

HOME MEANS NEVADA, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2018



HOULDSWORTH, RUSSO & COMPANY

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HOME MEANS NEVADA, INC.

JUNE 30, 2018

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HOME MEANS NEVADA, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The following discussion and analysis of Home Means Nevada, Inc. (the Organization) provides an overview of the Organization's financial activities for the year ended June 30, 2018. As management of the Organization, we encourage readers to consider the information presented here in conjunction with the financial statements and related notes to the financial statements.

The financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Codification. The financial statements presented focus on the financial condition of the Organization and the results of operations and cash flows of the Organization as a whole.

Financial Highlights

- The Organization's net position totals \$139,556, while assets total \$669,264 and consist primarily of cash and cash equivalents.
- Program-specific revenues total \$316,210 with direct program expenses totaling \$54,163.

Overview of the Financial Statements

There are three financial statements presented: the statement of net position; the statement of revenues, expenses, and change in net position; and the statement of cash flows. They are prepared using the accrual basis of accounting.

The statement of net position presents information on all of the Organization's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Organization is improving or deteriorating.

The statement of revenues, expenses, and change in net position presents information showing how the Organization's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statement of cash flows provides relevant information about the cash receipts and cash payments during a period.

The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements and should be read with the financial statements.

The Organization as a Whole

One important question asked about the Organization's finances is: "Is the Organization better or worse off as a result of the year's activities?" The information in the accompanying financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is the basis of accounting used by most private-sector companies.

The changes in net position (the difference between total assets and total liabilities) over time is one indicator of whether the Organization's financial health is improving or deteriorating. However, consideration should be given to other non-financial factors in making an assessment of the Organization's health, such as, the ongoing demonstrated success of the programs in operations, changes in the economy, and changes in legislation that affect the program(s) administered by the Organization.

HOME MEANS NEVADA, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2018

Condensed Statements of Net Position

	2018	2017	Increase (Decrease)	Percentage Increase (Decrease)
Current assets	\$ 664,068	\$ 138,982	\$ 525,086	378%
Non-current assets				
Capital assets, net	<u>5,196</u>	<u>-</u>	<u>5,196</u>	100%
Total assets	669,264	138,982	530,282	
Current liabilities	<u>529,708</u>	<u>-</u>	<u>529,708</u>	100%
Total liabilities	<u>529,708</u>	<u>-</u>	<u>529,708</u>	100%
Net position	<u>\$ 139,556</u>	<u>\$ 138,982</u>	<u>\$ 574</u>	0.41%

The increase in current assets and current liabilities is due to funds transferred to the Organization from the State during the year ended June 30, 2018. These funds are considered a refundable advance to be utilized by the Organization in administering the Nevada State Foreclosure Mediation Program (FMP), which is the primary reason for the increase in current liabilities.

Condensed Statements of Revenues, Expenses, and Change in Net Position

	2018	2017	Increase (Decrease)	Percentage Increase (Decrease)
Revenue				
Program-specific grant revenue	\$ 316,210	\$ 2,326,908	\$ (2,010,698)	(86%)
General revenue	<u>574</u>	<u>101,855</u>	<u>(101,281)</u>	(99%)
Total revenue	316,784	2,428,763	(2,111,979)	(87%)
Expenses				
Program expenses	54,163	1,620,323	(1,566,160)	(97%)
Administrative expenses	262,047	648,549	(386,502)	(60%)
Return of grant funds	<u>-</u>	<u>47,980,263</u>	<u>(47,980,263)</u>	(100%)
Total expenses	316,210	50,249,135	(49,932,925)	(99%)
Change in net position	<u>\$ 574</u>	<u>\$ (47,820,372)</u>	<u>\$ 47,820,946</u>	(100%)

HOME MEANS NEVADA, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2018

Condensed Statements of Revenues, Expenses, and Change in Net Position (Continued)

The Organization receives its funding from the Account for Foreclosure Mediation Assistance administered by the Interim Finance Committee of the State of Nevada. The total program-specific revenues recognized are determined by actual expenses incurred under that program. Decreases in both revenues and expenses from the prior year are primarily due to a smaller operating budget for FMP during the year ended June 30, 2018 than that of the Nevada Home Retention Program (NHRP), which was administered by the Organization during the year ended June 30, 2017. The loss on return of grant funds recognized in the prior year was based on terms specified in the NHRP agreement, which was no longer administered by the Organization during the year ended June 30, 2018.

Other Financial and Program Related Information

During the year ended June 30, 2017, NHRP, administered by Home Means Nevada, Inc., reached its scheduled sunset. At the close of NHRP, Home Means Nevada, Inc. returned all funds not utilized for the program to the State of Nevada in accordance with the terms and conditions under which the initial funding was provided.

During the year ended June 30, 2018, as established with the passage of Senate Bill 490 of the 2017 Legislative Session, Home Means Nevada, Inc. was selected to implement and monitor the FMP. Funds were transferred from the State of Nevada to Home Means Nevada Inc. in accordance with the terms established by Senate Bill 490.

Request for information

The financial report is designed to provide a general overview of the Organization's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Home Means Nevada, Inc. at 3300 W. Sahara Ave., Ste. 480, Las Vegas, NV 89102, and telephone number (702) 486-8180.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Home Means Nevada, Inc.
Las Vegas, Nevada

We have audited the accompanying financial statements of Home Means Nevada, Inc., a component unit of the Nevada Department of Business and Industry, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which comprise the Organization's basic financial statements as listed in the table of contents.

