



Financial Statements and Report of Independent
Certified Public Accountants

Nevada Affordable Housing Assistance Corporation

June 30, 2013 and 2012

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Report of Independent Certified Public Accountants

Board of Directors
Nevada Affordable Housing Assistance Corporation

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities of the Nevada Affordable Housing Assistance Corporation (the “Corporation”), as of June 30, 2013 and 2012 and for each of the years then ended, and the related notes to the financial statements, which collectively comprise the Corporation’s basic financial statements as listed in the table of contents.

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 opinions 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 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 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 Corporation’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 Corporation’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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Nevada Affordable Housing Assistance Corporation, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

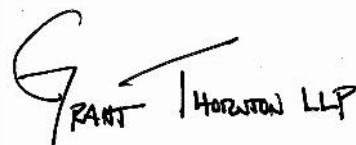
Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 30, 2013, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Reno, Nevada
October 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nevada Affordable Housing Assistance Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Financial Statement Highlights--NAHAC

- The change in Net Position [bottom line] for NAHAC was \$14,742,621.
- The change in Net Position was up \$14,660,122 in Fiscal Year 2013 from \$82,499 in Fiscal Year 2012 due to a drawdown of funds from the U.S. Treasury in the amount of \$80.9 million, along with the fact that NAHAC was not accepting new applications for a portion of the year.
- At June 2013, NAHAC had funded \$1,387,983 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 \$81,073,368 and represented substantially all of gross revenue. Other grant revenues were \$860,000 and interest income was \$20,772. Together, these represented 1% of gross revenue.
- Salaries and payroll expenses paid amounted to \$2,051,337 during 2013.
- The net cash position of the NAHAC was \$19,740,412 at June 30, 2013 versus \$5,145,613 at June 30, 2012, or an increase of \$14,594,799.

Overview of Financial Statements

The Statement of Net Position and Statement of Revenues and Expenses and Changes in Net Position reflect the financial position and results of operations from NAHAC's primary programs: administration of Nevada's "Hardest Hit Fund" Program from the U.S. Treasury, the Down Payment Assistance Program, and the Loan Servicing Program. Total NAHAC debt outstanding was \$-0- as of June 30, 2013.

Financial Analysis

Total Assets: Total assets at June 30, 2013 were \$21,224,541. The four-year trend in total assets has been:

2013	2012	2011	2010
<u>\$ 21,224,541</u>	<u>\$ 6,362,206</u>	<u>\$ 6,369,422</u>	<u>\$ 1,266,905</u>

Total Liabilities: Total liabilities at June 30, 2013 were \$338,490, up \$119,714 or 35% from June 30, 2012. This increase is primarily due to upgrades in NAHAC's operating system. The four-year trend in total liabilities has been:

2013	2012	2011	2010
<u>\$ 338,490</u>	<u>\$ 218,776</u>	<u>\$ 308,491</u>	<u>\$ 328,072</u>

Total Assets: Total liability ratio trend for the past four years has been:

2013	2012	2011	2010
<u>62.7X</u>	<u>29.1X</u>	<u>20.7X</u>	<u>3.86X</u>

Nevada Affordable Housing Assistance Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2013

Financial Analysis - Continued

Net Position: Net position of NAHAC increased to \$20,886,051 at June 30, 2013 up \$14,742,621 or 240% from June 30, 2012. This material increase is primarily due to the draw-down of \$80.9 million in funds as part of the "Hardest Hit Funds" Program through the U.S. Treasury. The four-year trend in net position has been:

2013	2012	2011	2010
\$ 20,886,051	\$ 6,143,430	\$ 6,060,931	\$ 938,83

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

Net Position	2013	2012	2011	2010
"Hardest Hit Funds" program	\$ 19,486,316	\$ 4,896,630	\$ 5,102,107	\$ -
Down payment loans	1,399,735	1,061,800	958,824	938,833
Loan Servicing program	-	185,000	-	-

The four-year trend in total operating expenses has been:

2013	2012	2011	2010
\$ 67,058,151	\$ 10,617,790	\$ 2,388,740	\$ 20,132

Administrative Budget

The Nevada Affordable Housing Assistance Corporation administrative expense budget was approved by the Board of Directors at \$25 million per the Tenth Amendment to the Commitment to Purchase Financial Instrument and HFA Participation Agreement with the United States Treasury.

