



Report of Independent Auditors
and Financial Statements for

**Oregon Affordable Housing
Assistance Corporation**

A component unit of the Oregon Housing and
Community Services Department

December 31, 2012 and 2011

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Oregon Affordable Housing Assistance Corporation

Report on Financial Statements

We have audited the accompanying financial statements of Oregon Affordable Housing Assistance Corporation (OAHAC) which comprise the statements of financial position as of December 31, 2012 and 2011 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

REPORT OF INDEPENDENT AUDITORS (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OAHAC as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2013, on our consideration of OAHAC'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Moss Adams LLP

Portland, Oregon
April 25, 2013

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
A Component Unit of the Oregon Housing and Community Services Department
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2012	2011
ASSETS		
Cash and cash equivalents	\$ 6,500,859	\$ 10,912,665
Prepaid expenses	450,000	450,000
Accounts receivable	7,968,781	270,325
Total assets	\$ 14,919,640	\$ 11,632,990

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 493,433	\$ 483,043
Deferred revenue	6,295,593	11,149,947
Due to other governments	7,668,165	-
Due to other governments - gain	328,356	-
Due to other governments - interest	134,093	-
TOTAL LIABILITIES	14,919,640	11,632,990
NET ASSETS	-	-
Total liabilities and net assets	\$ 14,919,640	\$ 11,632,990

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
A Component Unit of the Oregon Housing and Community Services Department
STATEMENTS OF ACTIVITIES

	For Years Ended December 31,	
	<u>2012</u>	<u>2011</u>
REVENUES		
Federal grant income	\$ 45,186,189	\$ 45,203,975
Interest income	1,792	2,069
	<u>45,187,981</u>	<u>45,206,044</u>
TOTAL REVENUES		
EXPENSES		
Mortgage payment assistance program	41,087,081	44,616,218
Loan refinance assistance pilot program	318,220	564,153
Loan preservation program	3,782,680	10,278
Loan modifcaiton program	-	5,464
Traditional assistance program	-	9,931
	<u>45,187,981</u>	<u>45,206,044</u>
TOTAL EXPENSES		
Change in net assets	-	-
Net assets beginning	<u>-</u>	<u>-</u>
Net assets ending	<u>\$ -</u>	<u>\$ -</u>

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
A Component Unit of the Oregon Housing and Community Services Department
STATEMENTS OF CASH FLOWS

	For Years Ended December 31,	
	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ -	\$ -
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash from operating activities		
Increase in operating assets:		
Accounts receivable	(7,698,456)	(270,325)
Prepaid expenses	-	(450,000)
(Increase)decrease in operating liabilities:		
Accounts payable	10,390	(526,749)
Due to other governments	7,668,165	-
Due other governments - gain	328,356	-
Due to other governments - interest	134,093	-
Deferred revenue	<u>(4,854,354)</u>	<u>8,796,024</u>
Net cash from operating activities	<u>(4,411,806)</u>	<u>7,548,950</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,411,806)	7,548,950
CASH AND CASH EQUIVALENTS, beginning of year	<u>10,912,665</u>	<u>3,363,715</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 6,500,859</u>	<u>\$ 10,912,665</u>

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
A Component Unit of the Oregon Housing and Community Services Department
STATEMENT OF FUNCTIONAL EXPENSES – 2012

For the year ended December 31, 2012

	Mortgage Payment Assistance Program	Loan Refinance Assistance Pilot Program	Loan Preservation Program	Loan Modification Program	Transitional Assistance Program	TOTAL
EXPENSES						
Professional Services	\$ 5,615,106	\$ 318,220	\$ 36,404	\$ -	\$ -	\$ 5,969,730
Recording fees	245,739	-	50,029	-	-	295,768
Other services	38,329	-	-	-	-	38,329
Intake agency contracts	3,121,569	-	95,254	-	-	3,216,823
Program payments	32,066,338	-	3,600,993	-	-	35,667,331
TOTAL EXPENSES	<u>\$41,087,081</u>	<u>\$ 318,220</u>	<u>\$ 3,782,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$45,187,981</u>

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
A Component Unit of the Oregon Housing and Community Services Department
STATEMENT OF FUNCTIONAL EXPENSES – 2011

For the year ended December 31, 2011

	Mortgage Payment Assistance Program	Loan Refinance Assistance Pilot Program	Loan Preservation Program	Loan Modification Program	Transitional Assistance Program	TOTAL
EXPENSES						
Professional Services	\$ 3,968,537	\$ 564,016	\$ 9,496	\$ 5,107	\$ 9,827	\$ 4,556,983
Recording fees	284,315	-	-	-	-	284,315
Other services	27,097	137	782	357	104	28,477
Intake agency contracts	4,186,644	-	-	-	-	4,186,644
Program payments	36,149,625	-	-	-	-	36,149,625
TOTAL EXPENSES	<u>\$44,616,218</u>	<u>\$ 564,153</u>	<u>\$ 10,278</u>	<u>\$ 5,464</u>	<u>\$ 9,931</u>	<u>\$45,206,044</u>

