



Financial Statements and Report of Independent
Certified Public Accountants

Nevada Affordable Housing Assistance Corporation

June 30, 2012 and 2011

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Report of Independent Certified Public Accountants

Board of Directors
Nevada Affordable Housing Assistance Corporation

We have audited the accompanying balance sheets of the Nevada Affordable Housing Assistance Corporation (“NAHAC”) (*a Nevada corporation*), a component unit of the Nevada Housing Division, as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of NAHAC’s management. 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 as established by the American Institute of Certified Public Accountants 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of NAHAC as of June 30, 2012 and 2011, and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012 on our consideration of the NAHAC’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 effectiveness of the NAHAC’s 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 7 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Grant Thornton LLP

Reno, Nevada
September 25, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nevada Affordable Housing Assistance Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Financial Statement Highlights--NAHAC

- The change in Net Assets [bottom line] for NAHAC was \$82,499.
- The change in Net Assets was down \$5,039,599 in Fiscal Year 2012 from \$5,122,098 in Fiscal Year 2011 due to the fact that funds received from the U.S. Treasury to administer the "Hardest Hit Fund" program in Fiscal Year 2011 and Fiscal Year 2012 were disbursed at a faster pace than in the prior year.
- At June 2012, NAHAC had funded \$1,047,983 in down payment assistance loans through the Nevada Housing Division or the Low Income Housing Trust Fund. All loans were current and zero delinquencies were reported on the portfolio.
- Federal Grant and Contract revenue constituted \$10.7 million and represented substantially all of gross revenue. Other grant revenues were \$228,950 and interest income was \$339. Together, these represented 2% of gross revenue.
- Salaries and payroll expenses paid amounted to \$979,756 during 2012.
- The net cash position of the NAHAC was \$5,145,613 at June 30, 2012 versus \$4,991,300 at June 30, 2011, or an increase of \$154,313.

Overview of Financial Statements

The Balance Sheet and Statement of Revenues and Expenses and Changes in Net Assets reflect the financial position and results of operations from NAHAC's primary programs: administration of Nevada's "Hardest Hit Fund" Program from the U.S. Treasury, the Down Payment Assistance Program, and the Loan Servicing Program. Total NAHAC debt outstanding was \$-0- as of June 30, 2012.

Financial Analysis

Total Assets: Total assets at June 30, 2012 were \$6,362,206 and were consistent with fiscal year 2011. The three-year trend in total assets has been:

| 2012 | 2011 | 2010 |
|--------------------|--------------------|--------------------|
| <u>\$6,362,206</u> | <u>\$6,369,422</u> | <u>\$1,266,905</u> |

Total Liabilities: Total liabilities at June 30, 2012 were \$218,776, down \$89,715 or 29% from June 30, 2011. This decrease is primarily due to NAHAC using business partners less as more services have been brought in-house. The 3-year trend in total liabilities has been:

| 2012 | 2011 | 2010 |
|------------------|------------------|------------------|
| <u>\$218,776</u> | <u>\$308,491</u> | <u>\$328,072</u> |

Total Assets: Total liability ratio trend for the past 3 years has been:

| 2012 | 2011 | 2010 |
|--------------|--------------|--------------|
| <u>29.1X</u> | <u>20.7X</u> | <u>3.86X</u> |

Nevada Affordable Housing Assistance Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2012

Financial Analysis - Continued

Net Assets: Net assets of NAHAC increased to \$6,143,430 at June 30, 2012 up \$82,499 or 1.4% from June 30, 2011. This material increase is primarily due to the draw-down of \$7.5 million in funds as part of the "Hardest Hit Funds" Program through the U.S. Treasury. The three-year trend in net assets has been:

| <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--------------------|--------------------|------------------|
| <u>\$6,143,430</u> | <u>\$6,060,931</u> | <u>\$938,833</u> |

