

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2022



NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION

JUNE 30, 2022

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NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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, 2022. 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 approximately \$2.93 million and represents an increase from prior year primarily as a result of lien recoveries received under the terms of the Hardest Hit Fund (HHF) program after the program ended.
- Total assets increased by approximately \$6.95 million, primarily as a result of additional funding provided to commence operations under Nevada's Homeowner Assistance Fund (HAF) Program established under the American Rescue Plan Act, in addition to recognition of a right-of-use lease asset corresponding to the adoption of a new accounting standard related to leases.
- Program related expenditures decreased from the prior year by approximately \$13.19 million, a decrease of approximately 90%, while general and administrative expenses (support service expenses) increased by approximately 28% from the prior year due to winding down the Hardest Hit Fund program and commencing operations under the new HAF program.

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.

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

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.

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 grantors and federal oversight agencies in assessing the overall health of the Organization.

Condensed Statements of Net Position

| (in thousands) | 2022 | 2021 | Change | Percentage |
|--------------------------|-----------------|---------------|-----------------|-------------|
| Current assets | \$ 10,769 | \$ 4,208 | \$ 6,561 | 156% |
| Non-current assets | | | | |
| Long-term receivables | 288 | 318 | (30) | -9% |
| Capital assets, net | 98 | - | 98 | 100% |
| Lease asset, net | 320 | - | 320 | 100% |
| Other non-current assets | 8 | 8 | - | 0% |
| Total assets | <u>11,483</u> | <u>4,534</u> | <u>6,949</u> | <u>153%</u> |
| Current liabilities | 8,304 | 3,956 | 4,348 | 110% |
| Lease liability, net | <u>254</u> | <u>-</u> | <u>254</u> | <u>100%</u> |
| Total liabilities | <u>8,558</u> | <u>3,956</u> | <u>4,602</u> | <u>116%</u> |
| Net position | <u>\$ 2,925</u> | <u>\$ 578</u> | <u>\$ 2,347</u> | <u>406%</u> |

The increase in current assets is primarily due to additional cash received under the new HAF program as well as lien recoveries received under the HAF program after the program had been completed. Capital assets increased due to capital purchases of software and marketing products related to the implementation of the new HAF program. The increase in lease assets is due to the adoption of the Government Accounting Standards Board's Statement No. 87, *Leases*, which requires that certain lease assets be capitalized as a right to use the underlying assets and corresponding lease liability be reported to enhance the relevance and consistency of information about our leasing activities. Current liabilities increased due to an increase in refundable advances related to operations in the near term under the new HAF program.

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

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

| (in thousands) | 2022 | 2021 | Change | Percentage |
|-------------------------------|-----------------|---------------|-----------------|-----------------|
| Revenue | | | | |
| Program-specific revenue | \$ 4,164 | \$ 16,843 | (12,679) | -75% |
| Other program revenue | 2,474 | - | 2,474 | 100% |
| Total revenue | 6,638 | 16,843 | (10,205) | -61% |
| Expenses | | | | |
| Program expenses | 1,424 | 14,609 | (13,185) | -90% |
| Support services | 2,867 | 2,236 | 631 | 28% |
| Total expenses | 4,291 | 16,845 | (12,554) | -75% |
| Change in net position | \$ 2,347 | \$ (2) | \$ 2,349 | -117450% |

NAHAC receives the largest portion of its funding through two federal awards from the US Department of the Treasury known as the Hardest Hit Fund (HHF) program and the Homeowner Assistance Fund (HAF) Program. The total program revenue received under the programs is determined by actual expenses incurred under those programs. Total program expenses decreased in the current year primarily due to the winding down of the HHF program while only minimal expenditures being incurred for startup costs related to the new HAF program. Support services include 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 to minimize the administrative costs compared to the program funds expended; however, certain fixed costs remain regardless of program funding. The total increase in administrative costs reflect the increase in activities related to creating and implementing Nevada's HAF program.

Other Financial and Program Related Information

During the current fiscal year, NAHAC's management team worked diligently to effectively and efficiently wind-down the HHF program including meeting all compliance and regulatory requirements through that process.

In August 2021, NAHAC entered into an agreement with the Nevada Housing Division to administer the Homeowner Assistance Fund for Nevada, a new federally funded program under the American Rescue Plan Act aimed at preventing mortgage delinquencies and defaults, foreclosures, loss of utilities or home energy services, and displacement of homeowners experiencing financial hardship after January 21, 2020 due to changes in economic conditions resulting from the COVID-19 worldwide pandemic. The U.S. Department of Treasury awarded Nevada approximately \$121 million in funding under this new program to assist Nevada homeowners. NAHAC's management team has been eagerly involved in designing, developing, and implementing the necessary systems, procedures, program requirements, and personnel needed to begin operations under this new program. The program is expected to allow NAHAC to provide assistance to homeowners in Nevada through late 2025, and to adapt the program and assistance provided based on the needs of those homeowners.

