

FINANCIAL STATEMENTS

NATIONAL AFFORDABLE HOUSING  
MANAGEMENT ASSOCIATION, INC.

December 31, 2014

**DRAFT**

Financial Statements

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION, INC.

December 31, 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
National Affordable Housing Management Association, Inc.

I have audited the accompanying financial statements of National Affordable Housing Management Association, Inc. (a non-profit organization) which comprise the statements of financial position as of December 31, 2014 and 2013, 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**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Affordable Housing Management Association, Inc. as of December 31, 2014 and 2013, 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.

Atlanta, Georgia  
(report approval date)

Statements of Financial Position

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION, INC.

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 684,174	\$ 570,745
Accounts receivable	80,681	150,030
Prepaid expenses	<u>42,343</u>	<u>67,965</u>
TOTAL CURRENT ASSETS	807,198	788,740
OTHER ASSETS		
Equipment and furniture, net of accumulated depreciation of \$64,338 in 2014 and \$79,489 in 2013	23,198	30,351
Investments - certificates of deposit	441,000	441,000
Investments - corporate bond	109,433	110,395
Deposits	<u>4,016</u>	<u>4,016</u>
	<u>577,647</u>	<u>585,762</u>
TOTAL ASSETS	<u>\$ 1,384,845</u>	<u>\$ 1,374,502</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 157,478	\$ 210,301
Deferred revenue	<u>17,445</u>	<u>41,900</u>
TOTAL CURRENT LIABILITIES	174,923	252,201
NET ASSETS		
Unrestricted	<u>1,209,922</u>	<u>1,122,301</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,384,845</u>	<u>\$ 1,374,502</u>

The Notes to Financial Statements are an integral part of these Statements.

Statements of Activities

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION, INC.

For the Years Ended December 31, 2014 and 2013

	2014		
	<u>Operating</u>	<u>Regulatory and Legislative</u>	<u>Total Unrestricted</u>
<b>REVENUES</b>			
Dues	\$ 340,678	\$ 227,118	\$ 567,796
Meetings	63,586	95,378	158,964
Publications and other sales	399,703	-	399,703
Certification and education	621,520	-	621,520
Other program revenue	101,927	-	101,927
Contributions	-	20,500	20,500
Investment and other revenue	10,364	-	10,364
	<u>1,537,778</u>	<u>342,996</u>	<u>1,880,774</u>
<b>EXPENSES</b>			
Membership meetings	263,993	-	263,993
Publications	323,381	-	323,381
Certification and education	256,178	-	256,178
Regulatory and legislative Mangement and general	-	347,586	347,586
	602,015	-	602,015
	<u>1,445,567</u>	<u>347,586</u>	<u>1,793,153</u>
INCREASE IN NET ASSETS	92,211	(4,590)	87,621
NET ASSETS, BEGINNING OF YEAR	<u>863,999</u>	<u>258,302</u>	<u>1,122,301</u>
NET ASSETS, END OF YEAR	<u>\$ 956,210</u>	<u>\$ 253,712</u>	<u>\$ 1,209,922</u>

The Notes to Financial Statements are an integral part of these Statements.

	2013		
	<u>Operating</u>	<u>Regulatory and Legislative</u>	<u>Total Unrestricted</u>
<b>REVENUES</b>			
Dues	\$ 345,263	\$ 230,175	\$ 575,438
Meetings	65,131	97,697	162,828
Publications and other sales	364,593	-	364,593
Certification and education	648,394	-	648,394
Other program revenue	104,090	-	104,090
Contributions	-	20,500	20,500
Investment and other revenue	11,680	-	11,680
	<u>1,539,151</u>	<u>348,372</u>	<u>1,887,523</u>
<b>EXPENSES</b>			
Membership meetings	276,911	-	276,911
Publications	304,580	-	304,580
Certification and education	240,290	-	240,290
Regulatory and legislative	-	338,928	338,928
Mangement and general	549,737	-	549,737
	<u>1,371,518</u>	<u>338,928</u>	<u>1,710,446</u>
INCREASE (DECREASE) IN NET ASSETS	167,633	9,444	177,077
NET ASSETS, BEGINNING OF YEAR	<u>696,366</u>	<u>248,858</u>	<u>945,224</u>
NET ASSETS, END OF YEAR	<u>\$ 863,999</u>	<u>\$ 258,302</u>	<u>\$ 1,122,301</u>

The Notes to Financial Statements are an integral part of these Statements.

Statements of Functional Expenses

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION, INC.

