

**NETWORK FOR OREGON
AFFORDABLE HOUSING
(NOAH)**

**Audited
Financial Statements**

**For the Years Ended
June 30, 2011 and 2010**



MCDONALD JACOBS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Network for Oregon Affordable Housing (NOAH)
Portland, Oregon

We have audited the accompanying statements of financial position of Network for Oregon Affordable Housing (NOAH) (a nonprofit corporation) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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. Those standards require that we plan and perform the audits 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 the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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 financial statements referred to above present fairly, in all material respects, the financial position of Network for Oregon Affordable Housing (NOAH) as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McDonald Jacobs, P.C.

October 6, 2011

Strength in Numbers

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NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 1,759,453	\$ 1,703,128
Investments	17,319,567	11,896,476
Interest receivable	383,731	439,138
Other accounts receivable	47,549	14,972
Prepaid expenses and deferred charges	159,712	307,740
Pre-development loans receivable, net	1,485,000	3,072,762
OHAF loans receivable, net	3,078,722	4,171,076
Permanent loans receivable, net	102,854,884	92,165,736
Furniture and equipment, net	30,317	35,564
 TOTAL ASSETS	 \$ 127,118,935	 \$ 113,806,592
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 105,387	\$ 77,509
Interest payable	601,458	504,193
Deposits held	1,060,143	988,039
Deferred revenue	3,411,589	2,710,000
OHAF loans payable	12,817,875	11,308,675
Pre-development loans payable	2,750,000	2,750,000
CDFI note payable	737,809	767,126
Bank loans payable	101,844,731	91,321,759
 Total liabilities	 123,328,992	 110,427,301
Unrestricted net assets:		
Undesignated	3,307,597	2,889,877
Board designated	482,346	489,414
 Total unrestricted net assets	 3,789,943	 3,379,291
 TOTAL LIABILITIES AND NET ASSETS	 \$ 127,118,935	 \$ 113,806,592

See notes to financial statements.

NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2011 and 2010

Change in unrestricted net assets:	<u>2011</u>	<u>2010</u>
Revenue:		
Interest income	\$ 5,066,323	\$ 5,147,510
Interest expense	<u>(3,704,599)</u>	<u>(3,674,413)</u>
Net interest income	1,361,724	1,473,097
Recapture of (provision for) loan losses	<u>4,911</u>	<u>(64,573)</u>
 Net interest income after recapture of (provision for) loan losses	 1,366,635	 1,408,524
Other revenue:		
Gain on sale of loans	34,596	-
Loan and commitment fees	1,767	2,239
Investment income	28,507	11,018
Grants and other income	16,466	12,919
Net assets released from restrictions:		
Satisfaction of purpose restrictions	<u>361,162</u>	<u>272,054</u>
Total revenue	<u>1,809,133</u>	<u>1,706,754</u>
Expenses:		
Loan origination and servicing	883,154	759,009
Grant programs	90,000	53,000
Administrative	<u>425,327</u>	<u>429,392</u>
Total expenses	<u>1,398,481</u>	<u>1,241,401</u>
 Change in unrestricted net assets	 <u>410,652</u>	 <u>465,353</u>
 Change in temporarily restricted net assets:		
Restricted grant revenue	361,162	272,054
Net assets released from restrictions	<u>(361,162)</u>	<u>(272,054)</u>
 Change in temporarily restricted net assets	 <u>-</u>	 <u>-</u>
 Change in net assets	 410,652	 465,353
Net assets - beginning of year	<u>3,379,291</u>	<u>2,913,938</u>
Net assets - end of year	<u>\$ 3,789,943</u>	<u>\$ 3,379,291</u>

See notes to financial statements.

NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 410,652	\$ 465,353
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	10,461	10,494
(Recapture of) provision for loan losses	(4,911)	64,573
Gain on sale of loans	(34,596)	-
Loss on disposal of equipment	74	1,761
(Increase) decrease in:		
Interest receivable	55,407	30,084
Accounts receivable and prepaid expenses	115,451	28,838
Increase (decrease) in:		
Accounts payable and accrued expenses	27,878	5,681
Interest payable	97,265	76,327
Deferred revenue	701,589	1,340,994
Net cash provided by operating activities	1,379,270	2,024,105
 Cash flows from investing activities:		
Furniture and equipment purchases	(5,288)	(2,808)
Additions to investments	(5,423,091)	(7,555,326)
Loans originated	(22,431,500)	(9,188,890)
Loan repayments and proceeds from sale	14,515,808	14,041,759
Net change in deferred loan fees	(53,833)	(104,779)
Net cash used in investing activities	(13,397,904)	(2,810,044)
 Cash flows from financing activities:		
Net increase in deposits held	72,104	47,743
Proceeds from borrowing	22,721,499	6,986,503
Loan repayments	(10,718,644)	(7,693,298)
Net cash provided by (used in) financing activities	12,074,959	(659,052)
 Net increase (decrease) in cash and cash equivalents	56,325	(1,444,991)
 Cash and cash equivalents - beginning of year	1,703,128	3,148,119
Cash and cash equivalents - end of year	\$ 1,759,453	\$ 1,703,128
 Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 3,607,334	\$ 3,598,085

See notes to financial statements.

NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Network for Oregon Affordable Housing (NOAH or the Organization) is a private nonprofit corporation established for the purpose of providing financing and technical assistance to facilitate the development of affordable housing in the State of Oregon. Funding for loans is primarily provided by a consortium of participant banks which lend through a credit and security agreement, by a bond participation agreement and by governmental and private foundation support.

Following is a summary of significant accounting policies:

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

Cash and cash equivalents

Short-term investments with maturities of three months or less at the date of purchase are reported as cash equivalents.

Investments

Investments in securities are stated at fair value.

Loans Receivable

Loans receivable are held for investment and are stated at unpaid principal balances, reduced by an allowance for loan losses and deferred loan fees. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The allowance for loan losses is increased by a provision for loan losses, which is charged to expense, and reduced by actual loan write-offs. Management's periodic evaluation of the adequacy of the allowance is based on past loan loss experience, risks inherent in the portfolio, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of underlying collateral, and current economic conditions.

Fees and direct costs associated with the origination of loans are netted and deferred and amortized as a yield adjustment to interest income over the life of the loan using the interest method.

NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011 and 2010

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Furniture and Equipment

Acquisitions of furniture and equipment in excess of \$300 are capitalized. Furniture and equipment are recorded at cost and depreciated over the estimated useful lives of the respective assets on a straight-line basis.

Contributions and Grants

Unconditional contributions and grants are recognized as revenues in the period the Organization is notified of the commitment. Conditional contributions and grants are not recognized as revenue until they become unconditional, that is when the conditions on which they depend are substantially met. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Tax Status

NOAH is exempt from federal and state income taxes as a community development corporation under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Accordingly, no provision for income taxes has been recorded. NOAH is not a private foundation. Management believes that the Organization's information returns for years ended June 30, 2007 and prior are no longer subject to examination by taxing authorities in its major tax jurisdictions.

Functional Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Insignificant expenses incurred for fundraising are included in administrative expense and approximated \$6,900 and \$19,600 for the years ending June 30, 2011 and 2010, respectively.

Use of Estimates

The 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 of assets and liabilities and 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.

NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011 and 2010

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events

The Organization has evaluated all subsequent events through October 6, 2011, the date the financial statements were available to be issued.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash held in escrow for taxes and insurance and deposits for closing expenses. Restricted cash held in escrow and deposits totaled \$1,060,143 at June 30, 2011 and \$988,039 at June 30, 2010. Cash and cash equivalents also include cash limited to uses as described in specific grant and loan agreements. These cash balances at June 30, 2011 and 2010 totaled \$199,186 and \$510,348, respectively.

3. INVESTMENTS

Investments at June 30, 2011 and 2010 are stated at fair value and consist of the following:

	2011	2010
Repurchase agreements	\$ 17,280	\$ 17,280
Certificates of deposit	1,354,733	950,749
Commercial paper	176,043	575,470
Money market funds	15,771,511	10,352,977
Total investments	\$ 17,319,567	\$ 11,896,476

Certificates of deposit at June 30, 2011 and 2010 include time deposits with maturities ranging from 6 months to 12 months and earning interest at rates from 0.01% to 0.24% for 2011 and 2010.

Certain investments included above are limited to uses as described in specific grant and loan agreements. These investments at June 30, 2011 and 2010 totaled \$13,066,425 and \$9,004,400, respectively.

NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011 and 2010

4. PRE-DEVELOPMENT LOANS RECEIVABLE

The Pre-Development Loan program is capitalized by equity equivalent investments from seven banks, and a grant and a loan from the U.S. Department of Treasury under the Community Development Financial Institutions (CDFI) program (see Notes 10 and 11). Pre-development loans receivable consist of 1 loan at June 30, 2011 with an interest rate of 3.25% and 4 outstanding loans at June 30, 2010 with rates ranging from 3.25% and 5.50%. The loan at June 30, 2011 is due December 31, 2013, with interest only payments until then.

The loans are reduced by an allowance for loan losses as follows:

	<u>2011</u>	<u>2010</u>
Real estate loans	\$ 1,500,000	\$ 3,103,800
Allowance for loan losses	<u>(15,000)</u>	<u>(31,038)</u>
Pre-development loans receivable, net	\$ <u>1,485,000</u>	\$ <u>3,072,762</u>

The change in the allowance for pre-development loan losses is as follows:

	<u>2011</u>	<u>2010</u>
Balance - beginning of year	\$ 31,038	\$ 31,038
Recapture of loan losses	<u>(16,038)</u>	<u>-</u>
Balance - end of year	\$ <u>15,000</u>	\$ <u>31,038</u>

NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011 and 2010

5. OREGON HOUSING ACQUISITION FUND (OHAF) LOANS RECEIVABLE

Loans receivable under the Oregon Housing Acquisition Fund (OHAF) consist of 2 loans outstanding at June 30, 2011 and 2010. The OHAF loans are capitalized by loans from banks, a loan from the Oregon Housing and Community Services Department (OHCSA), and program-related investment loans from foundations (see Note 9). Interest rates on the notes vary between 6.75% and 7.04% for loans outstanding at June 30, 2011 and 5.50% and 7.04% for loans outstanding at June 30, 2010. The loans are payable over three years.

The loans are reduced by loan fees (net of loan costs) and an allowance for loan losses as follows:

	2011	2010
Real estate loans-OHAF	\$ 3,090,500	\$ 4,208,500
Loan fees, net of loan costs	3,675	(16,380)
Allowance for loan losses	(15,453)	(21,044)
 OHAF loans receivable, net	 \$ 3,078,722	 \$ 4,171,076

The change in the allowance for OHAF loan losses is as follows:

	2011	2010
Balance - beginning of year	\$ 21,044	\$ 67,153
Recapture of loan losses	(5,591)	(46,109)
 Balance - end of year	 \$ 15,453	 \$ 21,044

NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011 and 2010

6. PERMANENT LOANS RECEIVABLE

Permanent loans receivable consist of 105 outstanding loans at June 30, 2011 and 96 outstanding loans at June 30, 2010. Interest rates on the notes vary between 2.72% and 8.94%. The loans are secured by real property. Collateral on the loans is assigned to the participant banks in connection with the credit and security agreement described in Note 12.

The loans are reduced by loan fees received (net of loan costs) and by an allowance for loan losses as follows:

	<u>2011</u>	<u>2010</u>
Real estate loans	\$ 104,466,954	\$ 93,829,462
Loan fees, net of loan costs	(467,551)	(508,421)
Allowance for loan losses	<u>(1,144,519)</u>	<u>(1,155,305)</u>
Permanent loans receivable, net	<u>\$ 102,854,884</u>	<u>\$ 92,165,736</u>

The change in the allowance for loan losses is as follows:

	<u>2011</u>	<u>2010</u>
Balance - beginning of year	\$ 1,155,305	\$ 1,044,623
Provision for loan losses	16,718	110,682
Gain on sale of loan	<u>(27,504)</u>	<u>-</u>
Balance - end of year	<u>\$ 1,144,519</u>	<u>\$ 1,155,305</u>

7. FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Office furniture and equipment	\$ 97,716	\$ 93,466
Less accumulated depreciation	<u>67,399</u>	<u>57,902</u>
Furniture and equipment, net	<u>\$ 30,317</u>	<u>\$ 35,564</u>

NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011 and 2010

8. DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Preclose loan fees	\$ 198,178	\$ 295,427
Community Development Financial Institutions grants	1,750,000	1,000,000
Conditional grants	<u>1,463,411</u>	<u>1,414,573</u>
Total deferred revenue	<u>\$ 3,411,589</u>	<u>\$ 2,710,000</u>

Preclose loan fees represent commitment fees received on loans in process on total outstanding loan commitments of approximately \$20,674,000 and \$31,005,000 at June 30, 2011 and 2010. NOAH incurred costs of \$135,412 and \$283,230, respectively, at June 30, 2011 and 2010 which are included in prepaid expenses and deferred charges. If the commitment is exercised, commitment fees, net of costs incurred, are recognized as interest income over the life of the loan. If the commitment expires unexercised, commitment fees are recognized as income upon expiration of the commitment.