During the first half of the budget year ended June 30, 2013, NAHAC's actual expenditures continue to remain 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, 2013.

For questions regarding the accompanying Basic Financial Statements, Notes and Supplementary Information, please visit our website at www.nevadahardesthitfund.nv.gov.

STEPHEN LISOOK /s/

Stephen Lisook, Accounting Manager

BASIC FINANCIAL STATEMENTS

Nevada Affordable Housing Assistance Corporation

STATEMENTS OF NET POSITION

June 30,

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,740,412	\$ 5,145,613
Accounts receivable	284	3,610
Prepaid expenses	38,321	103,291
Total current assets	19,779,017	5,252,514
CAPITAL ASSETS, net	91,008	51,876
NON-CURRENT ASSETS		
Long-term receivable from related parties	1,346,585	1,047,983
Deposits	7,931	9,833
Total assets	\$ 21,224,541	\$ 6,362,206

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 169,164	\$ 73,027
Accounts payable to related parties	59,937	5,300
Client deposits	56,165	93,996
Accrued expenses	53,224	46,453
Total current liabilities	338,490	218,776
NET POSITION		
Invested in capital assets, net of related debt	91,008	51,876
Restricted	20,795,043	6,091,554
Total net position	20,886,051	6,143,430
Total liabilities and net position	\$ 21,224,541	\$ 6,362,206

The accompanying notes are an integral part of these statements.

Nevada Affordable Housing Assistance Corporation

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

Years ended June 30,

	2013	2012
Operating support and revenue		
Grant revenue	\$ 81,780,000	\$ 10,699,950
Total operating revenue	81,780,000	10,699,950
Operating expenses		
Program expenses		
Principal reduction	45,129,106	540,791
Second lien relief	1,205,886	2,385,215
Short sale assistance	198,447	88,158
Mortgage assistance	14,110,398	4,911,599
Mortgage assistance alternative	1,067,789	-
Total program expenses	61,711,626	7,925,763
Administrative expenses		
Counseling fees	1,378,117	678,659
Bank and recording fees	21,949	17,257
IT communications and website	667,377	572,126
Depreciation	55,911	80,510
Insurance	20,292	22,717
Buildings, leases and equipment	163,596	104,830
Miscellaneous	86,717	10,227
Loan servicing program	705,000	-
Office supplies and postage	55,047	29,648
Professional services and marketing	113,368	181,702
Salaries and payroll expenses	2,051,337	979,756
Travel	25,389	14,240
Training	2,425	355
Total administrative expenses	5,346,525	2,692,027
Total operating expenses	67,058,151	10,617,790
Non-operating revenue		
Interest income	20,772	339
Total non-operating revenue	20,772	339
CHANGE IN NET POSITION	14,742,621	82,499
Net position at beginning of year	6,143,430	6,060,931
Net position at end of year	\$ 20,886,051	\$ 6,143,430

The accompanying notes are an integral part of these statements.

Nevada Affordable Housing Assistance Corporation

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2013	2012
Cash flows from operating activities:		
Grant revenue	\$ 81,780,000	\$ 10,699,950
Interest income	20,772	339
Cash received from program participants	4,603,955	2,395,970
Cash paid for programs	(66,315,581)	(10,173,343)
Cash received from related parties	36,399	300
Cash paid to related party	-	(47,097)
Cash paid to employees	(1,448,604)	(797,178)
Cash paid to suppliers	(3,955,133)	(1,871,055)
Net cash provided by operating activities	14,721,808	207,886
Cash flows from capital financing activities		
Purchase of capital assets	(127,009)	(53,573)
Net cash used in capital financing activities	(127,009)	(53,573)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,594,799	154,313
Cash and cash equivalents, beginning	5,145,613	4,991,300
Cash and cash equivalents, ending	\$ 19,740,412	\$ 5,145,613
Reconciliation of change in net position to net cash provided by operating activities:		
Change in net position	\$ 14,742,621	\$ 82,499
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	55,911	80,510
Loss on disposal of assets	31,966	-
Changes in:		
Accounts receivable	3,326	(3,610)
Prepaid expenses	64,970	190,962
Long-term receivable from related party	(298,602)	(48,950)
Deposits	1,902	(3,810)
Accounts payable to related party	54,637	(12,636)
Accounts payable	96,137	(114,950)
Client deposits	(37,831)	24,023
Accrued expenses	6,771	13,848
Net cash provided by operating activities	\$ 14,721,808	\$ 207,886

