HAWKINS | ASH CPAs

CASH MANAGEMENT FOR PH

Angie Campbell

1

Angie Campbell

- Phone
  - 608.793.3140
- Email
  - acampbell@ha.cpa



HAWKINSASH.CPA

2

OVERVIEW

- SF-425 Operating Fund Financial Reporting from PIH Notice 2025-20
- This PIH Notice changes when and how Operating Subsidy can be used and accounted for.
- The order of expenditure is defined within the Notice.
- The Department of Housing & Urban Development (HUD) and the US Office of Management and Budget (OMB) are driving this change.

*Please note this is Hawkins Ash interpretation of the little guidance we have as of October 2026. This is fluid and ever changing until HUD gives any further information.

There will be exceptions and case by case situations for HA's.

PART OF YOUR BUSINESS. PART OF YOUR LIFE.

3

OBJECTIVES FOR THIS SESSION

- Definition of Program Income versus Other Income
- Order of Expenditure
- SF-425 Period of Performance and Reporting
- Examples for Tracking Expenditures
- Procedures for Cash Management

PART OF YOUR BUSINESS. PART OF YOUR LIFE.

4

OPERATING FUND PROGRAM INCOME

- Rental income – lease payments
- Other Tenant Charges
- Non-rental income (this includes income earned from a program asset (e.g., snack, beverage, or coin-operated machines))
- Interest earned on rental income
- Third-party agreements

PART OF YOUR BUSINESS. PART OF YOUR LIFE.

5

NON-PROGRAM INCOME

- Operating Subsidy
- Capital Funds
- Personal property disposition proceeds
- Real property disposition proceeds
- Insurance proceeds
- Interest earned on Operating Subsidy (or Capital Fund or other Federal grant) funds

PART OF YOUR BUSINESS. PART OF YOUR LIFE.

6

ORDER OF EXPENDITURES

- PROGRAM INCOME
- HUD OPERATING GRANT (OPERATING SUBSIDY)
- NON-PROGRAM INCOME/EXISTING RESERVES (HUD does not distinguish what order you use these funds after Program Income and Operating Subsidy are used).

PART OF YOUR BUSINESS. PART OF YOUR LIFE.

7

SF-425 form for new PHA Reporting Required Report

- Each Grant Year requires a SF-425 to be completed, until fully expended annually, by April 30th of the following year.
- HUD is implementing this requirement with 2026 Operating Fund on the Calendar Year, so the first will be due April 30, 2027 for Federal Grant Award 2026.
- There will be a separate SF-425 for each AMP for each year reporting.
- This will be reported within the Operating Fund Portal in REAC.

PART OF YOUR BUSINESS. PART OF YOUR LIFE.

8

SF-425 CONTINUED

- Not all funding is reported on the SF-425
  - Reported is Operating Subsidy and Program Income
  - Not Reported is Capital Fund used for Operations and Non-Program Income
- For purposes of the SF-425 reporting you can record all income and expenses as Cash or Accrued. Current industry thinking is that Cash will be simpler to administer for reporting purposes.
- There are instructions for filling these out. Not going through them in this session, as we have time before these are due for CY 2026. Note – the Excel template will help to fill these lines in that is done during each calendar year.

H|A PART OF YOUR BUSINESS. PART OF YOUR LIFE.

9

PERIOD OF PERFORMANCE

- Period of Performance: The time interval between the start and end date of a Federal award
- PHAs may not obligate or expend any grant funds or program income that are not already obligated by the end of the Period of Performance
- Any funds that are not obligated by the end of the Period of Performance must be returned to HUD
- Any funds obligated by the end of the Period of Performance must be liquidated no later than the following April 30
- The PHA may not liquidate obligations after this date
- Obligations not liquidated by April 30 must be returned to HUD

H|A PART OF YOUR BUSINESS. PART OF YOUR LIFE.

10

PERIOD OF PERFORMANCE CONTINUED

- Example – Grant Fund Year 2026 has until 12/31/32 to fully expend through the Period of Performance.
- Note - This is not a new requirement by OMB, but this concept has never been applied to operating subsidy in the recent past.

PART OF YOUR BUSINESS. PART OF YOUR LIFE.

11

CASH MANAGEMENT PROCEDURES

- HA's should establish procedures and have a formal Cash Management Plan
  - Cash or Accrual basis (again for now, Hawkins Ash recommends Cash to keep track)
  - When do you draw funds down? Establish a timeline for vendor payment to determine if draws are needed.
  - Keeping track with a spreadsheet is recommended
- Cash management requirements will need to be added to a PHAs's financial procedures. Items that may need to be added include: Use of program income resources along with the requirements to use the funds prior to requesting grant funds
- Drawing of funds and payment of costs in a timely manner
- The refunding of interest income at the end of the fiscal year or calendar year over $500
- Maintaining source documentation to support each drawdown
- Methods used for the collection of interfund account balances form other programs that allocated costs have been paid

PART OF YOUR BUSINESS. PART OF YOUR LIFE.

12

EXAMPLE CASH MANAGEMENT

- We need to be able to keep track of expenses by order of expenditure for the revenues.
- In order to do this, each month, we need to look at all deposits and split it between Program Income, Non-Program Income, and Operating Subsidy.
- Then, we need to take all expenses coming out monthly and determine which income is covering that expense.
- HUD has not said exactly how they want to see this – at invoice level, at expense code level, etc. We know only that this will need to have source documentation each calendar year for the SF-425.

13

EXAMPLE CASH MANAGEMENT

- There are different methods to account for this since HUD has not and most likely will not come out with a definite way to do this. We at Hawkins Ash would like to make it as simple as possible but still allow HA's to be able to provide documentation if needed.
- See example – this may change as more guidance comes out. If you are our client, we are starting to implement and keep track on this spreadsheet now.

14