



Financial Statements and Report of Independent
Certified Public Accountants

Nevada Affordable Housing Assistance Corporation

June 30, 2011 and 2010

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Report of Independent Certified Public Accountants

Board of Directors
Nevada Affordable Housing Assistance Corporation

We have audited the accompanying balance sheets of the Nevada Affordable Housing Assistance Corporation (“NAHAC”) (*a Nevada corporation*), a component unit of the Nevada Housing Division, as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of NAHAC’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NAHAC’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of NAHAC as of June 30, 2011 and 2010, and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management’s Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Grant Thornton LLP".

Reno, Nevada
November 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nevada Affordable Housing Assistance Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Financial Statement Highlights--NAHAC

- The change in Net Assets [bottom line] for NAHAC was \$5,122,098.
- The change in Net Assets was up \$5,139,051 versus fiscal year 2010's \$(16,953) due to the fact that in 2011 NAHAC received funds from the U.S. Treasury to administer the "Hardest Hit Funds" program.
- At June 2011, NAHAC had funded \$999,033 in down payment assistance loans through the Nevada Housing Division or the Low Income Housing Trust Fund. All loans were current and zero delinquencies were reported on the portfolio.
- Federal Grant and Contract revenue constituted \$7.5 million and represented substantially all of gross revenue. Other grant revenues were \$59,500 and interest income was \$338. Together, these represented less than 1% of gross revenue.
- Salaries and payroll expenses paid amounted to \$568,689 during 2011.
- The net cash position of the NAHAC was \$4,991,300 at June 30, 2011 versus \$259,537 at June 30, 2010, or an increase of \$4,731,763.

Overview of Financial Statements

The Balance Sheet and Statement of Revenues and Expenses and Changes in Net Assets reflect the financial position and results of operations from NAHAC's primary programs: administration of Nevada's "Hardest Hit Funds" Program from the U.S. Treasury; and the Down payment assistance program. Total NAHAC debt outstanding was \$-0-.

Financial Analysis

Total Assets: The total assets at June 30, 2011 were \$6,369,422 up \$5,102,517 or 403%. This material increase is primarily due to NAHAC receiving \$7.5 million of Federal Grant and Contract funds. The 3 year trend in total assets has been:

<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>\$6,369,422</u>	<u>\$1,266,905</u>	<u>\$1,071,645</u>

Total Liabilities: The total liabilities at year end were \$308,491, down \$19,581 or 6%. This decrease is primarily due to the pay-off of the short-term capital lending program to the Nevada Housing Division. The 3 year trend in total liabilities has been:

<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>\$308,491</u>	<u>\$328,072</u>	<u>\$115,858</u>

The Total Asset: Total Liability ratio trend for the past 1.5 years has been:

<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>20.7X</u>	<u>3.86X</u>	<u>9.3X</u>

Nevada Affordable Housing Assistance Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2011

Financial Analysis - Continued

Net Assets: The net assets of NAHAC increased to \$6,060,931 up \$5,122,098 or 546%. This material increase is primarily due to the draw-down of \$7.5 million in funds as part of the "Hardest Hit Funds" Program through the U.S. Treasury. The 3 year trend in net assets has been:

<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>\$6,060,931</u>	<u>\$938,833</u>	<u>\$955,786</u>

In the past 3 years, combined net assets from the primary financial programs: "Hardest Hit Funds" program, down payment assistance funds, short-term contractor loan program have shown the following trend:

<u>Net Assets</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
"Hardest Hit Funds" Program	\$5,102,107	\$ -	\$ -
Down payment loans	958,824	938,833	955,786
Short-term contractor loans	-	-	-

The trend in administrative expenses:

<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>\$2,388,740</u>	<u>\$20,132</u>	<u>\$30</u>

Administrative Budget

The Nevada Affordable Housing Assistance Corporation administrative expense budget was approved for fiscal year 2011 by the Board of Directors at \$3.4 million.

