

Alaska Corporation for Affordable Housing

(a component unit of Alaska Housing Finance Corporation)

Financial Statement And Independent Auditor's Report

June 30, 2013

TABLE OF CONTENTS

<u>EXHIBITS</u>		<u>PAGE NUMBER</u>
	INDEPENDENT AUDITOR'S REPORT	1 - 2
	MANAGEMENT'S DISCUSSION AND ANALYSIS [MD&A]	3 - 4
	BASIC FINANCIAL STATEMENTS:	
A	STATEMENT OF NET POSITION	5
B	STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	6
C	STATEMENT OF CASH FLOWS	7
	NOTES TO FINANCIAL STATEMENTS	8 - 10



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

To the Board of Directors
Alaska Corporation for Affordable Housing
Anchorage, Alaska

Report on the Financial Statements

We have audited the accompanying financial statement of Alaska Corporation for Affordable Housing (the Corporation), a component unit of the Alaska Housing Finance Corporation, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the seventeen months 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 the 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation, as of June 30, 2013, and the respective changes in financial position and its cash flows for the seventeen months then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-4 be presented to supplement the basic financial statements. Such information, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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.

BDO USA, LLP

Anchorage, Alaska
February 11, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statement of Alaska Corporation for Affordable Housing (the Corporation) have been prepared in accordance with generally accepted accounting principles and contains the Independent Auditor's Report, the Management's Discussion and Analysis and the basic financial statements. All amounts within the financial statement, unless otherwise indicated, are rounded to the dollar.

The management's discussion and analysis is an overview and analysis of the financial activities of the Corporation for a seventeen month period from inception through to June 30, 2013. This information should be read in conjunction with the Independent Auditor's Report, and basic financial statements immediately following this section.

The basic financial statements include the Statement of Net Position (Exhibit A), the Statement of Revenues, Expenses and Changes in Net Position (Exhibit B), the Statement of Cash Flows (Exhibit C) and Notes to Financial Statements. These statements provide both long-term and short-term information about the Corporation's overall financial condition with the notes providing more detailed information. These statements are prepared using the accrual basis of accounting; revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The statement of net position presents the assets, liabilities and net position of the Corporation, giving the financial statement reader a snapshot of the fiscal condition of the Corporation at the end of the fiscal year.

The statement of revenues, expenses and changes in net position measures the operations over the past operating period.

The statement of cash flow provides information about the sources and uses of the Corporation's cash.

FINANCIAL HIGHLIGHTS

- ACAH was incorporated on February 1, 2012 as a subsidiary of Alaska Housing Finance Corporation (AHFC) to expand public housing and project based Section 8 housing to address a growing need in Alaska for affordable housing.
- At year end the Corporation had total assets of \$3,711,476 and total liabilities of \$510,936.
- The Corporation for the period from inception up to June 30, 2013 had an operating loss of \$4,080.
- Acquired the land for its first project, a major portion of the acquisition was through the donation of land in Mountain View from AHFC.
- The Corporation signed its first source of funding with AHFC using federal program monies.

CAPITAL ASSETS

The Corporation had significant capital asset activity in fiscal year 2013. Please refer to the notes in the basic financial statement for additional information.

ECONOMIC FACTORS

There has been a decline in federal public housing operational dollars as result of congressional focus on national debt reduction along with the tightening of state capital and operating budgets. The challenge facing all public housing authorities is to serve as many people as possible facing the decline in funding. The Corporation will be able to access tax-exempt bonds, low income housing tax credits, foundation funding and other sources, previously unavailable to AHFC

MANAGEMENT'S DISCUSSION AND ANALYSIS

The public housing stock, largely in Anchorage is aging and its renovation and replacement needs are part of the future considerations for the Corporation.

In the coming year, the Corporation will have selected a co-general partner to develop its first multi-family development in the Mountain View and San Roberto neighborhoods of Anchorage on land obtained by AHFC under the Neighborhood Stabilization Program and public housing. This 88 unit mixed financing project will form a substantial investment of state general funds, mortgage settlement receipts, public housing capital funds, tax credit equity funds, foundation funding and hard debt. Construction is estimated to begin in June of 2014 with completion in Fall 2015. This \$30 million project will help address the growing gap between average rent and real income amongst the lower income renting population in Anchorage. It will be mixed income, featuring renewable energy systems, provide community space and housing for the growing population of Anchorage seniors.

CONTACTING ACAH'S FINANCIAL MANAGEMENT

For inquiries about this report or need additional financial information call (907) 330-8322 or email mgaspar@ahfc.us

ALASKA CORPORATION FOR AFFORDABLE HOUSING
 (A Component Unit of Alaska Housing Finance Corporation)
 STATEMENT OF NET POSITION
 As of June 30, 2013
 (in dollars)

Exhibit A

ASSETS		
Cash		\$ 173,845
Capital assets - non-depreciable		<u>3,537,631</u>
Total Assets		<u><u>3,711,476</u></u>
LIABILITIES		
Due to AHFC		184,487
Note payable to AHFC		<u>326,449</u>
Total Liabilities		<u><u>510,936</u></u>
NET POSITION		
Net investment in capital assets		3,537,631
Unrestricted or (deficit)		<u>(337,091)</u>
Total Net Position		<u><u>\$ 3,200,540</u></u>

See accompanying notes to the financial statements.