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

Other Financial and Program Related Information (Continued)

A focus has continued to be placed on quality controls over approved homeowner funding and on the safeguarding of homeowner information through appropriate information technology controls and procedures.

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Nevada Affordable Housing Assistance Corporation (NAHAC), which comprise the statement of net position as of June 30, 2022, and the related statements of revenue, expenses, and change in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of NAHAC as of June 30, 2022, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NAHAC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NAHAC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NAHAC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NAHAC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The

information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
September 30, 2022

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS

| | |
|---|-----------------------------|
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 2,601,006 |
| Cash and cash equivalents, held for Homeowner Assistance Fund | 7,925,502 |
| Prepaid expenses and other current assets | <u>242,151</u> |
| | 10,768,659 |
| NONCURRENT ASSETS | |
| Long-term receivable from related party | 288,095 |
| Capital assets, net | 98,472 |
| Lease asset, net | 320,037 |
| Deposits | <u>7,637</u> |
| | <u>714,241</u> |
| | <u><u>\$ 11,482,900</u></u> |

LIABILITIES AND NET POSITION

| | |
|--|-----------------------------|
| CURRENT LIABILITIES | |
| Accounts payable | \$ 72,731 |
| Accrued expenses | 54,112 |
| Refundable advance | 8,082,933 |
| Lease liability, current portion | <u>94,577</u> |
| | 8,304,353 |
| LEASE LIABILITY, NET OF CURRENT | <u>254,093</u> |
| | 8,558,446 |
| NET POSITION | |
| Unrestricted | <u>2,924,454</u> |
| | <u>2,924,454</u> |
| | <u><u>\$ 11,482,900</u></u> |

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, 2022

| | |
|---------------------------------|----------------------------|
| OPERATING REVENUES | |
| Program-specific grant revenue | \$ 4,163,678 |
| Other program revenue | <u>2,473,696</u> |
| Total revenues | 6,637,374 |
| OPERATING EXPENSES | |
| Programs: | |
| Mortgage assistance | 1,423,974 |
| Administrative expenses | <u>2,866,655</u> |
| Total operating expenses | <u>4,290,629</u> |
| CHANGE IN NET POSITION | 2,346,745 |
| NET POSITION, BEGINNING OF YEAR | <u>577,709</u> |
| NET POSITION, END OF YEAR | <u><u>\$ 2,924,454</u></u> |

See notes to financial statements

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

| | |
|---|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from program activities | \$ 10,896,444 |
| Payments for employee compensation | (1,048,468) |
| Payments for program expenses | (1,423,974) |
| Payments for administrative expenses | <u>(1,865,422)</u> |
| Net cash provided by operating activities | <u>6,558,580</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of capital assets | (120,000) |
| Payments for lease liability | <u>(59,104)</u> |
| Net cash used in investing activities | <u>(179,104)</u> |
| NET CHANGE IN CASH | 6,379,476 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>4,147,032</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 10,526,508</u></u> |
| SUMMARY OF CASH ACCOUNTS | |
| Cash and cash equivalents | \$ 2,601,006 |
| Cash and cash equivalents, held for Homeowner Assistance Fund | <u>7,925,502</u> |
| | <u><u>\$ 10,526,508</u></u> |
| RECONCILIATION OF NET CHANGE IN OPERATING INCOME TO | |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | |
| Net change in operating income | \$ 2,346,745 |
| Adjustments to reconciled changes in net assets to net cash flows | |
| from operating activities: | |
| Bad debt expense | 27,111 |
| Depreciation and amortization expense | 99,586 |
| Interest paid on lease liability | 9,679 |
| Changes in operating assets and liabilities: | |
| Change in accounts receivable | 3,784 |
| Change in prepaid expenses and other current assets | (212,299) |
| Change in long-term receivable from related party | 30,292 |
| Change in accounts payable | 46,009 |
| Change in accrued expenses | (17,321) |
| Change in refundable advance | <u>4,224,994</u> |
| Net cash flows from operating activities | <u><u>\$ 6,558,580</u></u> |
| SUPPLEMENTAL DISCLOSURE | |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | |
| Lease asset obtained through lease liability | <u><u>\$ 398,095</u></u> |