During the first half of the budget year ended June 30, 2011, NAHAC:

Actual expenditures were substantially less than the budget.

This Management Discussion and Analysis along with the accompanying Financial Statements, Notes and Supplementary Information reflect our ongoing commitment to full, fair and honest disclosure at June 30, 2011.

For questions regarding the accompanying Financial Statements, Notes and Supplementary Information, please visit our website at info@nahac.org.

HOWELL JOHNSON /s/
Howell Johnson, Chief Accountant

BASIC FINANCIAL STATEMENTS

Nevada Affordable Housing Assistance Corporation

BALANCE SHEETS

June 30,

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,991,300	\$ 259,537
Accounts receivable	-	47,163
Prepaid expenses	294,253	13,300
Total current assets	5,285,553	320,000
CAPITAL ASSETS, net	78,813	84,497
NON-CURRENT ASSETS		
Long-term receivable from related party	999,033	856,815
Deposits	6,023	5,593
Total assets	\$ 6,369,422	\$ 1,266,905

LIABILITIES AND FUND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 187,977	\$ -
Accounts payable to related party	17,936	128,072
Note payable to related party	-	200,000
Client deposits	69,973	-
Accrued expenses	32,605	-
Total current liabilities	308,491	328,072
NET ASSETS, RESTRICTED	6,060,931	938,833
Total liabilities and fund net assets	\$ 6,369,422	\$ 1,266,905

accompanying notes are an integral part of these statements.

Nevada Affordable Housing Assistance Corporation

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

Years ended June 30,

	2011	2010
Operating support and revenue		
Grant revenue	\$ 7,510,500	\$ -
Interest income	338	3,179
Total operating revenue	7,510,838	3,179
Operating expenses		
Program payment expense	310,681	-
Business partners expense	729,339	-
General and administrative expense	708,688	20,132
Salaries and wages expense	568,689	-
Depreciation expense	71,343	-
Total operating expenses	2,388,740	20,132
NET CHANGE IN NET ASSETS	5,122,098	(16,953)
Fund net assets at beginning of year	938,833	955,786
Fund net assets at end of year	\$ 6,060,931	\$ 938,833

accompanying notes are an integral part of these statements.

Nevada Affordable Housing Assistance Corporation

STATEMENT OF CASH FLOWS

Years ended June 30,

	2011	2010
Cash flows from operating activities:		
Grant revenue	\$ 7,510,500	\$ -
Interest income	338	3,179
Cash received from program participants	150,081	-
Cash paid for programs	(235,789)	-
Cash received from related party	-	965,392
Cash paid to related party	(599,319)	(2,211,244)
Cash received from Nevada Partners	159,130	722,926
Cash paid to employees	(7,194)	-
Cash paid to HELP of Southern Nevada	-	(765,392)
Cash received from HELP of Southern Nevada	-	765,392
Cash paid to suppliers	(1,611,636)	(30,179)
Cash paid to employees for payroll	(568,689)	-
Net cash provided by (used in) operating activities	4,797,422	(549,926)
Cash flows from capital financing activities		
Purchase of capital assets	(65,659)	(84,497)
Net cash used in capital financing activities	(65,659)	(84,497)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,731,763	(634,423)
Cash and cash equivalents, beginning	259,537	893,960
Cash and cash equivalents, ending	\$ 4,991,300	\$ 259,537
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 5,122,098	\$ (16,953)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	71,343	-
Changes in:		
Accounts receivable	47,163	10,767
Prepaid expenses	(280,953)	(13,300)
Long-term receivable from related party	(142,218)	(737,060)
Deposits	(430)	(5,593)
Accounts payable to related party	(101,190)	3,267
Accounts payable	179,031	8,946
Notes payable to related party	(200,000)	200,000
Client deposits	69,973	-
Accrued expenses	32,605	-
Net cash used provided by (used in) operating activities	\$ 4,797,422	\$ (549,926)

accompanying notes are an integral part of these statements.

