA to identify those financial transactions that CHFA requires as adjustments to NOI.

Typical adjustments include, but are not limited to:

- 1.) Disbursements from the Replacement Reserve in excess of the amount capitalized (increases to fixed assets).

Example: The development sought reimbursement from the Replacement Reserves in fiscal year 2004 in the amount of \$22,750. Of the amount released from the Replacement Reserve, a \$19,500 expenditure for the purchase of HVAC equipment was capitalized as an increase to fixed assets. The remaining \$3,250 was expensed (through the Statement of Operations) for the purchase of carpets. As a result, for the purpose of computing the NOI, the current year's expenses have been overstated as the payment did not come from the current year's operating income. Therefore, an adjustment to the NOI must be made to add back the amount that was expensed in the current year, but paid from sources other than operations.

- 2.) Extraordinary or one-time sources of income and/or expenses that are included in the Statement of Operations.

Example: A development experienced a fire in October 2004, which rendered three- (3) units offline for several months. Insurance proceeds for lost rent and costs associated with the clean-up and resident relocation expenses are not expected to be received until the following year. Actual expenses were booked in the current year Statement of Operations; therefore, the expenses associated with the fire should be identified and the NOI increased for the same reason as noted above.

- 3.) Interest Reduction Payments (IRP) received from HUD Section 236 contracts should not be shown as "Other Revenue – Interest Reduction Payments" in account #5945 and not included as "Financial Expenses - Interest on Mortgage Payable" in account #6820 on the Statement of Operations. Should the project receive a 236 IRP, the annual amount should be identified in Part II C1 (net of the amount shown in Account #5945), thereby increasing the NOI.

Should you have any questions pertaining to the preparation of CHFA Form HM 6-52, please contact John Peterson at (860) 571-4243 (john.peterson@chfa.org).