The accompanying notes are an integral part of these statements.

Nevada Affordable Housing Assistance Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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 (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 \$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), the Mortgage Assistance Program Alternative (MAPA), the Principal Reduction/Curtailment Program, the Short Sale Program, and the Second Lien Relief Program. MAP & MAPA 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 \$12,500 to the participants’ lender. Participants in the Principal Reduction / Curtailment Program can receive a principal reduction up to \$100,000, \$50,000 paid by NAHAC in up to three yearly installments, matched by the participant’s lender or curtailment, a one-time \$50,000 payment to the servicer with no required match. 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.

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 Board, and how board members are appointed, it was determined that NAHAC is no longer a component unit of NHD.

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

1. Financial Reporting

During the period ended June 30, 2013, the Division adopted Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance contained in pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporated into GASB’s authoritative literature certain accounting and financial reporting guidance included in the pronouncements of the FASB and American Institute of Certified Public Accountants (AICPA). This statement also superseded GASB Statement No. 20, and eliminated the election to apply post November 30, 1989 FASB pronouncements. The Division adopted this guidance, and it is reflected in the financial statements for the years ended June 30, 2013 and 2012.

Nevada Affordable Housing Assistance Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. **Financial Reporting** - Continued

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.

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, 2013 or 2012.

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. Lastly, funds are restricted for purposes of the loan servicing grant NAHAC received from NHD (see Note E).

2. **New Accounting Pronouncements**

In June 2011, the Governmental Accounting Standards Board (the "GASB") issued authoritative guidance related to financial reporting for deferred outflows of resources and deferred inflows of resources. This Statement, GASB 63, *Financial Reporting of Deferred Outflows of resources, Deferred Inflows of resources, and Net Position*, establishes accounting and financial reporting standards that standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The Division adopted this guidance, and changes are reflected in the financial statements for the years ended June 30, 2013 and 2012.

3. **Recognition of Revenue**

Grant revenue is recognized when received. Interest income is recognized when earned.

4. **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.

5. **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.

Nevada Affordable Housing Assistance Corporation
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Concentrations of Credit Risk - Continued

At June 30, 2013 and 2012, management believes that all receivable amounts are fully collectible.

6. Income Taxes

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

7. 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.

8. 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. 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.

9. Reclassifications

Certain reclassifications have been made to prior year balances to conform to the current year presentation. These reclassifications did not impact previously reported change in net position.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30:

	2013	2012
Cash	\$ 19,687,422	\$ 5,126,956
Money market funds	52,990	18,657
	\$ 19,740,412	\$ 5,145,613

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, amounts on deposit at one institution exceeded FDIC limits by \$19.4 million. NAHAC does not have a deposit policy for custodial credit risk.

Nevada Affordable Housing Assistance Corporation
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE C - CAPITAL ASSETS

Capital assets consisted of the following at June 30:

	<u>2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>2013</u>
Office equipment	\$ 46,776	\$ 88,002	\$ -	\$ 134,778
Computer hardware and software	156,953	39,007	(31,966)	163,994
	<u>203,729</u>	<u>127,009</u>	<u>(31,966)</u>	<u>298,772</u>
Accumulated depreciation	<u>(151,853)</u>	<u>(55,911)</u>	<u>-</u>	<u>(207,764)</u>
	<u>\$ 51,876</u>	<u>\$ 71,098</u>	<u>\$ (31,966)</u>	<u>\$ 91,008</u>

Depreciation expense was \$55,911 and \$80,510 for the years ended June 30, 2013 and 2012, 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, 2013:

Years ending June 30, 2014 \$ 79,243

Rent expense for all operating leases was \$78,019 and \$81,448 for the years ended June 30, 2013 and 2012, respectively, and included certain contingent amounts for maintenance of the leased space.

