



Audited Financial Statements

June 30, 2025

**NORTH CAROLINA HOUSING FINANCE AGENCY
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2025

The management's discussion and analysis of the North Carolina Housing Finance Agency's financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2025. The financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Overview

The North Carolina Housing Finance Agency (Agency) was created in 1973 to provide financing for residential housing, both ownership and rental, to North Carolina households with low and moderate incomes. The Agency issues bonds and sells mortgage-backed securities (MBS) on the secondary market to finance housing throughout the State of North Carolina (State). In addition, the Agency administers the funding for Section 8 Project-Based Contract Administration (Section 8 PBCA), the HOME Investment Partnerships Program (HOME), the Low-Income Housing Tax Credits (LIHTC), the North Carolina Housing Trust Fund (HTF), the Workforce Housing Loan Program (WHLF), the National Housing Trust Fund (NHTF) and other federal and state programs. The Agency uses these funds to provide different types of assistance such as down payment assistance, low-interest mortgage loans, foreclosure prevention counseling, rent subsidies, and various types of rehabilitation of both single and multifamily properties.

Financial Highlights

The following information is an analysis of the Agency's performance for the year ended June 30, 2025, compared to the prior fiscal year's results and activities:

- *Total Assets* increased \$1,120,905,000, or 30.3%
- *Deferred Outflows of Resources* increased \$1,454,000, or 14.5%
- *Total Liabilities* increased \$997,598,000, or 35.1%
- *Deferred Inflows of Resources* increased \$1,961,000, or 49.7%
- *Total Net Position* increased \$122,800,000, or 14.3%

The Agency issued bonds in fiscal year 2025 to finance a portion of its NC Home Advantage Mortgage (HomeAd) loans, which were securitized into MBS. The Agency also issued variable rate debt during the fiscal year as a component of Series 55 and entered into a new interest rate swap on the associated debt. In conjunction with the issuances of Series 55 and 56, the Agency purchased two State and Local Government Series investments, one of which matured during the fiscal year. These transactions caused increases in *Bonds payable, net*, *Investments*, and the other related accounts shown below, with a decrease only in *Nonfederal program expense* due to a reduced volume of new loans with down payment assistance relative to fiscal year 2024.

- *Bonds payable, net* increased \$967,712,000, or 35.4%
- *Accrued interest payable* increased \$20,960,000, or 44.7%
- *Interest on bonds* increased \$43,102,000, or 55.7%
- *Investments* increased \$968,092,000, or 43.6%
- *Interest on investments* increased \$54,974,000, or 41.5%
- *Accrued interest receivable on investments* increased \$4,530,000, or 39.4%
- *Net increase (decrease) in fair value of investments* increased \$71,414,000 or 787.5%
- *Hedging derivatives asset* increased \$3,362,000, or 100.0%
- *Accumulated increase in fair value of hedging derivative* increased \$3,362,000, or 100.0%

- *Nonfederal program expense* decreased \$9,521,000, or 11.9%

In 2013, the Agency shifted from offering mortgages under the FirstHome program, in which the Agency owns the mortgage loan, to utilizing the HomeAd program, in which mortgage loans are pooled into MBS. As a result, the portfolio of mortgage loans in the FirstHome program continues to decline from repayments, causing a decrease in *Mortgage loans receivable, net*, of \$16,086,000, or 5.6%, and *Accrued interest receivable on mortgage loans* of \$133,000, or 11.6%. The decrease in *Mortgage loans receivable, net*, was partially offset by an increase in new Carryover Loan Pool loans during the fiscal year.

During the fiscal year, the Agency was appropriated approximately \$59 million in remaining COVID-era ERA2 funds that were previously awarded to the North Carolina Pandemic Recovery Office (NCPRO). The federal funds were sent to the HTF, which is administered by the Agency. The receipt and disbursement of these funds, as well as the winddown of the NC Homeowner Assistance Fund, contributed to the increases and decreases in the accounts below:

- *Other assets* decreased \$2,919,000, or 39.2%
- *Unearned revenues* increased \$5,727,000, or 22.2%
- *Federal program awards received* decreased \$42,673,000, or 13.3%
- *Nonfederal program awards received* increased \$8,935,000, or 100.0%
- *Federal program expense* decreased \$60,481,000, or 17.9%
- *General and administrative expense* decreased \$4,412,000, or 12.0%

While *State appropriations received* in fiscal year 2025 remained consistent with fiscal year 2024, *State grants received* increased by \$12,844,000, or 29.8% due to an increase in the Agency's contract amounts with the NC Department of Health and Human Service (DHHS). *State program expense* decreased by \$68,305,000, or 38.7% due to the decrease in WHLP appropriations since fiscal year 2023, resulting in fewer loans disbursed in fiscal year 2025.