Nevada Affordable Housing Assistance Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nevada Affordable Housing Assistance Corporation (“NAHAC”) is a nonprofit corporation. NAHAC’s mission is to lessen the burdens of government by assisting the State of Nevada, Division of Housing of the Department of Business and Industry (the “Nevada Housing Division”) 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 U.S. Treasury. Nevada was awarded over \$169 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), the Principal Reduction Program, the Short Sale Program and the Second Lien Relief Program. MAP participants receive assistance for six months, where NAHAC pays up to one-third of their mortgage not to exceed \$500 per month. Participants in the Principal Reduction Program can receive a principal reduction up to \$50,000, \$25,000 paid by NAHAC in three yearly installments, matched by the participant’s lender. The Short-sale Program is designed to help homeowners through the short-sale process by paying up to \$8,025 at the time of escrow. The Second Lien Relief Program will pay up to \$16,500, to be partially matched by a participant’s lender, in order to eliminate a homeowner’s second mortgage.

NAHAC is considered a component unit and will be included in the audited basic financial statements of the Nevada Housing Division at June 30, 2011.

A summary of NAHAC’s significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Financial Reporting

The financial statements of NAHAC have been prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 requires NAHAC to apply all applicable GASB pronouncements and, unless they conflict with or contradict GASB pronouncements, all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989. As permitted by the Statement, the Foundation has elected not to apply FASB pronouncements issued after that date.

Since NAHAC’s funds are considered to be proprietary funds for financial reporting purposes, NAHAC follows the accrual basis of accounting, wherein revenues are recorded as earned and expenses are recorded as incurred.

Nevada Affordable Housing Assistance Corporation
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. Financial Reporting - Continued

In order to ensure observance of limitations and restrictions placed on the use of resources available to NAHAC, its accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. Accordingly, all financial transactions have been recorded and reported by fund group as follows:

Unrestricted Fund - Represents funds that are not restricted and are available for the general operations and programs of NAHAC, there were no unrestricted funds at June 30, 2011 or 2010.

Restricted Fund - Represents funds that are restricted by grant requirements and may only be utilized in accordance with purposes established by such grants. These funds are primarily restricted for administration of Nevada's "Hardest Hit Funds" Program. Funds are also restricted for advances to the Nevada Housing Division and Low Income Housing Trust Fund; these entities use the advances to purchase long-term deferred payment and interest second mortgages.

2. Recognition of Revenue

Grant revenue is recognized when drawn down from the U.S. Treasury. Interest income is recognized when received.

3. 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.

4. Concentrations of Credit Risk

Financial Instruments which potentially subject the NAHAC to concentrations of credit risk consist primarily of cash and receivables.

Cash includes amounts deposited in financial institutions in excess of insurable Federal Deposit Insurance Corporation limits.

Receivables at June 30, 2011 are \$-0-. Receivables consist of an amount due from one entity at June 30, 2010. The full balance of the long-term receivable is due from the Nevada Housing Division at June 30, 2011 and 2010. At June 30, 2011 and 2010, management believes that all amounts are fully collectible.

5. Income Taxes

NAHAC is a nonprofit corporation, exempt from income tax under Internal Revenue Code Section 501(c)(3), qualified for the charitable contribution deduction. Accordingly, no liability for Federal income taxes has been provided in the financial statements.

Nevada Affordable Housing Assistance Corporation
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. 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.

7. Depreciation

Depreciation is provided for in amounts sufficient to relate the costs of depreciable assets to operations over their estimated useful service lives on a straight-line basis.

8. Subsequent Events

The Organization has evaluated its June 30, 2011 financial statements for subsequent events through November 7, 2011, the date the financial statements were available to be issued. There were no subsequent events that warrant disclosure.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30 consist of:

	2011	2010
Cash	\$4,972,453	\$ 85,665
Money market funds	18,847	173,872
	\$4,991,300	\$259,537

Risk Factors

Custodial Credit Risk-Deposits

In the event of a bank failure, NAHAC's deposits exceed FDIC limits and may not be returned to NAHAC. All cash deposits are on deposit with two financial institutions. NAHAC does not have a deposit policy for custodial credit risk.