For the Years Ended December 31, 2014 and 2013

	2014						2013
	<u>Total</u>	<u>Membership Meetings</u>	<u>Publications</u>	<u>Certification and Education</u>	<u>Regulatory and Legislative</u>	<u>Management and General</u>	<u>Total</u>
Certification programs	\$ 153,856	\$ -	\$ -	\$ 153,856	\$ -	\$ -	\$ 152,609
Depreciation	15,151	-	-	-	-	15,151	17,637
Dues and subscriptions	17,559	-	-	-	4,500	13,059	11,551
Education programs	34,772	-	-	34,772	-	-	25,860
Insurance	14,006	-	-	-	-	14,006	13,536
Legal and professional	26,362	-	-	-	15,875	10,487	18,012
Meetings	219,260	219,260	-	-	-	-	236,655
Office supplies and expense	18,331	-	-	-	-	18,331	10,567
Postage and delivery	58,972	-	50,699	-	-	8,273	59,632
Printing and production	133,519	-	129,769	-	3,750	-	128,088
Public relations	3,760	-	-	-	-	3,760	13,711
Rebates and commissions	114,843	-	114,843	-	-	-	104,751
Rent	73,409	-	-	-	-	73,409	70,757
Salaries, payroll taxes and benefits	752,071	44,733	28,070	67,550	323,461	288,257	730,317
Technical support and web site	79,450	-	-	-	-	79,450	43,110
Telephone	19,326	-	-	-	-	19,326	17,636
Travel	38,094	-	-	-	-	38,094	37,750
Other	20,412	-	-	-	-	20,412	18,267
	<u>\$ 1,793,153</u>	<u>\$ 263,993</u>	<u>\$ 323,381</u>	<u>\$ 256,178</u>	<u>\$ 347,586</u>	<u>\$ 602,015</u>	<u>\$ 1,710,446</u>

The Notes to Financial Statements are an integral part of these Statements.

Statements of Cash Flows

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION, INC.

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 87,621	\$ 177,077
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,151	17,637
Unrealized value decrease (appreciation) of investments	962	(1,973)
Loss on disposal of assets	751	-
Decrease (increase) in:		
Receivables	69,349	(78,791)
Prepaid expenses	25,622	(10,672)
Increase (decrease) in:		
Accounts payable and accrued expenses	(52,823)	52,006
Deferred revenue	(24,455)	17,325
Total adjustments	<u>34,557</u>	<u>(4,468)</u>
Net cash provided by operating activities	122,178	172,609
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments, net	-	(100,000)
Purchase of equipment and furniture	(8,749)	(20,848)
Net cash used by investing activities	<u>(8,749)</u>	<u>(120,848)</u>
<b>INCREASE IN CASH</b>	113,429	51,761
<b>CASH BALANCE AT BEGINNING OF YEAR</b>	<u>570,745</u>	<u>518,984</u>
<b>CASH BALANCE AT END OF YEAR</b>	<u>\$ 684,174</u>	<u>\$ 570,745</u>

The Notes to Financial Statements are an integral part of these Statements.



Notes to Financial Statements

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION, INC.

December 31, 2014

Note A – Description of Organization

The National Affordable Housing Management Association, Inc. (“the Association”) is a non-profit organization incorporated under the laws of the State of Tennessee. The objectives and purposes of the Association are:

- (a) To advocate the expansion of government housing goals to include the management, operation and preservation of the existing stock of multifamily housing, improved housing services for the residents, and continuing commitment of government at all levels to ensure affordable housing for all Americans of low and moderate income, regardless of race, sex, color, religion, national origin, familial status or handicap.
- (b) To constitute a forum for continuing communications among individuals and groups concerned with the improved management, operation, preservation of the existing multifamily stock and the delivery of housing services to very low to moderate income residents.
- (c) To serve as a mechanism for industry evaluation of affordable multifamily housing policy and programs and their implementation from the perspective of management, operations, preservation of the existing stock and housing delivery services.
- (d) To provide advice and assistance to the executive and legislative branches of government, to improve the effectiveness and efficiency of affordable housing and to improve the quality of life for very low to moderate income residents.
- (e) To initiate public policy debate, and litigation where necessary to ensure the effectiveness and efficiency of affordable housing management, the quality of life for very low to moderate income residents and to represent the affordable housing management industry.
- (f) To initiate programs which will improve the relationship and cooperation of residents, government, owners and management agents.
- (g) To serve as an advocate of, and to promote improvements in, the professional development, education and training of professionals and affordable housing management agents.

Note B – Summary of Significant Accounting Policies

Basis of Presentation

The Association maintains a general operating fund for publications, certification, education, and other operating activities and a second fund for regulatory and legislative activities. Dues and

Notes to Financial Statements – Continued

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION, INC.

December 31, 2014

Note B – Summary of Significant Accounting Policies

Basis of Presentation – Continued

meeting revenues are allocated between the general operating fund and the regulatory and legislative fund based on the historical utilization of revenues and employee time devoted to each type of activity. Salaries, payroll taxes and benefits are allocated by staff position to functional areas based on the time devoted to each functional area. All net assets are considered to be unrestricted if no donor restrictions exist or if donor requirements for use will be met in the same year the contributions are received.

