



Report of Independent Auditors
and Financial Statements for

**Oregon Affordable Housing
Assistance Corporation**

December 31, 2015 and 2014

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Oregon Affordable Housing Assistance Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Oregon Affordable Housing Assistance Corporation (OAHAC), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 OAHAC'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 OAHAC'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.

REPORT OF INDEPENDENT AUDITORS (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OAHAC's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
April 19, 2016

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 16,633,131	\$ 29,459,132
Prepaid expenses	200,531	450,000
Loans receivable	22,827,504	22,308,159
Total assets	\$ 39,661,166	\$ 52,217,291

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	106,787	\$ 178,248
Deferred revenue	16,726,875	29,730,884
Due to other governments	22,445,346	21,881,621
Due to other governments – gain	382,158	426,538
Total liabilities	39,661,166	52,217,291
NET ASSETS	-	-
Total liabilities and net assets	\$ 39,661,166	\$ 52,217,291

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
STATEMENTS OF ACTIVITIES

	Years Ended December 31,	
	2015	2014
REVENUES		
Other income	\$ 17,491,568	\$ 1,505,416
Federal grant income	-	31,657,395
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Total revenues	17,491,568	33,162,811
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EXPENSES		
Mortgage payment assistance program	14,926,647	27,415,489
Loan refinancing assistance pilot project	1,783,503	850,003
Loan preservation assistance program	458,122	4,805,903
Rebuilding American homeownership assistance pilot project	323,296	91,416
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Total expenses	17,491,568	33,162,811
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CHANGE IN NET ASSETS	-	-
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NET ASSETS, beginning	-	-
	<hr/>	<hr/>
NET ASSETS, ending	\$ -	\$ -
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OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2015	2014
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:		
Loans receivable	(519,345)	(12,474,642)
Prepaid expenses	249,469	-
(Increase)decrease in operating liabilities:		
Accounts payable	(71,461)	(370,199)
Due to other governments	563,725	12,402,633
Due other governments – gain	(44,380)	72,009
Deferred revenue	<u>(13,004,009)</u>	<u>22,448,797</u>
Net cash from operating activities	<u>(12,826,001)</u>	<u>22,078,598</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(12,826,001)</u>	<u>22,078,598</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>29,459,132</u>	<u>7,380,534</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 16,633,131</u></u>	<u><u>\$ 29,459,132</u></u>

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES – 2015 AND 2014

For the year ended December 31, 2015					
	Mortgage Payment Assistance Program	Loan Preservation Assistance Program	Loan Refinancing Assistance Pilot Project	Rebuilding American Homeownership Assistance Pilot Project	Total
EXPENSES					
Professional services	\$ 1,081,436	\$ 239,335	\$ 1,781,287	\$ 320,706	\$ 3,422,764
Recording fees	3,382	65	212	-	3,659
Other services	9,482	1,934	2,004	2,590	16,010
Intake agency contracts	87,850	-	-	-	87,850
Program payments	13,744,497	216,788	-	-	13,961,285
Total expenses	\$ 14,926,647	\$ 458,122	\$ 1,783,503	\$ 323,296	\$ 17,491,568
For the year ended December 31, 2014					
	Mortgage Payment Assistance Program	Loan Preservation Assistance Program	Loan Refinancing Assistance Pilot Project	Rebuilding American Homeownership Assistance Pilot Project	Total
EXPENSES					
Professional services	\$ 2,950,230	\$ 10,859	\$ 88,732	\$ 90,961	\$ 3,140,782
Recording fees	160,056	2,304	72	-	162,432
Other services	28,509	96	491	455	29,551
Intake agency contracts	1,151,050	75	-	-	1,151,125
Program payments	23,125,644	4,792,569	760,708	-	28,678,921
Total expenses	\$ 27,415,489	\$ 4,805,903	\$ 850,003	\$ 91,416	\$ 33,162,811

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION

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. As of December 31, 2014, OAHAC had fully drawn all funds granted to them by the U.S. Treasury.

During the fiscal years ended December 31, 2015 and 2014, OAHAC administered only the Hardest Hit Fund (HHF) programs which are part of the Troubled Asset Relief Program Funds under EESA. Revenue for these periods was received from the U.S. Treasury, OAHAC's loan portfolio, and lien satisfactions. The Hardest Hit Fund programs must be completed by December 31, 2020.

OAHAC contracts with Oregon Housing and Community Services Department to provide the administrative support to carry out these activities. OAHAC is a discreetly presented component unit of the State of Oregon not 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, underemployed, 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 \$13,744,497 and \$23,125,644 were made during the fiscal years ended December 31, 2015 and 2014, respectively.

Loan Refinancing Assistance Pilot Project: The Loan Refinancing Assistance Pilot Project will assist underwater homeowners in Crook, Deschutes, Jackson, Jefferson, and Josephine 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 OAHAC 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. Loan repurchases of \$6,799,170 and \$7,864,032 were made during the fiscal years ended December 31, 2015 and 2014, respectively.

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1 – Background and Nature of Activities (continued)

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 \$15,000 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 \$216,788 and \$4,792,569 were made during the fiscal years ended December 31, 2015 and 2014, respectively.