Nevada Affordable Housing Assistance Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE C - CAPITAL ASSETS

Capital assets consisted of the following at June 30:

	2011	2010
Office equipment	\$ 45,496	\$22,007
Computer hardware and software	104,660	62,490
	150,156	84,497
Less accumulated depreciation	(71,343)	-
	\$ 78,813	\$84,497

Depreciation expense was \$71,343 and \$-0- for the years ended June 30, 2011 and 2010, respectively.

NOTE D - 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, 2011:

Years ending June 30,	
2012	\$68,073
2013	5,680
	\$73,753

Rent expense for all operating leases was \$72,880 and \$-0- for the years ended June 30, 2011 and 2010, respectively.

NOTE E - RELATED PARTY TRANSACTIONS

The Nevada Housing Division is financially accountable for NAHAC as it appoints a voting majority of NAHAC's governing body. Therefore, NAHAC is a component unit of the Nevada Housing Division. During fiscal year 2010, NHD made a short-term loan to NAHAC of \$200,000, which was paid off during fiscal year 2011.

In June 2008, NAHAC received a \$940,000 grant from the Nevada Housing Division to promote the development of use of decent, safe and sanitary housing for persons eligible as determined within Nevada Assembly Bill 629 and the Memorandum of Understanding between the Nevada Housing Division and Nevada Partners (Culinary Union). Beginning in March 2009, the Nevada Housing Division began purchasing second mortgages under this agreement, to be reimbursed monthly by NAHAC. The Nevada Housing Division is the secured party on the loans, and NAHAC has an unsecured advance to NHD that will be paid back upon the Nevada Housing Division receiving payment on the mortgages. \$94,126 of accounts payable to related party at June 30, 2010 is for the amount of mortgages purchased by the Nevada Housing Division in June 2010. NAHAC is also

Nevada Affordable Housing Assistance Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE E - RELATED PARTY TRANSACTIONS - Continued

reimbursed monthly for fifty percent of the purchases by Nevada Partners. The receivable from Nevada Partners is recorded in accounts receivable, net and accounts for fifty percent of June 2010 purchases. There were no further purchases subsequent to December 2010.

In December 2009, NAHAC received a \$765,392 grant from the Nevada Housing Division for the explicit support of the Weatherization Program's Southern Nevada subgrantee's working capital needs. NAHAC immediately advanced this amount to HELP of Southern Nevada. NAHAC received full payment for the amount receivable and paid off the payable prior to the end of fiscal 2010.

During 2010, NAHAC also began reimbursing the Low-Income Housing trust fund ("LIHTF") for mortgages purchased in the same manner as described above. Total payable to LIHTF is \$25,000 at June 30, 2010, and included in the accounts payable to related party. The LIHTF is administered by the Nevada Housing Division.

NOTE F - COMMITMENTS

During the year ended June 30, 2011, the Company assisted 110 homeowners through the designated hardest hit programs. The program assistance expended during the year ended June 30, 2011 is as follows:

Program	Homeowners Assisted	Assistance Provided
Mortgage Assistance	82	\$ 28,990
Short-sale	1	2,574
Principal Reduction	-	-
Second Lien Relief	27	272,988
Total assistance expended	110	\$304,552

The Company has approved 93 homeowners for assistance as of June 30, 2011 that are expected to receive funding in future periods. The expected program commitments as of June 30, 2011 are as follows:

Program	Homeowners Approved	Funds Committed
Mortgage Assistance	82	\$132,105
Short-sale	-	-
Principal Reduction	10	250,000
Second Lien Relief	1	9,413
Total assistance expended	93	\$391,518