

## Independent Accountant's Report

To Management  
Thomson Reuters (Tax and Accounting) Inc.

We have examined:

- *PPC's Practice Aids for Audits of Real Estate Entities*, April 2023, 10th Edition, accessible through AdvanceFlow.com and available for download on Checkpoint.RIAG.com (the "quality control materials" or QCM)
- The accompanying description, "Description, as of January 31, 2024, of the Content of *PPC's Practice Aids for Audits of Real Estate Entities*, April 2023, 10th Edition" (the "Description")

Management of Thomson Reuters (Tax and Accounting) Inc. is responsible for the QCM and the Description being in accordance with the QCM Content Criteria and the Description Criteria, respectively (collectively, the "QCM Criteria"), included in Attachment A. Our responsibility is to express an opinion on the QCM and the Description based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the QCM and the Description are in accordance with the QCM Criteria in all material respects. An examination involves performing procedures to obtain evidence about the QCM and the Description. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the QCM and the Description, whether due to fraud or error. In making an assessment of the risks of material misstatement, we considered and obtained an understanding of internal control relevant to the subject matter in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, no such opinion is expressed. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, in all material respects:

- The QCM are presented in accordance with the QCM Content Criteria specified in Attachment A.
- The Description is presented in accordance with the Description Criteria specified in Attachment A.

This report is intended solely for the information and use of management of Thomson Reuters (Tax and Accounting) Inc., users and potential users of the QCM, and users' peer reviewers and regulators.

This report is not intended to be, and should not be, used by anyone other than these specified parties.

*Plante & Moran, PLLC*

April 10, 2024

## **Attachment A: QCM Content Criteria and Description Criteria**

### **QCM Content Criteria**

The quality control materials (QCM) are in accordance with the following criteria:

**CC1:** The quality control materials content accurately reflects the standards and interpretive guidance addressed by the QCM and addresses the standards and interpretive guidance in the manner described in the description, including the following:

- a. QCM content reproduced in whole or in part from standards and interpretive guidance does the following:
  - i. Appropriately references the relevant standards and interpretive guidance to enable user firms to locate the content
  - ii. Agrees with the relevant standards and interpretive guidance
- b. QCM content derived from the standards and interpretive guidance explains, elaborates, interprets, or paraphrases the relevant standards and interpretive guidance in a manner that does not change the meaning and intent of the standards and interpretive guidance.
- c. QCM content that illustrates the application of the relevant standards and interpretive guidance is not in conflict with the standards and interpretive guidance.

**CC2:** QCM content

- a. Identifies assumptions or judgments made in developing QCM content related to the relevant standards and interpretive guidance, if any
- b. Identifies QCM content that is based on widely recognized or generally accepted practice rather than on the relevant standards and interpretive guidance
- c. Identifies QCM content that represents the QCM provider's opinion or interpretation of the relevant standards and interpretive guidance
- d. Uses the same terminology and definitions used in the relevant standards and interpretive guidance

**CC3:** QCM content does not omit relevant principles, topics, requirements, considerations, procedures, or other aspects of the relevant standards and interpretive guidance.

**CC4:** If the description indicates that a purpose of the QCM content is to provide a means to document compliance with the standards and interpretive guidance that the QCM address, the QCM content enables user firms to do so.

### **Description Criteria**

The description of the content of quality control materials (the "Description") contains the following information:

**DC1:** An identification of the quality control materials addressed by the Description, including the following:

- a. The title of the QCM, including the version name, number, or date
- b. An indication of all formats in which the QCM are provided and, if the QCM are in the format of application software, all delivery methods

**Attachment A: QCM Content Criteria and Description Criteria  
(Continued)**

**DC2:** An identification of any elements of the QCM content that are provided by another QCM provider

**DC3:** An identification of any elements (parts) of the QCM content that are not addressed by the Description. If applicable, identify how the elements relate to the entire QCM.

**DC4:** The date of the Description

**DC5:** A statement that “[*Identification of the QCM addressed by the description*] are quality control materials (QCM). The AICPA defines QCM as materials (for example, manuals or tools), including industry- or subject matter-specific materials, intended to enable the operation of a firm’s system of quality control and promote consistency in performing quality engagements. QCM may be made available through technology, for example, through automated tools and techniques, and IT applications. QCM address standards and interpretive guidance related to accounting; audit, attestation, review, compilation, or preparation engagements or other services that CPA firms may provide; or ethics, independence, quality control, quality management, peer review, or practice monitoring related to those services.”