NOAH received two Community Development Financial Institution (CDFI) grants totaling \$1,750,000 for the CDFI program (\$1,000,000 in 2010 and \$750,000 in 2011). Grant revenue is recognized as loans are made. No loans were made during 2010 and 2011.

Conditional grants include the unexpended portion of advance payments received from the Meyer Memorial Trust (MMT), the MacArthur Foundation, and the Oregon Community Foundation for the Oregon Housing Acquisition Project. These grants consist of the following:

	<u>2011</u>	<u>2010</u>
Meyer Memorial Trust	\$ 481,917	\$ 346,917
Meyer Memorial Trust - Green Building Incentive Program	242,000	327,000
MacArthur Foundation	489,494	450,656
MacArthur Foundation - Loan Loan loss reserve	250,000	250,000
Oregon Community Foundation	<u>-</u>	<u>40,000</u>
Total conditional grants	<u>\$ 1,463,411</u>	<u>\$ 1,414,573</u>

NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011 and 2010

8. DEFERRED REVENUE, Continued

During the year ended June 30, 2008, the MMT granted NOAH conditional grants of \$1,235,000 which are contingent on meeting grant objectives and other requirements. The grants are payable over six years. NOAH received advance payments totaling \$1,235,000 through June 30, 2011 and \$1,060,000 through June 30, 2010, of which \$125,000 and \$95,098 were expended for the program for each of the years then ended, respectively. Accordingly, the unexpended portion of the advance payments is reflected as deferred revenue.

During the year ended June 30, 2009, the MacArthur Foundation granted NOAH conditional grants of \$1,000,000 which are contingent on meeting grant objectives and other requirements. The grant is payable over three years. NOAH received advance payments totaling \$1,000,000 through June 30, 2011 and \$815,000 through June 30, 2010. Funds were expended for the program during years ended June 30, 2011 and 2010 totaling \$146,162 and \$114,344, respectively. Accordingly, the unexpended portion of the advance payments is reflected as deferred revenue.

During the year ended June 30, 2009, the Oregon Community Foundation granted NOAH two conditional grants totaling \$80,000 which are contingent on meeting grant objectives and other requirements. NOAH received advance payments totaling \$80,000 in 2009, of which \$40,000 was expended for the program in each of 2011 and 2010.

**NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011 and 2010**

9. OREGON HOUSING ACQUISITION LOAN FUND (OHAF) LOANS PAYABLE

NOAH's Oregon Housing Acquisition Loan Fund (OHAF) consists of the following loans as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Oregon Housing and Community Services Department	\$ 2,000,000	\$ 2,000,000
Program-related investment (PRI) loans	8,500,000	6,500,000
Notes payable - banks	<u>2,317,875</u>	<u>2,808,675</u>
Total OHAF loans payable	<u>\$ 12,817,875</u>	<u>\$ 11,308,675</u>

NOAH received a \$2,000,000 unsecured note from Oregon Housing and Community Services Department (OHCSD) to capitalize OHAF. This note is documented under a grant agreement and is due June 30, 2015. There is no interest charged on this loan.

NOAH received unsecured program-related investment (PRI) loans from foundations to capitalize NOAH's OHAF. The notes have an interest rate of 2% and are due in full beginning December 2013 through 2019. PRIs are as follows at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Collins Foundation	\$ 500,000	\$ 500,000
Meyer Memorial Trust	4,000,000	4,000,000
MacArthur Foundation	<u>4,000,000</u>	<u>2,000,000</u>
Total PRI loans payable	<u>\$ 8,500,000</u>	<u>\$ 6,500,000</u>

On January 1, 2009, NOAH established a senior secured revolving credit line under a master participation agreement with a number of banks for the purpose of funding loans under the OHAF. Loan commitments from banks totaled \$26,600,000 at June 30, 2011. The participant banks receive an assignment of the collateral for the loans originated equal to their respective equity percentage interest in the loans. An interest rate spread is retained by NOAH to cover operating expenses. Notes payable to participant banks are payable in monthly installments of interest only and are due in full at maturity or when received from NOAH's borrowers. Interest rate on the loans is 5.25%. Outstanding borrowings total \$2,317,875 and \$2,808,675 at June 30, 2011 and 2010, respectively.

NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011 and 2010

9. OREGON HOUSING ACQUISITION LOAN FUND (OHAF) LOANS PAYABLE, Continued

Scheduled principal payments are as follows:

June 30, 2012	\$	567,150
2013		360,000
2014		4,500,000
2015		-
2016		2,000,000
Thereafter		<u>5,390,725</u>
	\$	<u>12,817,875</u>

10. PRE-DEVELOPMENT LOANS PAYABLE

The Pre-Development Loan program is funded by investments in subordinate, long-term notes from seven participating banks. Under the terms of the notes, NOAH is required to make interest-only payments on a quarterly basis. Interest rates on the notes vary between 2% and 3%. Each note must be repaid at maturity, and most maturity dates are ten years from the note date, plus extension options. One agreement has an initial term of less than ten years, but contains extension options to reach a total of 9 years. Outstanding borrowings total \$2,750,000 at June 30, 2011 and 2010.

Scheduled principal payments are as follows:

June 30, 2012	\$	-
2013		-
2014		1,300,000
2015		450,000
2016		-
Thereafter		<u>1,000,000</u>
	\$	<u>2,750,000</u>

**NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011 and 2010**

**11. COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS PROGRAM
(CDFI) NOTE PAYABLE**

During the year ended June 30, 2007, NOAH received a loan from the U.S. Department of Treasury in conjunction with the Community Development Financial Institutions (CDFI) Program. Proceeds are used to fund loans under NOAH's loan programs. Though not required, to date most of the proceeds have been used in NOAH's predevelopment loan program. Monthly principal installments plus interest at 1.39% are payable through 2036. The note balance was \$737,809 at June 30, 2011 and \$767,126 at June 30, 2010.

Scheduled principal payments are as follows:

June 30, 2012	\$	29,317
2013		29,317
2014		29,317
2015		29,317
2016		29,317
Thereafter		<u>591,224</u>
	\$	<u>737,809</u>

12. BANK LOANS PAYABLE – PERMANENT LOAN PROGRAM

Funding for permanent loans originated by NOAH is provided by borrowings from participant banks under two pools governed by a credit and security agreement. Loan commitments from participant banks under Pool A totaled approximately \$17,700,000 at June 30, 2011. It is the policy of NOAH that the terms of its borrowings from participant banks are substantially the same as the terms of the loans it originates. In addition, NOAH has established a second pool (Pool B) of available funds for use in expanding programs. Loan commitments from participant banks for this pool totaled approximately \$9,200,000 at June 30, 2011.

The participant banks receive an assignment of the collateral for the loans originated equal to their respective equity percentage interest in the loans. An interest rate spread is retained by NOAH to cover operating expenses. Notes payable to participant banks are payable in monthly installments of principal and interest as payments are received from NOAH's borrowers. Interest rates on the loans vary between 0.94% and 7.01% at June 30, 2011 and between 1.16% and 7.04% at June 30, 2010. Outstanding borrowings combined for Pools A and B total \$101,844,731 and \$91,321,759 at June 30, 2011 and 2010, respectively.

**NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011 and 2010**

12. BANK LOANS PAYABLE – PERMANENT LOAN PROGRAM, Continued

The scheduled principal payments based on each loan's respective amortization schedule are as follows:

June 30, 2012	\$	2,958,491
2013		3,049,917
2014		3,144,631
2015		3,242,771
2016		3,347,403
Thereafter		<u>86,101,518</u>
	\$	<u>101,844,731</u>

At June 30, 2011, NOAH had unused and available commitment amounts from participant banks for Pools A and B totaling approximately \$7,250,000.

