

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2018**



**HOULDSWORTH, RUSSO & COMPANY**

8675 S. Eastern Avenue | Las Vegas, Nevada 89123 | P: 702.269.9992 | F: 702.269.9993 | [www.trustHRC.com](http://www.trustHRC.com)

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**

**JUNE 30, 2018**

**Table of Contents**

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1-4
INDEPENDENT AUDITOR’S REPORT	5-6
STATEMENT OF NET POSITION	7
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION	8
STATEMENT OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10-14

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

The following discussion and analysis of Nevada Affordable Housing Assistance Corporation (the Organization or NAHAC) provides an overview of the Organization's financial activities for the year ended June 30, 2018. As management of NAHAC, we encourage readers to consider the information presented here in conjunction with the financial statements and related notes to the financial statements.

The financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Codification. The financial statements presented focus on the financial condition of NAHAC and the results of operations and cash flows of the Organization as a whole.

### **Financial Highlights**

- The Organization's net position totals \$553,084 and represents a decrease from prior year as a result of costs not included as a part of the Hardest Hit Funds (HHF) program in accordance with applicable rules and regulations.
- Total assets increased by \$23,288,770, primarily as a result of additional cash received in advance, restricted for use in the HHF program, and an increase in capitalized software costs incurred during the year.
- Program related expenditures increased from the prior year by \$7,536,712, an increase of approximately 118%, while general and administrative expenses (support service expenses) remained relatively constant with only a 6% increase over prior year.

### **Overview of the Financial Statements**

There are three financial statements presented: the statement of net position; the statement of revenues, expenses, and change in net position; and the statement of cash flows. They are prepared using the accrual basis of accounting.

The statement of net position presents information on all of the Organization's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Organization is improving or deteriorating.

The statement of revenues, expenses, and change in net position presents information showing how the Organization's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statement of cash flows provides relevant information about the cash receipts and cash payments during a period.

The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements and should be read with the financial statements.

### **The Organization as a Whole**

One important question asked about the Organization's finances is: "Is the Organization better or worse off as a result of the year's activities?" The information in the accompanying financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is the basis of accounting used by most private-sector companies.

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2018**

**The Organization as a Whole (Continued)**

The changes in net position (the difference between total assets and total liabilities) over time is one indicator of whether the Organization's financial health is improving or deteriorating. However, consideration should be given to other non-financial factors in making an assessment of the Organization's health, such as the success of efforts to raise additional funds from private sources, the ongoing demonstrated success of the programs in operations, changes in the economy, and communications from the US Department of the Treasury (Treasury) who oversees the Hardest Hit Program and the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) who is the designated watchdog for Treasury related to funds from the Troubled Asset Relief Program to assess the overall health of the Organization.

**Condensed Statements of Net Position**

(in thousands)	2018	2017	Change	Percentage
Current assets	\$ 45,377	\$ 22,054	\$ 23,323	106%
Non-current assets				
Capital assets, net	208	152	56	37%
Long-term receivables	448	539	-91	-17%
Other non-current assets	15	15	-	0%
Total assets	<u>46,048</u>	<u>22,760</u>	<u>23,288</u>	<u>102%</u>
Current liabilities	45,495	22,126	23,369	106%
Total liabilities	<u>45,495</u>	<u>22,126</u>	<u>23,369</u>	<u>106%</u>
Net position	<u>\$ 553</u>	<u>\$ 634</u>	<u>\$ (81)</u>	<u>-13%</u>

The increase in current assets is due to additional funds drawn down from Treasury to fund short-term operations. Capital assets increased primarily due to the addition of a new software application developed for program related data tracking purposes (NMAS). Long-term receivables from a related party decreased due to the repayments received.