**DC6:** An identification of the characteristics of the QCM, including the following:

- a. The type of QCM (what the QCM are) and purpose of the type of QCM
- b. The topics addressed by the QCM
- c. If the QCM are intended to be used for a specific type of engagement or specific aspects of an engagement, an identification of the characteristics of that engagement, including the following:
  - i. The relevant characteristics of the type of client for which the QCM are intended to be used, including the following:
    - Area of practice
    - Industry
    - Form or type of organization
    - Operational characteristics
  - ii. The characteristics of the type of engagement for which the QCM are intended to be used, including the following:
    - Area of service
    - Level of service
    - Unique characteristics of the engagement

**DC7:** An identification of any other QCM intended to be used in conjunction with the QCM content

**DC8:** An identification of the standards and interpretive guidance relevant to the QCM that the QCM address, including the following:

- a. The standard-setting body that issued the standards and interpretive guidance
- b. Either:
  - i. The date through which the QCM address issued and effective standards and interpretive guidance (date approach)
  - ii. The number and title of the most recently issued and effective standards and interpretive guidance addressed by the QCM (title approach)

**Attachment A: QCM Content Criteria and Description Criteria  
(Continued)**

**DC9:** An identification of standards and interpretive guidance relevant to the QCM that were issued and effective up to the date (if using the date approach referred to in DC8bi) or the number and title (if using the title approach referred to in DC8bii) but:

- a. Not addressed by the QCM
- b. Not fully addressed by the QCM, including why the relevant standards and guidance were not fully addressed, and how they were addressed by the QCM

**DC10:** A description of how the QCM address standards and interpretive guidance relevant to the QCM that were issued but not effective up to the date (if using the date approach referred to in DC8bi) or the number and title (if using the title approach referred to in DC8bii), including the following:

- a. The title and effective date of the standards and interpretive guidance
- b. Whether the standards and interpretive guidance are addressed by the QCM and, if so, how they are addressed
- c. Whether the standards and interpretive guidance allow for early implementation or adoption

**DC11:** A description of the QCM provider's policy for updating the QCM content, including the nature and anticipated timing of updates

**DC12:** A statement that user firms are responsible for the following:

- a. Determining whether the QCM are suitable for the user firm's purposes
- b. Understanding that the QCM are not intended to be a substitute for the standards and interpretive guidance, an evaluation thereof, or professional judgment
- c. Using the most up-to-date QCM available that are applicable in the circumstances, including accessing and using the most recent and effective relevant standards and interpretive guidance that are not addressed or not fully addressed by the QCM
- d. Properly implementing the QCM and using professional judgment in the application of the QCM based on the facts and circumstances (for example, of each engagement)
- e. Providing the appropriate training for the use of the QCM and performing the appropriate supervision and review procedures regarding the use of the QCM based on the skill, training, knowledge, and experience of individual users within the user firm
- f. Identifying that there may be certain facts, circumstances, risk factors, or specific issues that exist for a particular client, engagement, or user firm that may not be addressed by the QCM; in that case, understanding that the QCM will require tailoring and augmentation to address such facts, circumstances, risk factors, or specific issues
- g. Monitoring the activities of standard-setting bodies for changes that would affect the user firm, including amendments of standards and interpretive guidance and deferrals of effective dates
- h. Complying with relevant professional standards and interpretive guidance
- i. Understanding that the effectiveness of the QCM is dependent on the user firm fulfilling the preceding responsibilities and the effectiveness of its actions

## **Description, as of January 31, 2024, of the Content of *PPC's Practice Aids for Audits of Real Estate Entities*, April 2023, 10th Edition**

*PPC's Practice Aids for Audits of Real Estate Entities*, April 2023, 10th Edition (the "Practice Aids"), are accessible through AdvanceFlow.com and available for download on Checkpoint.RIAG.com. The Practice Aids consist of introductory text and multiple practice aids, including illustrative auditor's reports, audit programs, checklists, and confirmation and correspondence letters. The Practice Aids are editable Microsoft Word and Excel documents.

Checkpoint Engage and PPC's SMART Practice Aids are Workflow Tools that are not included in this description. They are designed to enhance productivity, efficiency, and quality when used in combination with the Practice Aids.