In the past 3 years, combined net assets from the primary financial programs: "Hardest Hit Funds" program, down payment assistance funds, short-term contractor loan program have shown the following trend:

| <u>Net Assets</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|-----------------------------|-------------|-------------|-------------|
| "Hardest Hit Funds" program | \$4,896,630 | \$5,102,107 | \$ - |
| Down payment loans | 1,061,800 | 958,824 | 938,833 |
| Loan Servicing program | 185,000 | - | - |

The three-year trend in total operating expenses has been:

| <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---------------------|--------------------|-----------------|
| <u>\$10,617,790</u> | <u>\$2,388,740</u> | <u>\$20,132</u> |

Administrative Budget

The Nevada Affordable Housing Assistance Corporation administrative expense budget was approved for fiscal year 2012 by the Board of Directors at \$7.3 million.

During the first half of the budget year ended June 30, 2012, NAHAC's actual expenditures continue to remain substantially less than the budget.

This Management Discussion and Analysis along with the accompanying Financial Statements, Notes and Supplementary Information reflect our ongoing commitment to full, fair and honest disclosure at June 30, 2012.

For questions regarding the accompanying Basic Financial Statements, Notes and Supplementary Information, please visit our website at www.nevadahardesthitfund.nv.gov.

PHYLLIS ZINK /s/
Phyllis Zink, Supervisory Accountant

BASIC FINANCIAL STATEMENTS

Nevada Affordable Housing Assistance Corporation

BALANCE SHEETS

June 30,

ASSETS

| | 2012 | 2011 |
|---|--------------|--------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 5,145,613 | \$ 4,991,300 |
| Accounts receivable | 3,610 | - |
| Prepaid expenses | 103,291 | 294,253 |
| Total current assets | 5,252,514 | 5,285,553 |
| CAPITAL ASSETS, net | 51,876 | 78,813 |
| NON-CURRENT ASSETS | | |
| Long-term receivable from related parties | 1,047,983 | 999,033 |
| Deposits | 9,833 | 6,023 |
| Total assets | \$ 6,362,206 | \$ 6,369,422 |

LIABILITIES AND NET ASSETS

| | | |
|---|--------------|--------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 73,027 | \$ 187,977 |
| Accounts payable to related parties | 5,300 | 17,936 |
| Client deposits | 93,996 | 69,973 |
| Accrued expenses | 46,453 | 32,605 |
| Total current liabilities | 218,776 | 308,491 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 51,876 | 78,813 |
| Restricted | 6,091,554 | 5,982,118 |
| Total net assets | 6,143,430 | 6,060,931 |
| Total liabilities and net assets | \$ 6,362,206 | \$ 6,369,422 |

The accompanying notes are an integral part of these statements.

Nevada Affordable Housing Assistance Corporation

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

Years ended June 30,

| | 2012 | 2011 |
|--|---------------|--------------|
| Operating support and revenue | | |
| Grant revenue | \$ 10,699,950 | \$ 7,510,500 |
| Total operating revenue | 10,699,950 | 7,510,500 |
| Operating expenses | | |
| Program expenses | | |
| Principal reduction | 540,791 | - |
| Second lien relief | 2,385,215 | 272,988 |
| Short sale assistance | 88,158 | 2,574 |
| Mortgage assistance | 4,911,599 | 28,990 |
| Total program expenses | 7,925,763 | 304,552 |
| Administrative expenses | | |
| Counseling fees | 678,659 | 735,468 |
| Bank and recording fees | 17,257 | 6,128 |
| IT communications and website | 572,126 | 68,924 |
| Depreciation | 80,510 | 71,343 |
| Insurance | 22,717 | 17,536 |
| Buildings, leases and equipment | 104,830 | 90,867 |
| Miscellaneous | 10,227 | 350 |
| Office supplies and postage | 29,648 | 13,039 |
| Professional services and marketing | 181,702 | 351,172 |
| Salaries and payroll expenses | 979,756 | 718,149 |
| Travel | 14,240 | 10,738 |
| Training | 355 | 474 |
| Total administrative expenses | 2,692,027 | 2,084,188 |
| Total operating expenses | 10,617,790 | 2,388,740 |
| Non-operating revenue | | |
| Interest income | 339 | 338 |
| Total non-operating revenue | 339 | 338 |
| CHANGE IN NET ASSETS | 82,499 | 5,122,098 |
| Net assets at beginning of year | 6,060,931 | 938,833 |
| Net assets at end of year | \$ 6,143,430 | \$ 6,060,931 |

