



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, 2013 and 2012

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 net position as of December 31, 2013 and 2012 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, 2013 and 2012, 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 March 28, 2014, 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.

A handwritten signature in blue ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Portland, Oregon
March 28, 2014

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
A COMPONENT UNIT OF THE OREGON HOUSING AND COMMUNITY SERVICES DEPARTMENT
STATEMENTS OF NET POSITION

ASSETS

	December 31,	
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 7,380,534	\$ 6,500,859
Prepaid expenses	450,000	450,000
Accounts receivable	9,833,517	7,968,781
Total assets	\$ 17,664,051	\$ 14,919,640

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 548,447	\$ 493,433
Deferred revenue	7,282,087	6,295,593
Due to other governments	9,478,988	7,668,165
Due to other governments - gain	354,529	328,356
Due to other governments - interest	-	134,093
TOTAL LIABILITIES	17,664,051	14,919,640
NET POSITION	-	-
Total liabilities and net position	\$ 17,664,051	\$ 14,919,640

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>2013</u>	<u>2012</u>
REVENUES		
Federal grant income	\$ 40,005,759	\$ 45,186,189
Other income	7,317,348	1,792
TOTAL REVENUES	<u>47,323,107</u>	<u>45,187,981</u>
EXPENSES		
Mortgage payment assistance program	41,074,783	41,087,081
Loan refinance assistance pilot program	283,000	318,220
Loan preservation assistance program	5,957,429	3,782,680
Rebuilding American Homeownership Assistance Pilot Project	7,895	-
TOTAL EXPENSES	<u>47,323,107</u>	<u>45,187,981</u>
Change in net assets	<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,	
	2013	2012
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	(1,864,736)	(7,698,456)
Prepaid expenses	-	-
(Increase)decrease in operating liabilities:		
Accounts payable	55,014	10,390
Due to other governments	1,810,823	7,668,165
Due other governments - gain	26,173	328,356
Due to other governments - interest	(134,093)	134,093
Deferred revenue	986,494	(4,854,354)
	<u>879,675</u>	<u>(4,411,806)</u>
Net cash from operating activities		
	<u>879,675</u>	<u>(4,411,806)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>879,675</u>	<u>(4,411,806)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>6,500,859</u>	<u>10,912,665</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 7,380,534</u>	<u>\$ 6,500,859</u>

OREGON AFFORDABLE HOUSING ASSISTANCE CORPORATION
A COMPONENT UNIT OF THE OREGON HOUSING AND COMMUNITY SERVICES DEPARTMENT
STATEMENT OF FUNCTIONAL EXPENSES – 2013

	For the year ended December 31, 2013				TOTAL
	Mortgage Payment Assistance Program	Loan Preservation Assistance Program	Loan Refinance Assistance Pilot Project	Rebuilding American Homeownership Assistance Pilot Project	
EXPENSES					
Professional Services	\$ 5,041,987	\$ 17,185	\$ 29,509	\$ 7,895	\$ 5,096,576
Recording fees	177,982	33,385	-	-	211,367
Other services	25,167	3,552	14	-	28,733
Intake agency contracts	1,236,670	198,300	-	-	1,434,970
Program payments	34,592,977	5,705,007	253,477	-	40,551,461
TOTAL EXPENSES	\$ 41,074,783	\$ 5,957,429	\$ 283,000	\$ 7,895	\$47,323,107

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 Preservation Assistance Program	Loan Refinance Assistance Pilot Project	Rebuilding American Homeownership Assistance Pilot Project		TOTAL
EXPENSES					
Professional Services	\$ 5,615,106	\$ 36,404	\$ 318,220	\$ -	\$ 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	\$41,087,081	\$ 3,782,680	\$ 318,220	\$ -	\$45,187,981

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, 2013 and 2012, OAHAC administered only the Hardest Hit Fund 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, 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, 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 \$34,592,977 and \$32,066,338 were made during the fiscal years ended December 31, 2013 and 2012, 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 \$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 \$5,705,007 and \$3,600,993 were made during the fiscal years ended December 31, 2013 and 2012, 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: 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 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. Loan repurchases of \$6,731,474 and \$7,668,165 were made during the fiscal years ended December 31, 2013 and 2012, respectively.

Rebuilding American Homeownership Assistance Pilot Project: The Rebuilding American Homeownership Assistance Pilot Program (RAHAPP) will assist homeowners in a negative equity position located in Clackamas, Multnomah and Washington counties, refinance 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 the Oregon Affordable Housing Assistance Corporation and refinanced at a 15 or 30 year fixed rate mortgage. As of December 31, 2013, \$2,128,422 in loans has been purchased.

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

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 \$9,833,517 and \$7,968,781 as of December 31, 2013 and 2012, respectively. Loans 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, 2013 and 2012, 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, 2013 and 2012, 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 \$296,083 and \$86,245 at December 31, 2013 and 2012, respectively. Amounts due to OHCS for services related to administering the HHF Programs totaled \$252,364 and \$407,188 at December 31, 2013 and 2012, 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 \$7,282,087 and \$6,295,593 at December 31, 2013 and 2012, 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 principle 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 \$7,317,348 and \$1,792 at December 31, 2013 and 2012, 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, 2013 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, 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 specifying 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, 2013 and 2012 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.

	<u>For Years Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Checking account	\$ 7,168,834	\$ 6,141,146
ACH prefunded account	211,700	359,713
	<u>\$ 7,380,534</u>	<u>\$ 6,500,859</u>
Total cash and cash equivalents		

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, 2013 and 2012.

Note 5 – Related Parties

OAHAC was included in the State of Oregon Comprehensive Annual Report for the Fiscal Year Ended June 30, 2013, as a financial activity of OHCS. 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 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 \$4,601,147 and \$5,006,710 during the fiscal years ended December 2013 and 2012, 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 March 28, 2014, 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, 2013 and 2012, and have issued our report thereon dated March 28, 2014. 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 March 28, 2014.

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.

Moss Adams LLP

Portland, Oregon
March 28, 2014