

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2015



HOULDSWORTH, RUSSO & COMPANY

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NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-11

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nevada Affordable Housing Assistance Corporation
Las Vegas, Nevada

Report on the Financial Statements

We have audited the accompanying statements of Nevada Affordable Housing Assistance Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Certified Public Accountants

Opinion

In our opinion, the June 30, 2015 financial statements referred to above present fairly, in all material respects, the financial position of Nevada Affordable Housing Assistance Corporation as of June 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Las Vegas, Nevada
October 28, 2015

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	204,905
Cash and cash equivalents, restricted		10,978,728
Accounts receivable, net		30,386
Prepaid expenses		60,000
		11,274,019

NON-CURRENT ASSETS

Property and equipment, net		111,776
Deposits		11,137
Long-term receivable from Nevada Housing Division		739,312
		12,136,244
	\$	12,136,244

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	68,684
Accrued expenses		86,481
Client deposits		29,504
Refundable advance		11,007,358
		11,192,027

NET ASSETS

Unrestricted		944,217
		944,217
	\$	12,136,244

See notes to financial statements

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

UNRESTRICTED NET ASSETS

Revenue, gains and other support:

Government contracts	\$ 5,411,570
Lien satisfaction recovery	568,307
Other income	1,535
Interest income	150
	5,981,562

Expenses:

Program expenses	3,375,774
Management and general	2,528,640
Loss on disposal of property and equipment	2,348
Bad debt expense	86,907
	5,993,669

DECREASE IN UNRESTRICTED NET ASSETS (12,107)

NET ASSETS AT BEGINNING OF YEAR 956,324

NET ASSETS AT END OF YEAR \$ 944,217

See notes to financial statements

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CHANGE IN NET ASSETS	\$ (12,107)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	30,666
Loss on disposal of assets	2,348
Bad debt expense	86,907
(Increase) decrease in operating assets:	
Accounts receivable	(71,605)
Prepaid expenses	(29,194)
Long-term receivables from related party	113,835
Deposits	(4,142)
Increase (decrease) in operating liabilities:	
Accounts payable	36,684
Client deposits	(18,833)
Accrued expenses	(77,773)
Refundable advance	(5,411,570)
Net cash used in operating activities	<u>(5,354,784)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of property and equipment	2,650
Purchases of property and equipment	(129,043)
Net cash used in investing activities	<u>(126,393)</u>
 DECREASE IN CASH	(5,481,177)
 BEGINNING CASH	<u>16,664,810</u>
 ENDING CASH	<u>\$ 11,183,633</u>
 SUMMARY OF CASH ACCOUNTS	
Cash and cash equivalents	\$ 204,905
Cash and cash equivalents, restricted	10,978,728
	<u>\$ 11,183,633</u>

See notes to financial statements

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Nevada Affordable Housing Assistance Corporation (NAHAC) is a nonprofit corporation. NAHAC's mission is to lessen the burdens of government by (i) owning, acquiring, developing, leasing and managing single or multi-family housing located in the State of Nevada (the State), (ii) providing funds or other benefits to facilitate single or multi-family housing located in the State, (iii) providing subsidies or other benefits to targeted groups of individuals within the State necessary or appropriate to provide affordable or subsidized single or multi-family housing in the State, (iv) promoting affordable or subsidized single or multi-family housing located in the State, (v) financing affordable or subsidized single or multi-family housing in the State, (vi) accepting and making grants for affordable or subsidized single or multi-family housing in the State, and (vii) conducting or performing any ancillary or related activity in furtherance of the foregoing.

In 2010, NAHAC was selected to administer the "Hardest Hit Funds" program for the State of Nevada by the United States Department of Treasury. Nevada was awarded over \$194 million in funds available to qualified recipients through a series of Federal grants to help Nevada homeowners. Programs available to homeowners are the Mortgage Assistance Program (MAP) (ongoing), the Mortgage Assistance Program Alternative (MAPA) (inactive since October 1, 2012), the Principal Reduction/Curtailment Program (ongoing), the Second Mortgage Reduction Plan (ongoing), and the Short Sale Acceleration Program (inactive since December 31, 2012). MAP participants receive assistance for up to nine months with the possibility of a 3 month extension, where NAHAC pays up to \$1,000 per month. A final component of MAP is the reinstatement program in that NAHAC will pay \$35,000 to the participants' lender. The "Hardest Hit Funds" Program is set to sunset December 31, 2017 at which time all remaining cash and assets related to the program will be returned to the United States Department of Treasury.

When NAHAC was formed, it was determined that the Nevada Housing Division (NHD) was financially accountable for NAHAC as it appointed a voting majority of NAHAC's governing body. Therefore, NAHAC was reported as a discreetly presented component unit of NHD. In February 2013, due to changes in NAHAC's organizing documents, and how Board members are appointed, it was determined that NAHAC is no longer a component unit of NHD.

Basis of Accounting

The financial statements of NAHAC have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958 regarding nonprofit organizations. Under FASB ASC 958, NAHAC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of NAHAC.

Donated Assets and Services

Donated assets are recorded as a contribution and as an addition to property, plant and equipment at an estimated fair market value on the date of donation.

Donated services are recognized as contributions in accordance with FASB ASC 958-605-50-1 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by NAHAC. As of June 30, 2015 there were no donated services that met these requirements.