The accompanying notes are an integral part of these statements.

Nevada Affordable Housing Assistance Corporation

STATEMENTS OF CASH FLOWS

Years ended June 30,

| | 2012 | 2011 |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Grant revenue | \$ 10,699,950 | \$ 7,510,500 |
| Interest income | 339 | 338 |
| Cash received from program participants | 2,395,970 | 150,081 |
| Cash paid for programs | (10,173,343) | (235,789) |
| Cash received from related parties | 300 | 159,130 |
| Cash paid to related party | (47,097) | (599,319) |
| Cash paid to employees | (797,178) | (575,883) |
| Cash paid to suppliers | (1,871,055) | (1,611,636) |
| Net cash provided by operating activities | 207,886 | 4,797,422 |
| Cash flows from capital financing activities | | |
| Purchase of capital assets | (53,573) | (65,659) |
| Net cash used in capital financing activities | (53,573) | (65,659) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 154,313 | 4,731,763 |
| Cash and cash equivalents, beginning | 4,991,300 | 259,537 |
| Cash and cash equivalents, ending | \$ 5,145,613 | \$ 4,991,300 |
| Reconciliation of change in net assets to net cash provided by operating activities: | | |
| Change in net assets | \$ 82,499 | \$ 5,122,098 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 80,510 | 71,343 |
| Changes in: | | |
| Accounts receivable | (3,610) | 47,163 |
| Prepaid expenses | 190,962 | (280,953) |
| Long-term receivable from related party | (48,950) | (142,218) |
| Deposits | (3,810) | (430) |
| Accounts payable to related party | (12,636) | (101,190) |
| Accounts payable | (114,950) | 179,031 |
| Notes payable to related party | - | (200,000) |
| Client deposits | 24,023 | 69,973 |
| Accrued expenses | 13,848 | 32,605 |
| Net cash provided by operating activities | \$ 207,886 | \$ 4,797,422 |

The accompanying notes are an integral part of these statements.

Nevada Affordable Housing Assistance Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nevada Affordable Housing Assistance Corporation (“NAHAC”) is a nonprofit corporation. NAHAC’s mission is to lessen the burdens of government by assisting the State of Nevada, Division of Housing of the Department of Business and Industry (the “Nevada Housing Division”) by (i) owning, acquiring, developing, leasing and managing single or multi-family housing located in the State of Nevada (the “State”), (ii) providing funds or other benefits to facilitate single or multi-family housing located in the State, (iii) providing subsidies or other benefits to targeted groups of individuals within the State necessary or appropriate to provide affordable or subsidized single or multi-family housing in the State, (iv) promoting affordable or subsidized single or multi-family housing located in the State, (v) financing affordable or subsidized single or multi-family housing in the State, (vi) accepting and making grants for affordable or subsidized single or multi-family housing in the State, and (vii) conducting or performing any ancillary or related activity in furtherance of the foregoing.