Rebuilding American Homeownership Assistance Pilot Project: The Rebuilding American Homeownership Assistance Pilot Project (RAHAPP) will assist homeowners in a negative equity position located in the State of Oregon in refinancing into a new loan that will permit the homeowner to rebuild equity in their home faster than their existing mortgage loan(s) currently allow, or to lower their monthly payment amount. Existing home loans will be purchased by OAHAC and refinanced at a 15 or 30 year fixed rate mortgage. Loan repurchases of \$2,934,871 and \$10,638,710 were made during the fiscal years ended December 31, 2015 and 2014, respectively.

Note 2 – Summary of Significant Accounting Policies

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.

Prepaid Expenses

Payments for expenditures made prior to the recognition of expenditures are reported as prepaid expenses. Prepaid expenses totaled \$200,531 and \$450,000 at December 31, 2015 and 2014, and represent payments to the Oregon Housing and Community Services Department (OHCS).

Loans Receivable

Loans receivable consisted of balances due on loans made under the Loan Refinancing Assistance Pilot Project and the Rebuilding American Homeownership Assistance Pilot Project which totaled \$22,827,504 and \$22,308,159 as of December 31, 2015 and 2014, respectively. Loans receivable are stated at the amount management expects to collect from outstanding balances.

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2015 and 2014, no allowance for uncollectible amounts was considered necessary.

Accounts Payable

Accounts payable consisted of amounts due for other professional services totaling \$6,420 and \$13,290 at December 31, 2015 and 2014, respectively. Amounts due to OHCS for services related to administering the HHF Programs totaled \$100,367 and \$164,958 at December 31, 2015 and 2014, 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, received from OAHAC's loan portfolio, and lien satisfactions but for which expenditures were not incurred totaled \$16,726,875 and \$29,730,884 at December 31, 2015 and 2014, respectively.

Due to Other Governments

Liabilities consist of the assets and receivables resulting from the Loan Refinancing Assistance Pilot Project and the Rebuilding American Homeownership Assistance Pilot Project loans which must be repaid to US Treasury at the end of the program on December 31, 2020. Loans due back to the US Treasury totaled \$22,445,346 and \$21,881,621 at December 31, 2015 and 2014, respectively. The total gain from those loans due back to the US Treasury was \$382,158 and \$426,538 at December 31, 2015 and 2014, respectively.

Other Income

Other income earned by OAHAC consists of interest earned from OAHAC's loan portfolio; interest earned from OAHAC's commercial checking account, loan principal repayments, payoffs to satisfy liens, and proceeds from the sale of a loan portfolio. All income is retained and used for HHF Programs. Other income totaled \$17,491,568 and \$1,505,416 at December 31, 2015 and 2014, respectively.

Financial Statement Presentation

OAHAC has adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205-05. 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:

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Unrestricted – All resources over which the governing board has discretionary control. The governing board of an organization may elect to designate such resources for specific purposes. Funding for all of OAHAC's activities during the period ending December 31, 2015 was received from the loan portfolio, lien satisfactions or 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, 2020.

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 years ended December 31, 2015 and 2014; 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 specifying that they be maintained permanently by OAHAC. No permanently restricted net assets were held during the years ended December 31, 2015 and 2014; 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. Startup 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 (IRC) Section 501 (c) (3) except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515. OAHAC 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, if any, in operating expenses.

OAHAC had no unrecognized tax benefits at December 31, 2015 or 2014. No interest and penalties were accrued for the years ended December 31, 2015 or 2014. The Corporation files an exempt organization return in the U.S. federal jurisdiction.

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
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 with the Bank of New York Mellon.

	Years Ended December 31,	
	<u>2015</u>	<u>2014</u>
Checking account	\$ 16,383,131	\$ 29,209,132
ACH prefunded account	<u>250,000</u>	<u>250,000</u>
Total cash and cash equivalents	<u><u>\$ 16,633,131</u></u>	<u><u>\$ 29,459,132</u></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, 2015 and 2014.

Note 5 – Related Parties

OAHAC was included in the State of Oregon Comprehensive Annual Report for the fiscal year ended June 30, 2015. The Director of OHCS appoints two of the five OAHAC board directors and the remaining at-large directors are elected by the members of the board.

OAHAC also contracts with OHCS to provide 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 \$1,424,317 and \$2,657,640 during the fiscal years ended December 2015 and 2014, respectively.

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 6 – Subsequent Events

On February 19, 2016, the U.S. Department of Treasury announced \$2 billion in additional funding for the Hardest Hit Fund (HHF) and an extension of the program for three years, to expire on December 31, 2020. The fifth round of funding will occur in two phases, a formula phase and a competitive application process. In the formula phase Oregon has been allocated \$36.4 million in funds and has applied for an additional \$110 million in the application process. The new funding will require the execution of an amendment to the existing Commitment to Purchase Financial Instrument and the HFA Participation Agreement.

FASB ASC 855-20-50 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. 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.

OAHAC has evaluated subsequent events through April 19, 2016, which is the date the financial statements were issued.

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

The Board of Directors
Oregon Affordable Housing Assistance Corporation

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 Oregon Affordable Housing Assistance Corporation (OAHAC), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated April 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OAHAC's internal control over financial reporting (internal control) to determine the 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 OAHAC's internal control. Accordingly, we do not express an opinion on the effectiveness of OAHAC'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 OAHAC'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 may exist that have not been identified.

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

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 OAHAC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OAHAC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
April 19, 2016