

## **Reporting of Capital Fund Stimulus Grants on the Financial Data Schedule (FDS)**

### Background

The American Recovery and Reinvestment Act (ARRA) of 2009 provided \$4 billion in stimulus funds for public housing agencies PHA's under the Capital Fund Program, of which \$3 billion have been awarded by formula and \$1 billion will be awarded through competitive applications. This document explains how these stimulus grants are to be reported at year-end on the FDS.

### Separate Code of Federal Domestic Awards (CFDA) Number

HUD has obtained separate CFDA numbers for both the formula and competitive portions of the Capital Fund stimulus grants. These CFDA numbers are as follows:

- CFDA # 14.884: Competitive Capital Fund Stimulus Grant
- CFDA # 14.885: Formula Capital Fund Stimulus Grant

HUD established separate CFDA numbers for these grants because of the special reporting and operating requirements (e.g., job generation).

### Basic Reporting Model

- **Revenue.** PHAs shall recognize as revenue any funds drawn down during the fiscal year within the respective Stimulus Fund column, i.e., either CFDA #14.884 or #14.885. Those funds intended for capitalized hard costs are reported as revenue under the Capital Grants line item (no. 70610), while funds not capitalized are reported as revenue under the Operating Grants line item (no. 70600).
- **Expenses.** PHAs should report any funds spent for "Administration" or "Management Fee" as an Operating Expense within the respective Stimulus Fund column, as well as any work performed that falls below the PHA's capitalization threshold.<sup>1</sup> Capitalized work will not be shown as an operating expense but instead shall be recorded as an equity transfer to the respective project where the work was performed, wherein it will be shown as either "Construction in Progress" or "additions" to the "Buildings" accounts on the project's balance sheet. A PHA may choose to make these equity transfers throughout the year, as work progresses, or at year-end. When the equity transfer is reported for capitalized work, the PHA should make an appropriate entry into the Project's Capital Fund Memo Accounts. In essence, the Stimulus Column of the FDS (year-end) should neither accumulate an asset nor equity in its year end balance sheet.

### Example

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<sup>1</sup> For example, a PHA with a \$5,000 capitalization threshold would reflect \$3,000 in sidewalk improvements as an operating expense. The associated revenue for this sidewalk improvement would also be recognized as HUD PHA Operating Grants per FDS line item # 70600. Such "soft" revenue and the expense (\$ 3,000 sidewalk improvement) is reported within the Stimulus Fund..

The following provides an example of how Capital Fund Stimulus grants would be reported.

We have assumed a 1,000 unit PHA, with five projects of equal size, and a fiscal year-end of 6-30-09. The PHA receives a \$2,200,000 Capital Fund Stimulus grant under the non-competitive (formula) program, or CFDA # 14.885. The funds will be used to replace bathrooms at all projects, at a cost of \$2,000 per bathroom, which qualifies for capitalization under this PHA's capitalization threshold of \$ 1,000. Over the course of the grant, the PHA will receive a Management Fee of \$200,000 (earned proportionately as work is completed, i.e, contractor payments made).

At the end of the first year (FYE 6-30-09), the PHA has drawn down \$1.1 million in funds under the Capital Fund Stimulus grant, representing the following:

- Project 1: \$400,000 for bathroom renovations (completed)
- Project 2: \$400,000 for bathroom renovations (completed)
- Project 3: \$200,000 for bathroom renovations (construction in progress)
- Administration: \$100,000

Using CFDA # 14.885, the PHA will report Capital Fund Stimulus grant revenue of \$100,000 on line 70600, HUD PHA Operating Grants, and \$1.0 million on line 70610, Capital Grants.

The PHA will also report an equity transfer, line 11040, in the amount of \$1.0 million in the Capital Fund Stimulus column, of which \$400,000 will be reported as an "equity transfer in" at Project 1, \$400,000 at Project 2, and \$200,000 at Project 3. The PHA will also make an entry in the Memo Accounts of the Capital Fund Columns of each respective project, reflecting "Building Purchases." The balance sheet of each project should also be adjusted by the amount of the equity transfer, reported either as additions to "Buildings" (for work completed) or "Work in Progress" (for work still under construction).

The only "operating expense" of the Stimulus grant in this example is the \$100,000 management fee, which is recorded under Management Fee expense account # 91300 (paid to the Central Office Cost Center, or COCC).

As work progresses, the PHA transfers from the Stimulus fund, the "work in progress" asset and the corresponding equity (derived from Stimulus Fund Capital Grant Revenue) to the projects so that, at year-end, there is no capital asset or corresponding equity balance on the balance sheet of the CF Stimulus column. Therefore, at year-end, as the PHA shows the transfer of equity to the CF column of the projects income statement (supplemental equity transactions), it also reports corresponding activity within the supplemental Memo accounts (i.e. Building, Infrastructure) within the projects CF column.

During year 2, as work is completed at the remaining projects, Stimulus grants are to be reported using the same procedure outlined above.