See notes to financial statements

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Nevada Affordable Housing Assistance Corporation (NAHAC) is a nonprofit corporation. The mission of NAHAC is to provide funds, subsidies, and/or other benefits to Nevada homeowners or other targeted groups of individuals within the State of Nevada in order to assist with affordable or subsidized single or multi-family housing. At a minimum, this will encompass consistently determining what the specific needs of Nevada homeowners are, and any other applicable needs of the individual communities therein. Liaisons with public and private partners, as applicable, will be consistently sought to achieve this overarching objective. The NAHAC qualified and trained team of professionals will provide this service in an efficient and effective manner, making the needs of eligible Nevada homeowner its top daily priority.

In 2010, NAHAC was selected to administer the “Hardest Hit Fund” program for the State of Nevada by the United States Department of Treasury. Nevada was 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.

Due to the sunset provisions of the federal funding for the Hardest Hit Fund program, NAHAC has been involved in winding down its operations in preparation for the end of the program. All originally contracted program related funds were disbursed, and additional homeowner assistance was provided by NAHAC from lien recoveries received on previous assistance provided. The final homeowner assistance payments were made near the end of the fiscal year ended June 30, 2021, and in August 2021, NAHAC returned approximately \$4 million in remaining funds to the U.S. Department of Treasury, including interest earned and additional lien recoveries.

In August 2021, NAHAC entered into an agreement with the Nevada Housing Division to administer the Homeowner Assistance Fund (HAF) for Nevada, a new federally funded program under the American Rescue Plan Act aimed at preventing mortgage delinquencies and defaults, foreclosures, loss of utilities or home energy services, and displacement of homeowners experiencing financial hardship after January 21, 2020 due to changes in economic conditions resulting from the COVID-19 worldwide pandemic. Nevada was awarded approximately \$121 million in funding under this new program to assist Nevada homeowners. All funds must be expended or obligated by March 30, 2026.

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

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 financials statements.

Basis of Presentation

NAHAC is considered to be a nonprofit governmental organization 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 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, 2022

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.

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 HAF 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 Homeowner Assistance Fund program (see "Nature of Activities" sub-heading above).

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 position are available.

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Program Income

Once a state agency winds down HHF, the Treasury forfeits any further line recoveries, according to the Evaluation Report issued by the Office of The Special Inspector General For The Troubled Asset Relief Program. Accordingly, the lien recovery funds received after the return of funds were recognized as revenue. Other program income primarily consists of these funds.

Advertising

NAHAC expensed all of its advertising costs as they were incurred. Advertising costs totaled \$105,796 during the year ended June 30, 2022.

Accounting Pronouncement Adopted

During the year ended June 30, 2022, NAHAC adopted the provisions of GASB Statement No. 87, *Leases* (GASB 87). The objective of this statement is to better meet the information needs of financial statement users by improving the accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, thereby enhancing the relevance and consistency of information presented about governments' leasing activities. NAHAC applied GASBS 87 retrospectively for all prior periods presented, as required under the statement. Since the office lease was renewed in August 2021, as discussed in Note 6, there was no material impact on the financial statements as of June 30, 2021 as a result of adoption. Accordingly, no adjustment to opening net position was recorded.

NOTE 2. DEPOSITS WITH FINANCIAL INSTITUTIONS

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, 2022, the total uninsured balances in these accounts totaled \$10,324,259.

NOTE 3. FUNDS HELD FOR HOMEOWNER ASSISTANCE FUND

Funds received from the United States Department of Treasury for administration of the Homeowner Assistance Fund program are required to be held in a separate bank account. These are reported separately on the statement of financial position.

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 4. RELATED PARTY TRANSACTIONS

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, 2022, this totaled \$288,095 and was recorded as a long-term receivable from related party. Management reviews receivable balance to determine if an allowance for doubtful accounts is necessary. At June 30, 2022, all receivables are deemed collectible.

NAHAC receives the HAF from pass-through NHD.

NOTE 5. CAPITAL ASSETS

| | 2021 | Increases | Decreases | 2022 |
|------------------------------------|-----------|------------|-----------|------------|
| Capital assets, being depreciated: | | | | |
| Furniture, equipment and software | \$ 24,742 | \$ 120,000 | \$ - | \$ 144,742 |
| Less accumulated depreciation | (24,742) | (21,528) | - | (46,270) |
| | \$ - | \$ 98,472 | \$ - | \$ 98,472 |

NOTE 6. LEASES

NAHAC leases office space in Las Vegas, Nevada. The lease term expired on August 31, 2021 and was renewed in September 2021 for an additional 51-month term, expiring November 30, 2025. Payments are due monthly with a 3% escalation per annum and allow for abatement of lease payments for September, October, and November 2021.