In 2010, NAHAC was selected to administer the “Hardest Hit Funds” Program for the State of Nevada by the U.S. Treasury. Nevada was awarded over \$194 million in funds available to qualified recipients through a series of federal grants to help Nevada homeowners. Programs available to homeowners are the Mortgage Assistance Program (MAP), the Principal Reduction Program, the Short Sale Program and the Second Lien Relief Program. MAP participants receive assistance for up to nine months, where NAHAC pays up to \$1,000 per month. Participants in the Principal Reduction Program can receive a principal reduction up to \$100,000, \$50,000 paid by NAHAC in up to three yearly installments, matched by the participant’s lender. The Short-sale Program is designed to help homeowners through the short-sale process by paying up to \$8,025 at the time of escrow. The Second Lien Relief Program will pay up to \$16,500, to be partially matched by a participant’s lender, in order to eliminate a homeowner’s second mortgage.

NAHAC is considered a component unit and will be included in the audited basic financial statements of the Nevada Housing Division at June 30, 2012.

A summary of NAHAC’s significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Financial Reporting

The financial statements of NAHAC have been prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 requires NAHAC to apply all applicable GASB pronouncements and, unless they conflict with or contradict GASB pronouncements, all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989. As permitted by the Statement, the Foundation has elected not to apply FASB pronouncements issued after that date.

Since NAHAC’s funds are considered to be proprietary funds for financial reporting purposes, NAHAC follows the accrual basis of accounting, wherein revenues are recorded as earned and expenses are recorded as incurred.

Nevada Affordable Housing Assistance Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. **Financial Reporting** - Continued

In order to ensure observance of limitations and restrictions placed on the use of resources available to NAHAC, its accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. Accordingly, all financial transactions have been recorded and reported by fund group as follows:

Unrestricted Fund - Represents funds that are not restricted and are available for the general operations and programs of NAHAC, there were no unrestricted funds at June 30, 2012 or 2011.

Restricted Fund - Represents funds that are restricted by grant requirements and may only be utilized in accordance with purposes established by such grants. These funds are primarily restricted for administration of Nevada's "Hardest Hit Funds" Program. Funds are also restricted for advances to the Nevada Housing Division and Low Income Housing Trust Fund; these entities use the advances to purchase long-term deferred payment and interest second mortgages. Lastly, funds are restricted for purposes of the loan servicing grant NAHAC received from NHD (see Note E).

2. **Recognition of Revenue**

Grant revenue is recognized when drawn down from the U.S. Treasury. Interest income is recognized when earned.

3. **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.

4. **Concentrations of Credit Risk**

Financial Instruments which potentially subject the NAHAC to concentrations of credit risk consist primarily of cash and receivables.

Cash includes amounts deposited in financial institutions in excess of insurable Federal Deposit Insurance Corporation limits.

At June 30, 2012 and 2011, management believes that all receivable amounts are fully collectible.

5. **Income Taxes**

NAHAC is a nonprofit corporation, exempt from income tax under Internal Revenue Code Section 501(c)(3), qualified for the charitable contribution deduction. Accordingly, no liability for Federal income taxes has been provided in the financial statements.

Nevada Affordable Housing Assistance Corporation
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Depreciation

Depreciation is provided for in amounts sufficient to relate the costs of depreciable assets to operations over their estimated useful service lives on a straight-line basis. Assets associated with the Hardest Hit Funds Program are depreciated over two years based on the estimated duration of the program. All other assets are depreciated over useful lives of 3-5 years.

8. Reclassifications

Certain reclassifications have been made to prior year balances to conform to the current year presentation. These reclassifications did not impact previously reported change in net assets.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30:

| | 2012 | 2011 |
|--------------------|-------------|-------------|
| Cash | \$5,126,956 | \$4,972,453 |
| Money market funds | 18,657 | 18,847 |
| | \$5,145,613 | \$4,991,300 |

Risk Factors

Custodial Credit Risk-Deposits

In the event of a bank failure, NAHAC's deposits exceed FDIC limits and may not be returned to NAHAC. All cash deposits are on deposit with two financial institutions, amounts on deposit at one institution exceeded FDIC limits by \$4.7 million. NAHAC does not have a deposit policy for custodial credit risk.