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
A Component Unit of the Oregon Housing and Community Services Department
NOTES TO FINANCIAL STATEMENTS

Note 1 – Background and Nature of Activities

Oregon Affordable Housing Assistance Corporation (OAHAC) was established in July 2010. OAHAC is an Oregon nonprofit public benefit corporation. The primary purpose of OAHAC is to administer programs targeted to help prevent or mitigate the impact of foreclosures on low and moderate income persons, to help stabilize housing markets in Oregon, to provide resources for affordable or subsidized housing and to develop and administer programs related to housing permitted under the Emergency Economic Stabilization Act of 2008, as amended (“EESA”), and act as an institution eligible to receive Troubled Asset Relief Program Funds under EESA.

During the fiscal years ended December 31, 2012 and 2011, OAHAC administered only the Hardest Hit Fund programs which are part of the Troubled Asset Relief Program Funds under EESA. All revenue during these periods was received from the U.S. Treasury. The Hardest Hit Fund programs must be completed by December 31, 2017.

OAHAC contracts with Oregon Housing and Community Services Department to provide the administrative support to carry out these activities. OAHAC is a blended component unit of the State of Oregon included within the financial activity of the Oregon Housing and Community Services Department.

Description of Programs

Mortgage Payment Assistance Program: The Mortgage Payment Assistance Program assists unemployed or financially distressed homeowners by providing full monthly mortgage payments. Funds are paid to lenders/servicers for up to 12 months or \$20,000, whichever is reached first. Program payments of \$32,066,338 and \$36,149,626 were made during the fiscal years ended December 31, 2012 and 2011, respectively.

Loan Preservation Assistance Program: The Loan Preservation Assistance (LPA) Program will assist homeowners who have regained employment or recovered from financial distress to ensure their home loans become, or remain, affordable. There are two distinct, exclusive, benefits available through LPA program. Reinstatement Assistance will pay up to \$10,000 in arrearages or fees for certain recipients of the Mortgage Payment Assistance program and serves as an exit path for those recipients of Mortgage Payment Assistance. Preservation Assistance will pay up to \$25,000 of arrearages or fees to lenders/servicers on behalf of homeowners who have recovered from a period of unemployment or financial distress. Program payments of \$3,600,993 and \$0 were made during the fiscal years ended December 31, 2012 and 2011, respectively.

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
A Component Unit of the Oregon Housing and Community Services Department
NOTES TO FINANCIAL STATEMENTS

Note 1 – Background and Nature of Activities (continued)

Loan Refinancing Assistance Pilot Project in Jackson and Deschutes Counties: The Loan Refinancing Assistance Pilot Project will assist underwater homeowners in Deschutes and Jackson counties who have regained employment or recovered from financial distress, and demonstrate the ability to afford a loan reflective of the current value of their home. Existing home loans will be purchased by the Oregon Affordable Housing Assistance Corporation at or below the current appraised value of the home and at least 10 percent below the outstanding principal balance. The loans will then be refinanced to an amount equal to the home's current appraised value. As of December 31, 2012, \$7,668,165 in loans has been purchased.

Loan Modification Assistance Program: Management has decided not to offer this program for the foreseeable future.

Transition Assistance Program: Management has decided not to offer this program for the foreseeable future.

Note 2 – Summary of Significant Accounting Policies

Significant accounting policies are presented to assist the reader in evaluating the financial statements and other data in the report.

Basis of Accounting and Revenue Recognition

OAHAC prepares its financial statements on the accrual basis of accounting, whereby revenues are recognized when earned and expenditures are recognized when incurred.

Cash and Cash Equivalents

All moneys held in demand accounts and investments which mature within 90 days are considered to be cash equivalents.

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
A Component Unit of the Oregon Housing and Community Services Department
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable consisting of balances due on loans made under the Loan Refinancing Assistance Pilot Project was \$7,968,781 as of December 31, 2012. Accounts receivable, consisting of an overpayment to servicers was \$270,325 as of December 31, 2011. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. As of December 31, 2012 and 2011, no allowance for uncollectible amounts was considered necessary.

Prepaid Expenses

Payments for expenditures made prior to the recognition of expenditures are reported as prepaid expenses. Prepaid expenses totaled \$450,000 at December 31, 2012 and 2011, and represent payments to the Oregon Housing and Community Services Department (OHCS).

Accounts Payable

Accounts payable consisted of amounts due for other professional services totaling \$86,245 and \$25,473 at December 31, 2012 and 2011, respectively. Amounts due to OHCS for services related to administering the HHF Programs totaled \$407,188 and \$457,570 at December 31, 2012 and 2011, respectively.

Deferred Revenue

Revenue is recognized when earned. Funds received but not earned are reported as Deferred Revenue. Deferred Revenue representing moneys drawn from the U.S. Treasury but for which expenditures were not incurred totaled \$6,295,593 and \$11,149,947 at December 31, 2012 and 2011, respectively.