- Checkpoint Engage is a fully integrated online audit solution that provides enhanced technological functionality of the content and engagement methodology in the Practice Aids.
- PPC's SMART Practice Aids is a desktop application that provides similar functionality.

### **Definition of QCM**

*PPC's Practice Aids for Audits of Real Estate Entities* are quality control materials (QCM). The American Institute of Certified Public Accountants (AICPA) defines QCM as materials (for example, manuals or tools), including industry- or subject matter-specific materials, intended to enable the operation of a firm's system of quality control and promote consistency in performing quality engagements. QCM may be made available through technology, for example, through automated tools and techniques, and IT applications.

QCM address standards and interpretive guidance related to accounting; audit, attestation, review, compilation, or preparation engagements or other services that CPA firms may provide; or ethics, independence, quality control, quality management, peer review, or practice monitoring related to those services.

### **Other QCM Providers**

The elements of the QCM provided and within this description are delivered by Thomson Reuters (Tax and Accounting) Inc. (Thomson Reuters) and no other QCM provider.

### **Characteristics of the QCM**

The Practice Aids provide a full set of practice aids to perform an audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) of the financial statements of a nonpublic real estate entity engaged in developing, managing, and owning real estate projects for its own use or for sale to others (including real estate operators, real estate developers, and retail land sales developers). The Practice Aids are intended to be used in conjunction with the guidance in *PPC's Guide to Audits of Nonpublic Companies* (ASB).

The unique characteristics and the necessary responses and procedures that would apply to the following real estate entities or activities are not addressed within the Practice Aids:

- Public real estate entities
- Common interest realty associations (CIRAs). Auditors should use *PPC's Guide to Homeowners' Associations and Other Common Interest Realty Associations* when auditing those types of entities.
- HUD-assisted multifamily entities. Auditors should use *PPC's Guide to HUD Audits* when auditing those types of entities.
- Time-sharing activities
- Real estate entities involved in the hospitality industry, such as hotels
- Land development or construction activities taking place on property that is not owned by the real estate entity being audited. Auditors should use *PPC's Guide to Construction Contractors* when auditing those types of entities.

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The Practice Aids provide a means to document compliance with relevant standards and interpretive guidance and include limited illustrative auditor's reports; engagement, management representation, confirmation, and other illustrative letters; checklists; and audit programs. The Practice Aids are designed to complement, rather than replace, ASB. As such, the audit guidance included in the chapters of ASB is not repeated in the Practice Aids. Accordingly, references to ASB are included throughout the Practice Aids to direct auditors to that extensive guidance.

The Practice Aids do not provide comprehensive guidance and illustrations on auditor's reports. Additionally, the Practice Aids address engagement-level quality control requirements but do not address firm-level quality control system requirements. Consequently, the Practice Aids are intended to be used in conjunction with *PPC's Guide to Auditor's Reports* and *PPC's Guide to Quality Control*.

**Relevant Standards and Interpretive Guidance Addressed by the Practice Aids**

*Auditing Standards and Interpretive Guidance*

The Practice Aids address relevant auditing standards and interpretive guidance issued and effective by the Auditing Standards Board of the AICPA through April 2023.

Although not fully effective at the time of publication, the following auditing standards were issued through April 2023 and are fully incorporated into the Practice Aids, with the extant guidance replaced:

- Statement on Auditing Standards (SAS) No. 143, *Auditing Accounting Estimates and Related Disclosures*; SAS No. 144, *Amendments to AU-C Sections 501, 540, and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained from External Information Sources*; and SAS No. 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, are effective for audits of financial statements for periods ending on or after December 15, 2023 and do not prohibit early implementation.
- SAS No. 147, *Inquiries of the Predecessor Auditor Regarding Fraud and Noncompliance with Laws and Regulations*, is effective for audits of financial statements for periods beginning on or after June 30, 2023 and does not prohibit early implementation.