NOTE E - RELATED PARTY TRANSACTIONS

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 and the Memorandum of Understanding between NHD and Nevada Partners (Culinary Union). Beginning in March 2009, NHD began purchasing second mortgages under this agreement, to be reimbursed monthly by NAHAC. NHD is the secured party on the loans, and NAHAC has an unsecured advance to NHD that will be paid back upon NHD receiving payment on the mortgages. At June 30, 2013 and 2012, this totaled \$903,134 and \$939,533 and was recorded in long-term receivables from related parties.

Nevada Affordable Housing Assistance Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE E - RELATED PARTY TRANSACTIONS - Continued

During 2010, the Low-Income Housing Trust Fund (“LIHTF”) began granting funds for NAHAC for the purchase of second mortgages from LIHTF in the same manner as noted above. NAHAC received \$340,000 and \$43,950 in grant revenue from LIHTF for the years ended June 30, 2013 and 2012, respectively. NAHAC has an unsecured advance to LIHTF for the mortgages that will be paid back upon LIHTF receiving payment on the mortgages. At June 30, 2013 and 2012, this totaled \$443,451 and \$108,450 recorded in long-term receivables from related parties. Total payable to LIHTF is \$0 and \$5,000 at June 30, 2013 and 2012, and included in the accounts payable to related parties. The LIHTF is administered by NHD.

During the years ended June 30, 2013 and 2012, respectively, NHD granted NAHAC \$520,000 and \$185,000 for computer upgrades to the NAHAC network and to fund an escrow account in order to begin servicing loans for NHD, these balances are included in grant revenue on the Statement of Revenues, Expenses and Changes in Net Position. In May 2013, these assets were transferred back to NHD, as NAHAC would no longer be servicing loans, which is accounted for on the Loan Servicing Program line in Administrative expenses on the Statement of Revenues, Expenses and Changes in Net Position, and includes a \$31,966 loss on disposal of assets for assets acquired in the prior year under this program. As of June 30, 2013 NAHAC has a \$59,937 payable to NHD to complete this transfer.

COMPLIANCE SECTION

Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Board of Directors
Nevada Affordable Housing Assistance Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Nevada Affordable Housing Assistance Corporation (the “Corporation”), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Corporation’s basic financial statements, and have issued our report thereon dated October 30, 2013.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Corporation’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation’s financial statements will not be prevented, or detected and corrected, on a timely basis.

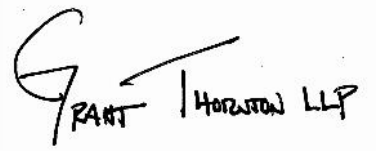
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. However, we identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2013-1, that we consider to be material weaknesses in the Corporation’s internal control.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Corporation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Reno, Nevada
October 30, 2013

Nevada Affordable Housing Assistance Corporation

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2013

SECTION I — SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of independent certified public accountants' report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? yes
- Significant deficiency identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? none reported

SECTION II — FINANCIAL STATEMENT FINDINGS

Material Weaknesses

Item 2013-1

During our audit we noted that due to significant turnover experienced during the year, the Company did not perform periodic reconciliations on various accounts (i.e. cash, accounts receivable, loan servicing fees, payables, and accrued liabilities). It is important to reconcile all general ledger accounts to supporting documentation to ensure the accuracy of financial information and minimize the risk of misstatement or misappropriation. We strongly recommend that the Company's policy be followed, whereby all general ledger accounts are reconciled on a monthly basis. We also recommend that appropriate management-level personnel review the reconciliations for accuracy and document evidence of their review and follow-up of reconciling items.

Management's response

We concur with the finding. All applicable general ledger accounts are now being reconciled on a monthly basis. Further, to ensure proper checks and balances and appropriate oversight, assigned management-level personnel are reviewing said reconciliations for accuracy – to include follow-up of all outstanding reconciling items – with documented evidence of the same.