Accounts Receivable

Accounts receivable result from settlements related to repayments of homeowner assistance and down payment assistance loans that have been assigned from NHD (see Note 5), and are shown net of allowance. Management reviews accounts receivable balances to determine if an allowance for doubtful accounts is necessary. No interest income is charged or recognized on accounts receivable. At June 30, 2015, the allowance for doubtful accounts was \$79,254. As of and for the year ended June 30, 2015, one customer made up 96% of accounts receivable.

Income Tax Status

NAHAC is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally exempt from income taxes on related income pursuant to the appropriate section of the IRC.

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

NAHAC considers all highly liquid short-term interest bearing investments purchased with an original maturity of three months or less and money market funds to be cash equivalents.

Property and Equipment

NAHAC capitalizes all expenditures for property and equipment in excess of \$5,000 and with a useful life of greater than one year. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Assets associated with the Hardest Hit Funds program are depreciated over two years based on the estimated duration of the program. All other assets are depreciated over useful lives of 3-5 years.

Refundable Advance

Refundable advance consists of funds advanced by the United States Department of Treasury to administer the Hardest Hit Fund programs (see "Organization" sub-heading above).

Impairment of Long Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. If events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable, we compare the carrying amount of the asset group to future undiscounted net cash flows, excluding interest costs, expected to be generated by the asset group and their ultimate disposition. If the sum of the undiscounted cash flows is less than the carrying value, the impairment to be recognized is measured by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Subsequent Events

Subsequent events have been evaluated through October 28, 2015, which is the date the financial statements were available to be issued.

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gifts of Long-Lived Assets

NAHAC reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, NAHAC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Advertising

NAHAC expensed all of its advertising costs as they were incurred. Advertising costs totaled \$16,909 during the year ended June 30, 2015.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2015:

Office equipment	\$ 253,628
Computer hardware and software	<u>163,918</u>
Total property and equipment	417,546
Accumulated depreciation	<u>(305,770)</u>
	<u>\$ 111,776</u>

Depreciation expense totaled \$30,666 at June 30, 2015.

NOTE 3. CONCENTRATIONS

Cash and cash equivalents are highly liquid investments and money market accounts with an initial maturity of three months or less. NAHAC has concentrated its credit risk by maintaining deposits in two financial institutions, which at most times exceeded amounts covered by the Federal Deposit Insurance Corporation (FDIC). The loss would represent the excess of the deposit liabilities reported by the banks over the amounts that would have been covered by Federal insurance. NAHAC has not experienced any losses in such accounts and does not believe it is exposed to a significant credit risk to cash.

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 4. OPERATING LEASES

NAHAC has various non-cancelable operating leases with certain renewal and escalation clauses. The following is a schedule of the future minimum operating lease payments at June 30, 2015:

2016	\$ 101,029
2017	104,020
2018	100,164
2019	<u>84,008</u>
Total	<u>\$ 389,221</u>

Rent expense for all operating leases was \$169,318 during the years ended June 30, 2015 and included certain contingent amounts for maintenance of the leased space.

NAHAC terminated their lease agreement for a Las Vegas office space location in June 2015; however, the lessor has not executed the termination agreement. As of the date of issuance of the financial statements, NAHAC's anticipated maximum liability is \$293,268. The likelihood of any potential loss is unknown.

NOTE 5. RECEIVABLE FROM NEVADA HOUSING DIVISION

In June 2008, NAHAC received a \$940,000 grant from NHD to promote the development of use of decent, safe and sanitary housing for persons eligible as determined within Nevada Assembly Bill 629. The funds from the grant were to be used for the creation of employer assisted housing programs. Pursuant to this grant award, NAHAC entered into a Memorandum of Understanding with the Culinary Union of Clark County, Nevada (the "Culinary MOU") which provided that NAHAC would partner with the Culinary Union to provide funding to the Culinary Union's down payment assistance program. NAHAC and the Culinary Union each provided 50% of the funds for down payment assistance loans to qualified employees. The loans were 0% loans with no monthly payments which are due and payable upon a sale, transfer of title or refinance. At the time the loans are paid off, 50% of the proceeds are to be paid to the Culinary Union and 50% to NAHAC. The loans are serviced by the NHD and the NHD is named as the lender on the documentation evidencing the loans, including the deeds of trust securing the loans. At June 30, 2015, this totaled \$739,312 and was recorded in long-term receivables from NHD.

NOTE 6. RESTRICTED CASH

Funds received from the United States Department of Treasury for administration of the Hardest Hit Fund programs are required to be held in a separate bank account. These are reported as restricted cash on the Statement of Financial Position.

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 7. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2015, a prior period adjustment was discovered that needed to be made to the beginning temporarily restricted net assets balance, as follows:

June 30, 2014 temporarily restricted net assets balance, originally stated	\$ 17,375,253
Less: Government contracts revenue improperly recognized	<u>(16,418,929)</u>
June 30, 2014 temporarily restricted net assets balance, restated	<u>\$ 956,324</u>

Government contracts revenues are deferred until expenses are incurred against it. Expenses are incurred when program assistance is disbursed or administrative costs are incurred. Refundable advances made by the United States Department of Treasury had been improperly recognized as government contracts revenue in prior periods as this recognition criteria had not been satisfied. The effect of the prior period adjustment is to decrease temporarily restricted net assets and increase the refundable advance liability in the amount of \$16,418,929.