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 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 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 Home Means Nevada, Inc. as of June 30, 2018, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants
20 YEARS & COUNTING

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1–3 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.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
August 29, 2018

HOME MEANS NEVADA, INC.
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash and equivalents	\$ 139,556
Cash and equivalents, held for Foreclosure Mediation Program	510,172
Prepaid expenses	<u>14,340</u>
	664,068

NONCURRENT ASSETS

Capital assets	<u>5,196</u>
	<u><u>\$ 669,264</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 44,482
Accrued expenses	7,600
Refundable advance	<u>477,626</u>
	529,708

NET POSITION

Unrestricted	<u>139,556</u>
	<u><u>\$ 669,264</u></u>

See notes to financial statements

HOME MEANS NEVADA, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES	
Program-specific grant revenue	\$ 316,210
General revenue	<u>574</u>
Total revenues	316,784
OPERATING EXPENSES	
Foreclosure Mediation Program	54,163
Administrative expenses	<u>262,047</u>
Total expenses	<u>316,210</u>
CHANGE IN NET POSITION	574
NET POSITION, BEGINNING OF YEAR	<u>138,982</u>
NET POSITION, END OF YEAR	<u><u>\$ 139,556</u></u>

See notes to financial statements

HOME MEANS NEVADA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from program activities	\$ 792,399
Receipts from bank interest	574
Payments for employee compensation	(147,227)
Payments for program expenses	(22,496)
Payments for administrative expenses	<u>(107,308)</u>
Net cash provided by operating activities	515,942
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of capital assets	<u>(5,196)</u>
Net cash used in investing activities	<u>(5,196)</u>
NET INCREASE IN CASH	510,746
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>138,982</u>
CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 649,728</u></u>
SUMMARY OF CASH ACCOUNTS	
Cash and equivalents	\$ 139,556
Cash and equivalents, held for Foreclosure Mediation Program	<u>510,172</u>
	<u><u>\$ 649,728</u></u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in net position	\$ 574
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Increase in prepaid expenses	(14,340)
Increase in accounts payable	44,482
Increase in accrued expenses	7,600
Increase in refundable advance	<u>477,626</u>
Net cash provided by operating activities	<u><u>\$ 515,942</u></u>

See notes to financial statements.

HOME MEANS NEVADA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Home Means Nevada, Inc. (the Organization) is a nonprofit corporation. The Organization was established for the execution of homeowner assistance to address the challenges and needs of distressed homeowners. Currently, the Organization's mission is to implement and monitor the Nevada State Foreclosure Mediation Program, as established with the passage of Senate Bill 490 of the 2017 Legislative Session.

Senate Bill 490 continued the Nevada State Foreclosure Mediation Program but transferred responsibility for its implementation from the Nevada Supreme Courts to the Nevada District Courts and the Organization.

Individuals who have received a notice of default on owner-occupied housing will now petition the District Court when they want to participate in a mediation. The District Court will assign a mediator who will conduct the mediation. The Organization will provide a supporting role in the Foreclosure Mediation Program and work closely with the District Courts and mediators to ensure a successful program.

Income Tax Status

Home Means Nevada, Inc. is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally exempt from income taxes on related income pursuant to the appropriate section of the IRC. The Organization did not conduct any unrelated business activities and, consequently, has no provision for federal or state taxes in the accompanying financials statements.

Use of Estimates

Timely preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts, some of which may require revision in future periods.

Basis of Accounting

The Organization is considered to be a governmental not-for-profit because of its relationship with the State of Nevada. The financial statements of the Organization have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) Codification.

The financial statements of the Organization have been prepared 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 the related cash flows. The statement of net position and the statement of revenues, expenses, and change in net position display information about the Organization.

HOME MEANS NEVADA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Organization classifies net position, revenues, gains, and other support and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net position of the Organization and changes therein are classified and reported as follows:

Restricted-nonexpendable - Net position subject to donor-imposed stipulations that must be maintained permanently by the Organization.

Restricted-expendable - Net position subject to donor-imposed stipulations that will be transferred to the Organization for direct use by a designated program.

Unrestricted - Net position not subject to donor-imposed stipulations or received with restrictions that were satisfied in the same period.

Net investment in capital assets – Net position consisting of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Capital Assets

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000 and with a useful life of greater than one year. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. These assets are depreciated over useful lives of 3-5 years.

Refundable Advance

Refundable advance consists of funds directed by the passage of Senate Bill 490 to be advanced to the Organization from the State of Nevada's Foreclosure Mediation Program Account. The advance is recognized as program revenue by the Organization as qualified expenditures are made (see "Nature of Activities" above).

Restricted Activity

The Organization's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

HOME MEANS NEVADA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 2. CONCENTRATION OF RISK

The Organization maintains its balance of cash and equivalents in one financial institution in Nevada. The balance at the Nevada institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2018, \$399,728 of this balance was uninsured.

NOTE 3. CAPITAL ASSETS

Capital assets consist of the following:

Furniture and equipment	\$ 5,196
Less: accumulated depreciation	<u>-</u>
Total	<u>\$ 5,196</u>

All capital assets were acquired in June 2018. Therefore, no depreciation expense was recorded for the year ended June 30, 2018.

NOTE 4. OPERATING LEASES

The Organization leases office space and equipment under two non-cancelable operating lease agreements, both with terms of twenty-four months, expiring August 2019. The following is a schedule of the future minimum operating lease payments at June 30, 2018:

2019	\$ 30,380
2020	<u>5,506</u>
Total	<u>\$ 35,886</u>

Rent expense for all operating leases was \$25,583 for the year ended June 30, 2018.

NOTE 5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 29, 2018, which is the date the financial statements were available to be issued.