

Missouri Housing Development Commission
Suggested “Agreed Upon Procedures” for
CPA’s Review of the Qualified Contract Price (QCP) Worksheets

Agreed Upon Procedures

Calculation of QCP per IRC Section 42(h)(6)(F)

- 1) Confirm the date of the Calculation.
- 2) Verify amount of Outstanding Indebtedness from Worksheet A.
- 3) Verify amount of Adjusted Investor Equity from Worksheet B.
- 4) Verify amount of Other Capital Contributions from Worksheet C.
- 5) Verify amount of Cash Distributions from Worksheet D.
- 6) Examine Tax Credit Regulatory Agreement to determine the proper applicable fraction.
- 7) Obtain from client a copy of the appraisal done on the fair market value of the non-low income portion of the buildings including land.

Worksheet A. - Outstanding Indebtedness

- 1) Confirm unpaid balances, including accrued interest, of all secured and unsecured debt as of the last day of the tax year for the 14th year of the initial compliance period.
- 2) Scan the loan agreements for each loan to determine the maturity date of the loan.
- 3) Scan the loan agreements for each loan to determine if there is any information that is relevant to the marketing of this project (i.e., due on sale clause, surplus cash note).
- 4) Do not include deferred developer fees on this Worksheet.

Worksheet B. - Adjusted Investor Equity

- 1) Review prior year tax returns, beginning with the initial year tax return and ending with the most recent tax return, to determine the capital contributions made by each partner/member by year.
- 2) Review the partnership/operating agreements, and amendments to the partnership/operating agreements, to determine the obligation of the partners/members to contribute the funds to the project.
- 3) Obtain a copy of the cost certification filed with MHDC to determine if the equity was included in the adjusted basis of the project.
- 4) Do not include contributions that were considered loans or advances to the project.
- 5) Verify the applicable cost-of-living adjustment pursuant to Section 1(f) and 42(h)(6)(G)(ii) of the Code, the CPI adjustment is calculated for each twelve-month period ending August 31.

Worksheet C. - Other Capital Contributions

- 1) Review prior year tax returns, beginning with the initial year tax return and ending with the most recent tax return, to determine the capital contributions made by each partner/member by year.
- 2) Determine if there are any other cash or non-cash contributions that were made to the project that are NOT included in Worksheet A or in Worksheet B.
- 3) Do not include contributions that were considered loans or advances to the project.
- 4) Verify the date of the contribution.
- 5) Verify the uses of the contribution.
- 6) Determine if there is any additional information that should be made known about the contribution.

Worksheet D. - Cash Distributions

- 1) Review prior year tax returns, beginning with the initial year tax return and ending with the most recent tax return, to determine the distributions made to each partner/member by year.
- 2) Review prior year financial statements to determine the annual fees paid to partners/members.
- 3) Review prior year financial statements to determine the type (i.e., cash or non-cash) and the purpose of the distribution to partners/members.
- 4) Do not include payments of the deferred developer fees to partners/members in Worksheet D.
- 5) Confirm cash balances as of the last day of the tax year for the 14th year of the initial compliance period for the replacement reserve account, operating reserve account, other reserve accounts, and other amounts held in project accounts.
- 6) Discuss the availability to distribute the above funds with the general partner.
- 7) Scan loan agreements, regulatory agreements and other third party contractual agreements that would prevent the above funds from being distributed.
- 8) If applicable, discuss with the general partner the estimated value of any non-cash assets at the time of the distribution.

Worksheet E. – Fair Market Value on Non-Low Income Buildings Including Land

Obtain from client a copy of the appraisal done on the fair market value of the non-low income portion of the buildings including land.