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2018**

**Condensed Statements of Revenues, Expenses, and Change in Net Position**

(in thousands)	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percentage</u>
Revenue				
Program-specific revenue	\$ 16,122	\$ 8,319	\$ 7,803	94%
Total revenue	<u>16,122</u>	<u>8,319</u>	<u>7,803</u>	<u>94%</u>
Expenses				
Program expenses	13,905	6,368	7,537	118%
Support services	<u>2,298</u>	<u>2,175</u>	<u>123</u>	<u>6%</u>
Total expenses	<u>16,203</u>	<u>8,543</u>	<u>7,660</u>	<u>90%</u>
Change in net position	<u>\$ (81)</u>	<u>\$ (224)</u>	<u>\$ 143</u>	<u>-64%</u>

NAHAC receives the largest portion of its funding through a federal award from Treasury under the Hardest Hit Funds (HHF) program. The total grant revenues received is determined by actual expenses incurred under that program. Total grant revenues and related program expenses increased in current year due to an increase in the amount of funds provided to homeowners in need of assistance in accordance with the Organization's stated mission and the terms of NAHAC's agreement with Treasury. This increase demonstrates the overall effectiveness in the operations of the organization in accomplishing its mission. Support services includes transaction related expenses and other general and administrative costs such as compensation-related expenses, facilities costs, and other general operating expenses. NAHAC, including both management and its dedicated employees, have worked hard over the past twelve months to improve its performance by increasing its program funding, while minimizing any increases in expenses related to support services. The largest increases in support services expenditures were related to information technology and communications costs in order enable NAHAC the capacity to handle additional funding to homeowners through the various programs while maintaining compliance with reporting requirements established by Treasury.

**Other Financial and Program Related Information**

In May 2018, the Organization created the Down Payment Assistance (DPA) program as an addition to its existing activities included under the HHF federal program. This component provides an incentive to qualified homebuyers to purchase a primary residence in targeted areas in Nevada, and aims to prevent future foreclosures by assisting in stabilization of housing prices in those targeted areas. As of June 30, 2018, the Organization provided for an allocation of \$36 million from the total HHF funds available toward this program component.

Other programs were also modified during the fiscal year to better achieve the overall objectives of each component of the program. Key changes included an overall change to the household limits used in determining eligibility, and the significant individual program component changes below:

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2018**

**Other Financial and Program Related Information (Continued)**

- Principal Reduction Program – changed to allow for extinguishment of a first loan mortgage when the unpaid principal balance is less than or equal to \$50,000 for homeowners who meet the unaffordability requirements and their primary source of income is derived from a fixed income source, provided that the homeowners' property related expenses remain affordable after the extinguishment of the first loan mortgage.
- Unemployment Mortgage Assistance Program – changed to allow for reinstatement of a delinquent first mortgage loan for qualified homeowners, prior to making monthly payments under provided for under the program, in order to prevent foreclosure and provide a homeowner with additional time to find alternate employment and replace income needed to make recurring mortgage payments.
- Mortgage Reinstatement Assistance Program – changed to provide assistance to homeowners with previous assistance under the program component, given a qualifying hardship, provided that the total assistance provided does not exceed the maximum of \$54,000.

**Request for Information**

The financial report is designed to provide a general overview of the Organization's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Nevada Affordable Housing Assistance Corporation at PO Box 15142, Las Vegas, NV 89114, and telephone number (702) 570-5662.

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Nevada Affordable Housing Assistance Corporation (NAHAC), a component unit of the Nevada Housing Division, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise NAHAC'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 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAHAC as of June 30, 2018, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants  
**20 YEARS & COUNTING**

HOULDSWORTH, RUSSO & COMPANY

8675 S. Eastern Avenue | Las Vegas, Nevada 89123 | P: 702.269.9992 | F: 702.269.9993 | [www.trustHRC.com](http://www.trustHRC.com)

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1–4 be presented to supplement the basic financial statements. Such information, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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.

*Houldsworth, Russo & Company, P.C.*

Las Vegas, Nevada  
October 15, 2018



**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 105,686
Cash and cash equivalents, held for Hardest Hit Fund	45,178,912
Accounts receivable	47,112
Prepaid expenses	<u>45,367</u>

45,377,077

NONCURRENT ASSETS

Capital assets, net	207,771
Long-term receivable from Nevada Housing Division	448,784
Deposits	<u>14,837</u>

671,392

\$ 46,048,469

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 78,622
Accrued expenses	27,761
Refundable advance	<u>45,389,002</u>

45,495,385

NET POSITION

Unrestricted	<u>553,084</u>
--------------	----------------

553,084

\$ 46,048,469

See notes to financial statements

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

OPERATING REVENUES

Program-specific grant revenue	\$ 16,122,392
--------------------------------	---------------