Interest Income

Interest income earned on the commercial checking accounts is retained in the account and used for the Hardest Hit Fund Programs. Interest income totaled \$1,792 and \$2,069 at December 31, 2012 and 2011, respectively.

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
A Component Unit of the Oregon Housing and Community Services Department
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Financial Statement Presentation

OAHAC has adopted FASB ASC 958-205-05 (previously Statement of Financial Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations). As permitted by the statement, OAHAC does not use fund accounting. FASB ASC 958-205-05 requires that an Organization present information regarding its financial position and activities according to three classifications of net assets described as follows:

Unrestricted – All resources over which the governing board has discretionary control. The governing board of the Organization may elect to designate such resources for specific purposes. Funding for all of OAHAC’s activities during the period ending December 31, 2012 was received from the U.S. Treasury for administration of the Hardest Hit Program. All net assets are required to be returned to the U.S. Treasury upon the completion of the program which ends no later than December 31, 2017.

Temporarily Restricted – Resources accumulated through donations for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor have been satisfied through expenditure for the specified purpose or program or through the passage of time. No temporarily restricted net assets were held during the year and, accordingly, these financial statements do not reflect any activity related to this class of assets.

Permanently Restricted Net Assets – Net assets subject to donor imposed restrictions that they be maintained permanently by OAHAC. No permanently restricted net assets were held during the year and, accordingly, these financial statements do not reflect any activity related to this class of assets.

Functional Expenses

OAHAC allocates its expenses on a functional basis among various programs. Expenses that can be identified with a specific program are allocated directly to their natural expenditure classification. Start up expenses were allocated among the programs based upon the total amount budgeted to each program.

Income Taxes

OAHAC is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515. The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. OAHAC recognizes interest and penalties related to income tax matters in operating expenses. As of December 31, 2012 and 2011, OAHAC had no uncertain tax positions nor did they recognize interest or penalties.

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
A Component Unit of the Oregon Housing and Community Services Department
NOTES TO FINANCIAL STATEMENTS

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents include amounts held in demand accounts and invested in the Dreyfus Treasury Cash Management Fund.

	For Years Ended December 31,	
	2012	2011
Checking account	\$ 6,141,146	\$ 10,875,945
ACH prefunded account	359,713	36,720
Total cash and cash equivalents	<u>\$ 6,500,859</u>	<u>\$ 10,912,665</u>

Note 4 – Commitments and Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims and amounts already collected could become a liability of the funds. Management believes that adjustments, if any, will not materially affect OAHAC's financial position as of December 31, 2012 and 2011.

Note 5 – Related Parties

OAHAC was included in the State of Oregon Comprehensive Annual Report for the Fiscal Year Ended June 30, 2012, as a financial activity of OHCS. The Director of OHCS appoints two of the five OAHAC board directors and approves the candidacy of the remaining at-large directors.

OAHAC also contracts with OHCS to provide the following services related to the development, implementation, and administration of the Hardest Hit Fund Program including general oversight, financial management, procurement, and contracting, information technology support, research and analysis, monitoring of contracted providers coordination with OAHAC to obtain approval of grant loans and other funding awards, and other services as determined necessary.

OHCS provided contract services totaling \$5,006,710 and \$3,486,145 during the fiscal years ended December 2012 and 2011, respectively.

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
A Component Unit of the Oregon Housing and Community Services Department
NOTES TO FINANCIAL STATEMENTS

Note 6 – Subsequent Events

FASB ASC 855-20-50 (Formally, SFAS No. 165, Subsequent Events) codifies the guidance regarding the disclosure of events occurring subsequent to the balance sheet date. FASB ASC 855-10-50 does not change the definition of a subsequent event (i.e. an event or transaction that occurs after the statement of financial position date but before the financial statements are issued) but requires disclosure of the date through which subsequent events were evaluated when determining whether adjustment to or disclosure in the financial statements is required. OAHAC evaluated subsequent events through April 25, 2013, which is the date the financial statements were available to be issued. Since the codification requires only additional disclosures concerning subsequent events, adoption of the codification did not affect OAHAC's statement of financial position or statement of activities.

REPORT OF INDEPENDENT AUDITORS 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
Oregon Affordable Housing Assistance Corporation

We have audited the financial statements of the Oregon Affordable Housing Assistance Corporation (OAHAC) as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated April 25, 2013. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of OAHAC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered OAHAC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OAHAC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OAHAC's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

**REPORT OF INDEPENDENT AUDITORS 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* (continued)**

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether OAHAC's financial statements are free of 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*.

We noted certain matters that we reported to management of OAHAC in a separate letter dated April 25, 2013.

This report is intended solely for the information and use of the Board of Directors, management, others within OAHAC, and the US Treasury and is not intended to be and should not be used by anyone other than these specified parties.



Portland, Oregon

April 25, 2013