

NEF, Inc.

ANALYTICAL REVIEW EXPLANATIONS (EXAMPLES)

Discussion:

Projects selected for analytical review will be required to submit an analytical review analysis with explanations for material variances as part of the year-end reporting requirements by **February 28, 2010**.

Below is a template for wording explanations for typical variances identified and examples of the documentation which should be provided to corroborate the variances.

If a separate workpaper or other documentation is available to support variances, this may be provided in lieu of providing a detailed explanation as noted below.

Note: Explanations may result in additional follow-up questions or requests during the NEF Inc. Audit.

Limited Partnership Name: _____

Scope: _____

December 31, 2009 Income Statement

A: Total revenue:

Total revenue increased/decreased by \$ _____ and _____% as a result of:

- Property occupancy increased/decreased from _____% to _____%

Provide property rent rolls, including lease start and end dates to support changes in occupancy

- One-time proceeds from grants, condemnation, etc. of \$ _____
- Miscellaneous income of \$ _____

Provide check copies or other supporting documentation for significant amounts

B: Total rental expense:

Total rental expense increased/decreased by \$ _____ and _____% as a result of:

- Administrative expenses increased/decreased by \$ _____ due to _____.
- Utilities expense increased/decreased by \$ _____ due to _____.
- Operating and maintenance expense increased/decreased by \$ _____ due to _____.
- Marketing and leasing expense increased/decreased by \$ _____ due to _____.
- Taxes and/or insurance expense increased/decreased by \$ _____ due to _____.

Please provide supporting documentation (ex. agreements, contracts, invoices, check copies), as applicable, for significant variances or account balances.

C: Total financial income/(expense):

Financial income/(expense) increased/decreased by \$ _____ and _____ % as a result of:

- Interest income increased/decreased by \$ _____ due to _____.
- Interest expense increased/decreased by \$ _____ as a result of _____ (ex. a new loan drawn during the year, payoff of a loan, decrease in amortizing loan, change in interest rate for variable rate loans).

Provide debt and interest summary, including interest rates and recalculation of interest expense, if performed, or year-to-date loan statements or confirmations (if received) to support year-to-date interest incurred

D: Other expense:

Other expense increased/decreased by \$ _____ and _____ % as a result of:

- Management fee and/or asset management fee expense increased/decreased by \$ _____ due to a change in fee amounts or a new management contract.

Provide new/revised management fee contract or monthly invoice to evidence change in fee amount or account balance.

- Organizational cost expense increased/decreased by \$ _____ due to start-up costs incurred in the current/prior year.

Provide invoice support for significant expense amounts or account balance.

E: Depreciation and amortization expense:

Depreciation and amortization expense increased/decreased by \$ _____ and _____ % as a result of:

- Depreciation expense increased/decreased by \$ _____ due to \$ _____ in additions to fixed assets, \$ _____ in disposals of fixed assets, \$ _____ in fully depreciated fixed assets, or changes in lives of _____ fixed assets

Provide depreciation schedule, including details of additions/disposals and depreciable lives

- Amortization expense increased/decreased by \$ _____ due to a new loan drawn during the year, payoff of a loan, or additional tax credit fees (*should only be incurred at start-up of project*).

Provide deferred costs summary within capitalized amounts and amortization period

F. Impairment expense:

Impairment expense of \$ _____ was recorded in the current year.

Provide SFAS 144 impairment calculation.

Other:

The following are other types of income/expense amounts that may be recorded on the financials:

- Loss/income on interest rate cap/swap (derivative instrument) of \$ _____ was recorded in the current year.

Provide year-end statement that includes current year change in market value or beginning and end of year value of instrument.

- Other comprehensive income/(loss) of \$ _____ was recorded in the current year.

Provide year-end statement that includes current year change in market value or beginning and end of year value of investment securities.

NEF Inc.

Analytical Analysis Sample

All projects selected for Analytical Review Support are required to provide a basic analytical review with explanations and/or support for material variances. Below is a sample, CPAs may provide their own analysis.

	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>\$ Variance</u>	<u>% Variance</u>	
Revenue:					
Rental income	480,117	510,187	(30,070)	-5.9%	
Vacancies and concessions	(45,303)	(194,296)	148,993	-76.7%	
Other revenue	26,424	18,400	8,024	43.6%	
Total revenue	<u>461,238</u>	<u>334,291</u>	<u>126,947</u>	<u>38.0%</u>	A
Rental expenses:					
Administrative	93,381	93,178	203	0.2%	
Utilities	51,342	45,499	5,843	12.8%	
Operating and maintenance	47,677	22,469	25,208	112.2%	
Marketing and leasing	4,774	13,425	(8,651)	-64.4%	
Taxes and insurance	124,980	30,303	94,677	312.4%	
Total rental expenses	<u>322,154</u>	<u>204,874</u>	<u>117,280</u>	<u>57.2%</u>	B
Net rental income	<u>139,084</u>	<u>129,417</u>	<u>(9,667)</u>	<u>-7.5%</u>	
Financial income (expense):					
Interest income	2,719	20	2,699	13495.0%	
Interest expense	(175,623)	(304,874)	129,251	-42.4%	
Total financial income (exp)	<u>(172,904)</u>	<u>(304,854)</u>	<u>131,950</u>	<u>-43.3%</u>	C
Income (loss) before other exp	<u>(33,820)</u>	<u>(175,437)</u>	<u>141,617</u>	<u>-80.7%</u>	
Other expenses:					
Management fee	15,000	15,000	-	0.0%	
Asset management fee	5,300	5,300	-	0.0%	
Organizational costs	-	35,931	(35,931)	-100.0%	
Total other expenses	<u>20,300</u>	<u>56,231</u>	<u>(35,931)</u>	<u>-100.0%</u>	D
Depreciation and amortization	385,504	426,284	(40,780)	-9.6%	E
Impairment loss	-	-	-	0.0%	F
Net income (loss)	<u><u>(54,120)</u></u>	<u><u>(231,668)</u></u>	<u><u>177,548</u></u>	<u><u>-76.6%</u></u>	

You may evaluate variances by line item total.

Total net income (loss) should agree to total per audited financial statements

Provide supporting documentation for unique transactions or events (i.e. casualty / impairment loss)