Total revenues	16,122,392
----------------	------------

OPERATING EXPENSES

Programs:

Mortgage assistance	2,933,459
---------------------	-----------

Second lien relief	650,856
--------------------	---------

Principal reduction	10,320,968
---------------------	------------

	13,905,283
--	------------

Administrative expenses	2,298,276
-------------------------	-----------

Total operating expenses	16,203,559
--------------------------	------------

CHANGE IN NET POSITION	(81,167)
------------------------	----------

NET POSITION, BEGINNING OF YEAR AS RESTATED	634,251
---	---------

NET POSITION, END OF YEAR	\$ 553,084
---------------------------	------------

See notes to financial statements

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from program activities	\$ 39,628,661
Payments for employee compensation	(865,380)
Payments for program expenses	(13,905,283)
Payments for administrative expenses	<u>(1,348,419)</u>
Net cash provided by operating activities	<u>23,509,579</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(146,890)</u>
Net cash used in investing activities	<u>(146,890)</u>
<b>NET CHANGE IN CASH</b>	<b>23,362,689</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>21,921,909</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u><u>\$ 45,284,598</u></u></b>
<b>SUMMARY OF CASH ACCOUNTS</b>	
Cash and cash equivalents	\$ 105,686
Cash and cash equivalents, held for Hardest Hit Fund	<u>45,178,912</u>
	<u><u>\$ 45,284,598</u></u>
<b>RECONCILIATION OF NET CHANGE IN OPERATING INCOME TO</b>	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Net change in operating income	\$ (81,167)
Adjustments to reconciled changes in net assets to net cash provided by operating activities:	
Depreciation expense	91,320
Loss on settlement	52,555
Changes in operating assets and liabilities:	
Decrease in accounts receivable	25,041
Decrease in prepaid expenses	14,425
Decrease in long-term receivable	90,023
Decrease in accounts payable	(9,128)
Decrease in accrued expenses	(64,695)
Increase in refundable advance	<u>23,391,205</u>
Net cash provided by operating activities	<u><u>\$ 23,509,579</u></u>

See notes to financial statements.

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

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 has been awarded over \$202 million in funds available to qualified recipients through a series of Federal grants to help Nevada homeowners.

In February 2016, the US Treasury announced that it would extend the HHF Program through 2020 and make \$2 billion of additional assistance available under the HHF Program as "Fifth Round Funding". Accordingly, the US Treasury created a re-allocation model designed to maximize the utilization of these funds by reallocating unused portions of the funds to other states that met certain defined criteria for utilization of the funds. In December 2017, NAHAC was unable to meet the 2017 utilization threshold, as defined, and their total HHF program allocation of approximately \$202.9 million was reduced to approximately \$196 million. As of June 30, 2018, NAHAC had used approximately \$132 million of their total available allocation.

Programs currently available to homeowners are the Principal Reduction Program (PRP), the Second Mortgage Reduction Program (SMRP) which stopped accepting new applications in November 2016, the Unemployment Mortgage Assistance Program (U-MAP), Mortgage Reinstatement Assistance Program (MRAP), and Down Payment Assistance Program (DPA), which started in May 2018. U-MAP participants receive assistance for up to eighteen months with no possibilities for extension, where NAHAC pays up to \$3,000 per month. Former programs which have been discontinued include the Mortgage Assistance Program Alternative (MAPA) which ended in October 2012 and the Short Sale Acceleration Program which ended in December 2012.

The "Hardest Hit Funds" program is set to sunset December 31, 2020, at which time all remaining cash and assets related to the program will be returned to the United States Department of Treasury. There were no significant activities outside of the Hardest Hit Funds program.

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity**

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, it was determined that NAHAC was not a component unit of NHD and reported as a nonprofit organization. During the year ended June 30, 2017, a majority of the Board members was appointed by NHD and other local governments; therefore, NAHAC is considered a nonprofit governmental organization in the year ended June 30, 2017 and thereafter.

**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. NAHAC did not conduct any unrelated business activities and, consequently, has no provision for federal or state taxes in the accompanying financial statements.

**Basis of Presentation**

NAHAC is considered to be a governmental not-for-profit because of its relationship with the NHD. The financial statements of NAHAC have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) Codification.