The lease asset consists of the following at June 30, 2022:

| | |
|-------------------------------|------------|
| Lease asset, office | \$ 398,095 |
| Less accumulated amortization | (78,058) |
| | \$ 320,037 |

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 6. LEASES (CONTINUED)

Future minimum payments required under the lease are as follows during the years ended June 30:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|-------------------|------------------|-------------------|
| 2023 | \$ 94,577 | \$ 9,173 | \$ 103,750 |
| 2024 | 100,610 | 6,253 | 106,863 |
| 2025 | 106,920 | 3,149 | 110,069 |
| 2026 | <u>46,563</u> | <u>352</u> | <u>46,915</u> |
| | <u>\$ 348,670</u> | <u>\$ 18,927</u> | <u>\$ 367,597</u> |

Lease liability activity is as follows:

| <u>2021</u> | <u>Increases</u> | <u>Decreases</u> | <u>2022</u> | <u>Current Portion</u> |
|-------------|-------------------|--------------------|-------------------|------------------------|
| <u>\$ -</u> | <u>\$ 398,095</u> | <u>\$ (49,425)</u> | <u>\$ 348,670</u> | <u>\$ 94,577</u> |

NOTE 7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 30, 2022, which is the date the financial statements were available to be issued.

NOTE 8. RISKS AND UNCERTAINTIES

As of the date these financial statements were able to be issued, in connection with the Coronavirus (COVID-19) pandemic, there have been significant global, federal, state and local developments. As a result of this worldwide pandemic, which is driving economic uncertainty, NAHAC may experience volatility that may impact results and/or impede general operations. NAHAC continues to monitor this unprecedented situation and evaluate the impact of this pandemic on their results.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the 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 Nevada Affordable Housing Assistance Corporation, as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nevada Affordable Housing Assistance Corporation’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nevada Affordable Housing Assistance Corporation’s internal control. Accordingly, we do not express an opinion on the effectiveness of Nevada Affordable Housing Assistance 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 entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nevada Affordable Housing Assistance 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 financial statements. 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*.



Purpose of This Report

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
September 30, 2022

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Nevada Affordable Housing Assistance Corporation’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Nevada Affordable Housing Assistance Corporation’s major federal programs for the year ended June 30, 2022. Nevada Affordable Housing Assistance Corporation’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Nevada Affordable Housing Assistance Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Nevada Affordable Housing Assistance Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Nevada Affordable Housing Assistance Corporation’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Nevada Affordable Housing Assistance Corporation’s federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Nevada Affordable Housing Assistance Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Nevada Affordable Housing Assistance Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Nevada Affordable Housing Assistance Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Nevada Affordable Housing Assistance Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Nevada Affordable Housing Assistance Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not

deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
September 30, 2022

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

| <u>Grantor and Program Title</u> | <u>Assistance Listing Number</u> | <u>Pass Through Identifying Number</u> | <u>Total Federal Expenditures</u> |
|--|----------------------------------|--|-----------------------------------|
| <u>U.S. Department of the Treasury</u> | | | |
| Passed through the State of Nevada | | | |
| Department of Business and Industry, | | | |
| Nevada Housing Division | | | |
| COVID-19 Homeowner Assistance | | | |
| Fund Program | 21.026 | N/A | <u>\$ 3,919,112</u> |

See notes to schedule of expenditures of federal awards

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Nevada Affordable Housing Assistance Corporation, under programs of the federal government for the year ended June 30, 2022 in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The schedule presents only a selected portion of the operations of the Nevada Affordable Housing Assistance Corporation. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

Nevada Affordable Housing Assistance Corporation has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. PASS-THROUGH AWARDS

Nevada Affordable Housing Assistance Corporation received certain federal financial assistance from pass-through awards of the pass-through entity listed on the schedule of expenditures of federal awards. There were no awards passed through to subrecipients.

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of Nevada Affordable Housing Assistance Corporation
2. No instances of material weaknesses or significant deficiencies related to the audit of the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of Nevada Affordable Housing Assistance Corporation, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for each major federal program for Nevada Affordable Housing Assistance Corporation expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
7. The program tested as major programs was the U.S. Department of the Treasury, Homeowner Assistance Fund Program, Federal Assistance Listing Number 21.026.
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Nevada Affordable Housing Assistance Corporation does not qualify as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.