The following auditing standards were also issued through April 2023, were not fully effective at the time of publication, and are not fully incorporated into the Practice Aids:

- SAS No. 146, *Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*, is effective for engagements conducted in accordance with U.S. GAAS for periods beginning on or after December 15, 2025. The Practice Aids provide a brief description of SAS No. 146; however, the requirements of this standard have not been incorporated into this edition of the Practice Aids. It is expected to be fully incorporated into a future edition of the Practice Aids. SAS No. 146 does not prohibit early implementation.
- SAS No. 148, *Amendment to AU-C Section 935*, is effective for compliance audits for periods ending on or after December 15, 2023, other than the amendments to AU-C 501, which were effective for compliance audits for periods ending on or after December 15, 2022, with early implementation permitted. While these Practice Aids provide a brief description of SAS No. 148, they do not address compliance audits.
- SAS No. 149, *Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-to Auditors)*, is effective for audits of group financial statements for periods ending on or after December 15, 2026. The Practice Aids provide an overview of SAS No. 149; however, the requirements of this standard have not been incorporated into this edition of the Practice Aids. It is expected to be fully incorporated into a future edition of the Practice Aids. SAS No. 149 does not prohibit early implementation.

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*Accounting Standards*

The primary focus of the Practice Aids is on AICPA engagement standards rather than accounting standards; however, they do provide limited relevant industry accounting guidance. In addition, accounting standards with disclosure requirements are included in the Disclosure Checklists (PRS-CX-13.1 and 13.2).

The Practice Aids address relevant accounting standards issued and effective by the Financial Accounting Standards Board (FASB) through April 2023 and up to FASB Accounting Standards Update (ASU) No. 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*.

Although not fully effective at the time of publication, the following relevant accounting standards were issued through April 2023, and dual guidance is provided, except as noted:

- ASU No. 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, is effective for fiscal years beginning after December 15, 2023, including interim periods within those years. Early adoption is permitted.
- ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, is effective for fiscal years beginning after December 15, 2023, including interim periods within those years. Early adoption is permitted.
- ASU No. 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method*, is effective for fiscal years beginning after December 15, 2023, including interim periods within those years. Early adoption is permitted.
- ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, is effective for fiscal years beginning after December 15, 2024, including interim periods within those years. Early adoption is permitted for financial statements that have not been made available for issuance.
- ASU No. 2022-04, *Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, is effective for fiscal years beginning after December 15, 2022, including interim periods within those years, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023.
- ASU No. 2023-01, *Leases (Topic 842): Common Control Arrangements*, is effective for fiscal years beginning after December 15, 2023, including interim periods within those years. Early adoption is permitted. The applicable Disclosure Checklist has not been updated with the corresponding disclosure requirements.
- ASU No. 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, is effective for fiscal years beginning after December 15, 2024, including interim periods within those years. Early adoption is permitted. The applicable Disclosure Checklist has not been updated with the corresponding disclosure requirements.

**Policy for Updating the QCM Content**

Thomson Reuters updates *PPC's Practice Aids for Audits of Real Estate Entities* annually and generally releases a new edition each summer to reflect changes in standards and interpretive guidance, content enhancements, and the corrections of minor errors not previously updated. The Practice Aids referenced herein were completed in April 2023, and no changes have been made to this specific edition of the Practice Aids since then.

**Description, as of January 31, 2024, of the Content of PPC's Practice Aids for Audits of Real Estate Entities, April 2023, 10th Edition  
(Continued)**

**User Firm Responsibilities**

User firms are responsible for the following:

- a. Determining whether the QCM are suitable for the user firm's purposes
- b. Understanding that the QCM are not intended to be a substitute for the standards and interpretive guidance, an evaluation thereof, or professional judgment
- c. Using the most up-to-date QCM available that are applicable in the circumstances, including accessing and using the most recent and effective relevant standards and interpretive guidance that are not addressed or not fully addressed by the QCM
- d. Properly implementing the QCM and using professional judgment in the application of the QCM based on the facts and circumstances (for example, of each engagement)
- e. Providing the appropriate training for the use of the QCM and performing the appropriate supervision and review procedures regarding the use of the QCM based on the skill, training, knowledge, and experience of individual users within the user firm
- f. Identifying that there may be certain facts, circumstances, risk factors, or specific issues that exist for a particular client, engagement, or user firm that may not be addressed by the QCM; in that case, understanding that the QCM will require tailoring and augmentation to address such facts, circumstances, risk factors, or specific issues
- g. Monitoring the activities of standard-setting bodies for changes that would affect the user firm, including amendments of standards and interpretive guidance and deferrals of effective dates
- h. Complying with relevant professional standards and interpretive guidance
- i. Understanding that the effectiveness of the QCM is dependent on the user firm fulfilling the preceding responsibilities and the effectiveness of its actions