ALASKA CORPORATION FOR AFFORDABLE HOUSING
 (A Component Unit of Alaska Housing Finance Corporation)
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 For the seventeen months ended June 30, 2013
 (in dollars)

Exhibit B

	OPERATING REVENUES	
Other		\$ 131
	OPERATING EXPENSES	
Operations and administration		4,211
Operating Income (Loss)		<u>(4,080)</u>
Capital contribution - land		<u>3,204,620</u>
Change in Net Position		3,200,540
Net position at beginning of year		\$ -
Net Position at End of Period		<u><u>3,200,540</u></u>

See accompanying notes to the financial statements.

ALASKA CORPORATION FOR AFFORDABLE HOUSING
(A Component Unit of Alaska Housing Finance Corporation)
STATEMENT OF CASH FLOWS
For the seventeen months ended June 30, 2013
(in dollars)

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments for services	\$ <u>(875)</u>
Net cash provided by (used for) operating activities	<u>(875)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from short term loan	500,000
Net cash provided by (used for) noncapital financing activities	<u>500,000</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of capital assets	(325,411)
Lease proceeds	1
Net cash provided by (used for) capital financing activities	<u>(325,410)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from checking account	130
Net cash provided by (used for) investing activities	<u>130</u>
Net Increase (decrease) in cash	173,845
Cash at the beginning of year	-
Cash at the end of period	<u>\$ <u>173,845</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (4,080)
<i>Adjustments:</i>	
Lease proceeds	(1)
Interest received	(130)
<i>Changes in assets and liabilities:</i>	
Due to AHFC	3,336
Net cash provided by (used for) operating activities	<u>\$ <u>(875)</u></u>
NONCASH CAPITAL FINANCING ACTIVITIES	
Contribution of land	3,204,620

See accompanying notes to the financial statements.

Notes to Financial Statements

FOOTNOTE INDEX

NOTE	DESCRIPTION	PAGE
1	Alaska Corporation for Affordable Housing	9
2	Summary of Significant Accounting Policies	9
3	Net Position	9
4	Cash	9
5	Capital Assets	10
6	Long Term Liabilities	10
7	Related Party Transactions	10

Notes to Financial Statements
FOR THE SEVENTEEN MONTHS ENDED JUNE 30, 2013

1 ALASKA CORPORATION FOR AFFORDABLE HOUSING

The Alaska Corporation for Affordable Housing (the Corporation) is a non-profit corporation. It was incorporated on February 1, 2012, under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Statutes creating the Alaska Housing Finance Corporation (AS18.56), as amended. The Corporation is a subsidiary of Alaska Housing Finance Corporation (AHFC) in accordance with the Legislature's intent. The Corporation was formed to develop, manage and operate affordable housing and provide supportive and related services to support the mission of AHFC. AHFC's statutes do not provide AHFC with the power to undertake certain types of housing or to participate in some financing and ownership structures. The Corporation's mission is to undertake the types of affordable housing and services that are not open to AHFC directly, but which support AHFC's mission of providing affordable housing and services to individuals and groups in need.

The Corporation is legally independent and separate from AHFC, but there is financial accountability between the Corporation and AHFC. AHFC has operational responsibility of the Corporation and there is the potential for a financial benefit and/or burden relationship between AHFC and the Corporation. The Corporation's purpose is to benefit and support AHFC in providing affordable housing to Alaskans. The Board of Directors of the Corporation and AHFC are one and the same.

The Corporation is a component unit of Alaska Housing Finance Corporation (AHFC) and is presented as a blended component in AHFC's financial statements.

The Corporation is a government instrumentality of the State but has legal existence independent of and separate from the State.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

The Corporation presents its activities as a proprietary enterprise fund.

The financial statement is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating Revenue and Expenses

The Corporation's operating revenues are generated by services associated with the building, financing and management of housing projects. The operating expenses for the Corporation are the direct costs of providing those services. All other transactions not meeting the definition of operating revenues and expenses are reported as nonoperating or contributions of capital.

3 NET POSITION

The net position represents the difference between assets and liabilities. The Corporation has a restricted net position for net investment in capital assets. The unrestricted net position balance represents the Corporation's financial resources that are used for the specific purpose established when it was incorporated.

4 CASH

The Corporation's bank balance of \$173,845 is federally insured by the national credit union administration (NCUA) up to \$250,000.

Notes to Financial Statements

5 CAPITAL ASSETS

The capital assets of the Corporation consist of non-depreciable land.

6 LONG TERM LIABILITIES

The Corporation's note payable to AHFC is a repayable grant over a thirty year period after project operations have started with no minimum payment and is non-interest bearing. The note was established through the award agreement with AHFC whereas eligible expenses incurred by the Corporation are reimbursed by AHFC with federal monies.

7 RELATED PARTY TRANSACTIONS

The Corporation is a subsidiary of AHFC and utilizes their administrative and support services under a shared services memorandum agreement. AHFC's chief executive officer and director of public housing serve as ACAH's president and vice president respectively. The Corporation entered into an award agreement with AHFC for \$1,434,914 of federal neighborhood stabilization program monies on a reimbursable basis. AHFC donated land to the Corporation that had a carrying value of \$3,204,620.