Nevada Affordable Housing Assistance Corporation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE C - CAPITAL ASSETS

Capital assets consisted of the following at June 30:

| | 2012 | 2011 |
|--------------------------------|-----------|-----------|
| Office equipment | \$ 46,776 | \$ 45,496 |
| Computer hardware and software | 156,953 | 104,660 |
| | 203,729 | 150,156 |
| Less accumulated depreciation | (151,853) | (71,343) |
| | \$ 51,876 | \$ 78,813 |

Depreciation expense was \$80,510 and \$71,343 for the years ended June 30, 2012 and 2011, respectively.

NOTE D - OPERATING LEASES

NAHAC has various non-cancelable operating leases with certain renewal and escalation clauses. The following is a schedule of the future minimum operating lease payments at June 30, 2012:

| Years ending June 30, | |
|-----------------------|-----------|
| 2013 | \$ 80,819 |
| 2014 | 79,243 |
| | \$160,062 |

Rent expense for all operating leases was \$81,448 and \$72,880 for the years ended June 30, 2012 and 2011, respectively, and included certain contingent amounts for maintenance of the leased space.

Nevada Affordable Housing Assistance Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE E - RELATED PARTY TRANSACTIONS

The Nevada Housing Division is financially accountable for NAHAC as it appoints a voting majority of NAHAC's governing body. Therefore, NAHAC is a component unit of the Nevada Housing Division. During fiscal year 2010, NHD made a short-term loan to NAHAC of \$200,000, which was paid off during fiscal year 2011.

In June 2008, NAHAC received a \$940,000 grant from the Nevada Housing Division to promote the development of use of decent, safe and sanitary housing for persons eligible as determined within Nevada Assembly Bill 629 and the Memorandum of Understanding between the Nevada Housing Division and Nevada Partners (Culinary Union). Beginning in March 2009, the Nevada Housing Division began purchasing second mortgages under this agreement, to be reimbursed monthly by NAHAC. The Nevada Housing Division is the secured party on the loans, and NAHAC has an unsecured advance to NHD that will be paid back upon the Nevada Housing Division receiving payment on the mortgages. At June 30, 2012 and 2011, this totaled \$939,533 and was recorded in long-term receivables from related parties.

During 2010, the Low-Income Housing Trust Fund ("LIHTF") began granting funds for NAHAC for the purchase of second mortgages from LIHTF in the same manner as noted above. NAHAC received \$43,950 and \$59,500 in grant revenue from LIHTF for the years ended June 30, 2012 and 2011, respectively. NAHAC has an unsecured advance to LIHTF for the mortgages that will be paid back upon LIHTF receiving payment on the mortgages. At June 30, 2012 and 2011, this totaled \$108,450 and \$59,500 recorded in long-term receivables from related parties. Total payable to LIHTF is \$5,000 and \$0 at June 30, 2012 and 2011, and included in the accounts payable to related parties. The LIHTF is administered by the Nevada Housing Division.

In June 2012, NHD granted NAHAC \$185,000 for computer upgrades to the NAHAC network and to fund an escrow account in order to begin servicing loans for NHD. At June 30, 2012, no loans were yet being serviced. NAHAC also had a \$300 payable to NHD at June 30, 2012 as part of the loan servicing agreement.

COMPLIANCE SECTION

**Report of Independent Certified Public Accountants on Internal Control
Over Financial Reporting and on Compliance and Other Matters**

Board of Directors
Nevada Affordable Housing Assistance Corporation

We have audited the financial statements of the Nevada Affordable Housing Assistance Corporation (“NAHAC”) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants 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

In planning and performing our audit, we considered NAHAC’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NAHAC’s internal control over financial reporting. Accordingly, we express no such opinion.

A deficiency in internal control over financial reporting 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of NAHAC’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in NAHAC’s internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether NAHAC’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.

This report is intended solely for the information and use of management, the Board of Directors, others within NAHAC, the State of Nevada, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Reno, Nevada
September 25, 2012