13. TAX-EXEMPT BOND PROGRAM

NOAH operates a Tax-Exempt Bond Program. Under this program, NOAH will facilitate the direct purchase of State tax-exempt bonds issued by Oregon Housing and Community Services (OHCS) to finance affordable housing developments. NOAH will administer a pool of bank commitments to execute bond acquisitions at the end of the construction period. The program is similar to NOAH's existing permanent loan program. OHCS will issue the bonds and a construction lender will handle the bond financing until the project is complete and stabilized, at which time NOAH banks will purchase the bonds and pay off the construction lender. NOAH banks will then hold the bonds for the term portion of the loan. NOAH will service the loans, collecting monthly payments and remitting funds back to participating banks. Bank commitments to the fund will revolve with repayments.

As of June 30, 2011, participating banks have committed funds totaling approximately \$4,843,000 to NOAH for the Tax-Exempt Bond Program. NOAH has issued loans to borrowers totaling approximately \$3,155,000. At June 30, 2011, NOAH had unused and available commitment amounts from participant banks totaling approximately \$1,688,000.

14. BOARD DESIGNATED NET ASSETS

The Board designates proceeds from prepayment privileges and premiums on sales of loans to be held as designated net assets to cover potential future losses on the sales of loans resulting from loan interest rates being below market.

**NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011 and 2010**

15. RETIREMENT PLANS

NOAH offers a 401(k) profit sharing plan for its employees. Eligible employees may electively defer compensation subject to Internal Revenue Code limitations. NOAH may make elective matching contributions and non-elective, discretionary contributions. NOAH's contribution to the plan for the years ending June 30, 2011 and 2010 totaled approximately \$55,600 and \$31,500, respectively.

16. RELATED PARTY TRANSACTIONS

NOAH has deposits with participant banks in checking, savings and investment accounts totaling approximately \$19,079,000 at June 30, 2011 and \$13,600,000 at June 30, 2010.

As of June 30, 2011 and 2010, approximately 69% of outstanding debt is due to participating banks which employ members of the Board of Directors.

NOAH also pays quarterly agent bank fees to a participant bank equal to one-eighth of one percent per annum on the average quarterly outstanding loan balance. Total fees paid totaled approximately \$123,000 and \$112,000 for the years ending June 30, 2011 and 2010, respectively.

17. LEASE COMMITMENT

NOAH leases office space under a lease agreement in effect through May 15, 2015. Monthly base rent starts at \$3,906 with annual increases reaching \$4,397 per month in 2015. Total rent paid during years ended June 30, 2011 and 2010 approximated \$36,600 and \$45,600, respectively.

Future minimum lease payments under the operating lease are as follows:

June 30, 2012	\$	48,400
2013		49,900
2014		51,300
2015		<u>48,400</u>
	\$	<u>198,000</u>

NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
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18. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions located in Portland. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Balances in excess of insured limits were approximately \$18,239,000 and \$13,104,000 as of June 30, 2011 and 2010, respectively.

19. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at June 30, 2011 and 2010 are as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
June 30, 2011 - Investments:			
Repurchase agreements	\$ 17,280	\$ 17,280	\$ -
Commercial paper	176,043	-	176,043
June 30, 2010 - Investments:			
Repurchase agreements	17,280	17,280	-
Commercial paper	575,470	-	575,470

Fair values for repurchase agreements are determined by reference to quoted market prices and other relevant information generated by market transactions.

Fair value for commercial paper is based on amounts as reported by the financial institutions that hold the funds.

NETWORK FOR OREGON AFFORDABLE HOUSING (NOAH)
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20. FAIR VALUES OF FINANCIAL INSTRUMENTS

U.S. generally accepted accounting principles require disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial position. The estimated fair value amounts as of June 30, 2011 and 2010 have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop estimates of fair value. Accordingly, the estimates described below are not necessarily indicative of the amounts the Organization could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The methods and assumptions used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value are explained below:

Cash and Cash Equivalents: The carrying amounts approximate fair values due to the short-term nature of these instruments.

Investments: Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Loans Receivable: Based on current interest rates offered by the Organization and the interest rates related to the loan portfolio, the carrying amounts of the loans are estimated to approximate fair value. It is the management's opinion that the allowance for estimated loan losses results in a fair valuation of such loans.

Notes Payable: Based on current interest rates on notes payable and the interest rates related to the existing borrowings, the carrying amounts of such borrowings are estimated to approximate fair values.

Interest Receivable and Interest Payable: The carrying amounts of these items are a reasonable estimate of their fair values due to their short-term nature.