



# Chart of Accounts

NCREIF Member Initiative

2021

# NCREIF Chart of Accounts Review



**Purpose:** As NCREIF Staff prepare for new submission system, they requested a review of its Chart of Accounts, as it has been in use for several decades without change.

This is about Property Level submissions only.

**Sponsoring Committee:** Accounting

**Approving Body:** Sponsoring Committee

## Action

Task Force developed suggested framework which identifies key fields that are tracked at the property level and map into NCREIF's submission fields. It is not meant to be a comprehensive chart of accounts. The framework further seeks to address common requests from investors who are looking to better understand investment manager fees and expenses. This framework does not include new submission fields, but rather clarifies existing fields.

## Timeline:

- June 2020: Task force launched
- July 2021: Proposal approved by Sponsoring Committee
- November 2021: Minor edits to proposal based on industry feedback were communicated - No dissent to the edits, hence proposal considered Approved.
- 2023: Implementation by NCREIF requires update to Submission Manual. Will be completed concurrent with release of new Submission System.

## **Chart of Accounts Proposed Framework June 2021**

The NCREIF Chart of Accounts goes back several decades and was based on a chart of accounts from the Mortgage Bankers Association. The following is a suggested framework that has been developed by an Accounting Committee Task Force. It focused on providing a framework that identifies key fields that are tracked at the property level that will map into NCREIF's Operating Model Report and is not meant to be a comprehensive chart of accounts. The framework also addresses common requests from investors who are looking to better understand investment manager fees and expenses.

The Chart of Accounts Task Force has been working since last summer; its mission was to determine if updates were needed based on NCREIF's current reporting requirements and industry norms.

Our objective was not to create an all-encompassing chart of accounts that covers all asset classes, but to identify key fields that should be tracked because they map into the NCREIF Operating Model Report. Furthermore, the COA framework will provide a tool for NCREIF members to "check" their chart of accounts against the framework to confirm that it supports efficient submissions.

The focus was on property level reporting with the key addition being balance sheet accounts to allow for easier transparency in the roll up of data. We also tried to move the income statements items up to a level that support reporting requirements, but allows specific revenues and expenses based on asset classes to be tracked a level down in the account hierarchy.

In terms of process and next steps the following is an outline.

1. Review and comment by Accounting Committee Members
2. Accounting Committee approval (vote at July Conference)
3. Review and comment by other committees (i.e. Performance Measurement, Reporting Standards, Valuation, Information Management)
4. NCREIF Board Review (or Approval) – This depends on whether the Chart of Accounts is considered a clarification or Guidance. Guidance requires Board approval, as does any proposal to submit additional data fields. At this point the COA Task Force believes our work is a clarification and will not require Board approval.

The Task Force had representation from Accounting, Performance, and Information Management committees. NCREIF staff members Jamie Kingsley and Jeannine Olson participated on this task force, which was led by Hunt Holsomback, of Alvarez and Marsal. Other members included:

- George Acosta, BNY Mellon
- Tiffany Campbell, Goldman Sachs
- Brett Cassabaum, Principal
- John Cryan, Ascentris
- Billy Douvikas, Alter Domus
- Robert Fraher, KPMG
- Benay Kirk, Alter Domus
- Erik Lindstrom, NBIM
- Maritza Matlosz, Met Life
- Richard Ziobro, PGIM

**Chart of Accounts Framework**

<b>NCREIF Op Model Report</b>	<b>COA Suggested Additions</b>
InitialCost	Land, Building, TI - Initial Cost/Acquisition price
	Acquisition Fees - Non-affiliated
	Acquisition Fees - Affiliated/Related
BeginMarketValue	Land Improvement
EndMarketValue	Building Improvement
CapitalImprovementTotal	Tenant Improvement
CapExLeaseCommission	Leasing Commissions - Non-affiliated
	Leasing Commissions - Affiliated/Related
CapExTenantImprovement	
CapExBuildingCapitalImprovement	Capitalized Interest
CapExBuildingCapitalExpansion	Capitalized Development Fees - Non-affiliated
	Capitalized Development Fees - Affiliated/Related
CapExInitialAcquisitionCost	Acquisition Fees - Non-affiliated
	Acquisition Fees - Affiliated/Related
CapExOtherCapitalImprovement	Capitalized Construction Fees - Non-affiliated
	Capitalized Construction Fees - Affiliated/Related
	Land, Building, TI - Sold/Disposition cost
PrincipalPaymentScheduled	Principal Balance - at Acquisition
OtherPrincipalPayment	New Principal Proceeds/Drawdowns
NewLoanProceed	Principal Payment
DebtBookValue	
DebtMarketValue	
PrincipalPaymentScheduled	
OtherPrincipalPayment	
NewLoanProceed	

NCREIF Op Model Report	COA Suggested Additions
DebtBookValue	
DebtMarketValue	
BaseRentIncome	
PercentageRentIncome	
ReimbursementIncome	
OtherIncome	
AdminExpense	
UtilityExpense	
MaintenanceExpense	
MarketingExpense	
OtherExpense	
TaxExpense	
InsuranceExpense	
ManagementFeeExpense	<b>Property Management fee - Non-affiliated</b>
	<b>Property Management fee - Affiliated/Related</b>
InterestExpense	<b>Interest Expense - Property Debt</b>
	<b>Interest Expense - Fund Debt</b>
	<b>Interest Expense - Other Debt</b>
	<b>Interest Expense - Affiliated</b>
	<b>Financing Fees - Property</b>
	<b>Financing Fees - Fund</b>
	<b>Financing Fees - Other</b>
	<b>Financing Fees - Affiliated</b>
GroundRent	
Grosssalesprice	
NetSalePrice	
PartialSales	

Note: Suggested additions are shown in Blue