NAHAC is a component unit of NHD as defined by GASB Codification. As such, NAHAC reports its financial activities and position using a single column enterprise fund presentation.

The financial statements of NAHAC have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The statement of net position and the statement of revenues, expenses, and change in net position display information about NAHAC.

The statement of revenues, expenses, and change in net position is the statement of financial activities related to the current period.

**Use of Estimates**

Timely preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts, some of which may require revision in future periods.

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**

NAHAC classifies net position, revenues, gains, and other support and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net position of NAHAC and changes therein are classified and reported as follows:

*Restricted-nonexpendable* - Net position subject to donor-imposed stipulations that must be maintained permanently by NAHAC.

*Restricted-expendable* - Net position subject to donor-imposed stipulations that will be transferred to the NAHAC for direct use by a designated program.

*Unrestricted* - Net position not subject to donor-imposed stipulations or received with restrictions that were satisfied in the same period.

*Net investment in capital assets* – Net position consisting of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

**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.

**Accounts Receivable**

Accounts receivable result from settlements related to repayments of homeowner assistance, homeowner copays, and down payment assistance loans that have been assigned from NHD (see Note 6) 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, 2018, all accounts receivable are deemed collectible.

**Capital Assets**

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 based on the lesser of the estimated duration of the program or useful lives. 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 “Nature of Activities” sub-heading above).

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted Activity**

NAHAC's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Advertising**

NAHAC expensed all of its advertising costs as they were incurred. Advertising costs totaled \$116,685 during the year ended June 30, 2018.

**NOTE 2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

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. As of June 30, 2018, the total uninsured balances in these accounts totaled \$45,000,224.

**NOTE 3. CAPITAL ASSETS**

	<u>2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>2018</u>
Capital assets, being depreciated:				
Furniture, equipment and software	\$ 211,383	\$ 266,890	\$ -	\$ 478,273
Less accumulated depreciation	<u>(179,182)</u>	<u>(91,320)</u>	<u>-</u>	<u>(270,502)</u>
	32,201	175,570	-	207,771
Capital assets, nondepreciated				
Implementation costs,				
work in progress	<u>120,000</u>	<u>-</u>	<u>120,000</u>	<u>-</u>
	<u>\$ 152,201</u>	<u>\$ 175,570</u>	<u>\$ 120,000</u>	<u>\$ 207,771</u>

**NOTE 4. OPERATING LEASES**

NAHAC has non-cancelable office space leases with certain renewal and escalation clauses. Under the contract, NAHAC is required to make minimum operating lease payments of \$80,034 during the year ended June 30, 2019.

Rent expense for the operating leases was \$92,779 during the year ended June 30, 2018 and included certain contingent amounts for maintenance of the leased space.

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

**NOTE 5. FUNDS HELD FOR HARDEST HIT FUND**

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 separately on the statement of financial position.

**NOTE 6. RECEIVABLE FROM NEVADA HOUSING DIVISION**

In June 2008, NAHAC received a \$940,000 grant from NHD to promote the development 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, 2018, this totaled \$448,784 and was recorded as a long-term receivable from NHD.

**NOTE 7. PRIOR PERIOD ADJUSTMENTS**

During the year ended June 30, 2018, prior period adjustments were discovered that needed to be made to the beginning unrestricted net assets balance as follows:

June 30, 2017 unrestricted net position, originally stated	\$ 783,614
Less overstatement of long-term receivable from Nevada Housing Division	(95,388)
Less unallowable costs, previously charged to HHF programs	<u>(53,975)</u>
June 30, 2017 unrestricted net position, restated	<u>\$ 634,251</u>

**NOTE 8. LOSS ON SETTLEMENT**

During the year ended June 30, 2018, NAHAC settled with the former employee regarding termination of employment with her. Once the case settled, the attorney's fees became unallowable costs in accordance with Uniform Guidance. Therefore, management recognized the loss of \$52,555, which is included in administrative expenses on the statement of revenues, expenses, and change in net position for the year ended June 30, 2018. The balance was paid back from NAHAC's unrestricted funds to the fund held for HHF, discussed in Note 5.

**NOTE 9. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 15, 2018, which is the date the financial statements were available to be issued.