Revenue and Expense Recognition

Membership dues are recognized as revenue based on the membership period covered by the dues payment. Fees and expenses related to meetings and educational events are recognized upon completion of the event. Printing and production costs on items for sale are recognized in the period the related publications are sold. Other revenues and expenses are recognized as the revenues are earned or the expenses are incurred.

The Association periodically evaluates receivables for collectability and writes off uncollectible amounts using the direct write-off method. Uncollectible amounts are normally not material to the operations of the Association.

Legislative and regulatory contributions totaled \$20,500 in 2014 and \$20,500 in 2013 and are recognized as revenue when received.

Income Taxes

The Association is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code for all activities related to its objectives and purposes.

The Association's Form 990 Return of Organization Exempt From Income Tax and Form 990-T Exempt Organization Business Income Tax Return remain open for examination by the Internal Revenue Service for three years from the date filed. The Association has not been notified of any returns held open for examination beyond the normal statutory period. The Association has not identified any positions taken on its returns that it considers to be uncertain.

Equipment and Furniture

Equipment and furniture are stated at cost. Expenditures for additions are capitalized while expenditures for maintenance and repair are charged to expense as incurred. Depreciation is computed using accelerated methods over the estimated useful lives of the assets, which range from three to seven years.

Notes to Financial Statements – Continued

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION, INC.

December 31, 2014

Note B – Summary of Significant Accounting Policies – Continued

Investments

In accordance with generally accepted accounting principles, the Association has categorized its investments measured at fair value, when applicable, based on the observability of the inputs utilized in the valuation.

Investments held by the Association at December 31, 2014 consisted of certificates of deposit with an aggregate cost, which approximates fair value, of \$441,000 and a corporate bond with an aggregate cost of \$108,422 and an approximate fair value of \$109,433. Investments held by the Association at December 31, 2013 consisted of certificates of deposit with an aggregate cost, which approximates fair value, of \$441,000 and a corporate bond with an aggregate cost of \$108,422 and an approximate fair value of \$110,395. The Association's investment in the corporate bond is considered a Level 2 security and its recorded fair value is estimated based on the market for similar securities at the balance sheet date. Level 2 security values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Use of Estimates

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

Subsequent Events

In preparing the accompanying financial statements and notes, management has evaluated subsequent events through (report approval date), which represents the date the accompanying financial statements were available to be issued.

Note C – Commitments

In March 2004, the Association entered into a lease for its offices covering the period from May 1, 2004 through April 30, 2011. Effective April 30, 2011 the lease was extended for an additional ten-year term through April 30, 2021. Base rentals under the extension were \$3,762 per month for the period from May 1, 2011 through April 30, 2012 and increase by three percent annually effective May 1 of each succeeding year. The base rental is \$4,111 from May 1, 2014 through April 30, 2015. Under the terms of the lease, the Association is also responsible for a percentage of common area expenses and real estate taxes.

Notes to Financial Statements – Continued

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION, INC.

December 31, 2014

Note C – Commitments – Continued

The Association also leases certain office equipment under two operating leases expiring in 2016.

Future minimum payments under the above leases at December 31, 2014 total \$60,108 in 2015, \$58,312 in 2016, \$53,380 in 2017, \$54,984 in 2018, \$56,636 in 2019 and and \$77,972 thereafter.

The Association has entered into an agreement under which certain transaction processing services will be provided to the Association by another trade association during 2015 and 2016. The Association will pay \$15,000 annually for these services. Potential extension and modification of the agreement will be evaluated by the parties during 2016.

The Association charges NAHMA Educational Foundation (“the Foundation”), an affiliated non-profit organization, for shared personnel, office facilities and other operating expenses. Expense allocations are computed and billed monthly pursuant to a cost-sharing agreement effective April, 2003 between the Association and the Foundation and adjusted quarterly based on actual time and costs incurred. Cost sharing payments are not recognized in the Association's financial statements until received. Payments received from the Foundation under the cost-sharing agreement totaling \$12,000 per year in 2014 and 2013 are recorded as a reduction of general and administrative expenses in the accompanying statements of activities. During 2013, the Association's board of directors voted to eliminate annually, as a contribution to the Foundation, any remaining amounts due from the Foundation for shared costs as of the end of each fiscal year. The amounts eliminated as of December 31, 2014 and 2013 were \$19,292 and \$14,297, respectively. Additionally, the Association was reimbursed \$87 in 2013 by the Foundation for expenses incurred by the Association directly related to the Foundation's activities.

Note D — Concentration of Credit Risk

The Association maintains its operating funds and investments in depository accounts. These accounts may entail concentration of credit risk at any given point in time.