The Agency is required to reflect its proportionate share of the State's pension liability and postemployment benefits, which are based on actuarial assumptions. The effect of these transactions is listed below:

- *Deferred outflows for pensions* decreased \$1,459,000, or 23.6%
- *Deferred outflows for other postemployment benefits* increased \$2,757,000, or 79.6%
- *Pension liability* decreased \$832,000, or 8.6%
- *Other postemployment benefits* increased \$4,078,000, or 30.5%
- *Deferred inflows for pensions* decreased \$45,000, or 63.4%
- *Deferred inflows for other postemployment benefits* decreased \$1,356,000, or 35.0%

The net effect of the transactions detailed above, along with regular operations of the Agency, resulted in an increase in *Total Net Position* of \$122,800,000, or 14.3%. The primary driver of the change in net position is related to increases in investments and related accounts, combined with decreases in federal, nonfederal and state program disbursements as described above. The Agency continues to proactively manage its programs to further its mission of creating affordable housing for North Carolinians with low and moderate incomes.

Financial Analysis

The following tables summarize the changes in net position between June 30, 2025 and June 30, 2024
(in thousands):

	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>%</u>
Condensed Statements of Net Position				
Assets*				
Cash and cash equivalents	\$ 1,330,725	\$ 1,157,436	\$ 173,289	15.0
Investments	3,185,956	2,217,864	968,092	43.6
Accrued interest receivable on investments	16,041	11,511	4,530	39.4
Mortgage loans receivable, net	271,479	287,565	(16,086)	(5.6)
Mortgage loans held for sale	548	9,656	(9,108)	(94.3)
Hedging derivatives asset	3,362	-	3,362	100.0
Accrued interest receivable on mortgage loans	1,010	1,143	(133)	(11.6)
State receivables	821	159	662	416.4
Capital assets, net	1,478	2,262	(784)	(34.7)
Other assets, net	4,530	7,449	(2,919)	(39.2)
Total Assets	\$ 4,815,950	\$ 3,695,045	\$ 1,120,905	30.3
Deferred Outflows of Resources				
Deferred outflows for pensions	\$ 4,716	\$ 6,175	\$ (1,459)	(23.6)
Deferred outflows for other postemployment benefits	6,220	3,463	2,757	79.6
Accumulated decrease in fair value of hedging derivative	547	391	156	39.9
Total Deferred Outflows of Resources	\$ 11,483	\$ 10,029	\$ 1,454	14.5
Liabilities*				
Bonds payable, net	\$ 3,703,161	\$ 2,735,449	\$ 967,712	35.4
Accrued interest payable	67,890	46,930	20,960	44.7
Accounts payable	3,286	3,747	(461)	(12.3)
Hedging derivatives liability	547	391	156	39.9
Unearned revenues	31,470	25,743	5,727	22.2
Pension liability	8,828	9,660	(832)	(8.6)
Other postemployment benefits	17,443	13,365	4,078	30.5
Lease liabilities	1,438	2,113	(675)	(31.9)
Other liabilities	7,672	6,739	933	13.8
Total Liabilities	\$ 3,841,735	\$ 2,844,137	\$ 997,598	35.1
Deferred Inflows of Resources				
Deferred inflows for pensions	\$ 26	\$ 71	\$ (45)	(63.4)
Deferred inflows for other postemployment benefits	2,517	3,873	(1,356)	(35.0)
Accumulated increase in fair value of hedging derivative	3,362	-	3,362	100.0
Total Deferred Inflows of Resources	\$ 5,905	\$ 3,944	\$ 1,961	49.7
Net Position				
Net investment in capital assets	\$ 1,478	\$ 2,262	\$ (784)	(34.7)
Restricted net position	795,098	694,798	100,300	14.4
Unrestricted net position	183,217	159,933	23,284	14.6
Total Net Position	\$ 979,793	\$ 856,993	\$ 122,800	14.3

*For information on current and noncurrent statement of net position items, please see the audited Statement of Net Position in the accompanying financial statements.

**Condensed Statements of Revenues, Expenses
and Changes in Net Position**

	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>%</u>
Operating Revenues				
Interest on investments	\$ 187,306	\$ 132,332	\$ 54,974	41.5
Net increase (decrease) in fair value of investments	62,345	(9,069)	71,414	787.5
Interest on mortgage loans	11,648	13,396	(1,748)	(13.0)
Federal program awards received	277,714	320,387	(42,673)	(13.3)
Nonfederal program awards received	8,935	-	8,935	100.0
Program income/fees	73,922	73,740	182	0.2
Other revenues	281	1	280	28,000.0
Total Operating Revenues	<u>\$ 622,151</u>	<u>\$ 530,787</u>	<u>\$ 91,364</u>	<u>17.2</u>
Operating Expenses				
Interest on bonds	\$ 120,541	\$ 77,439	\$ 43,102	55.7
Lease interest expense	40	38	2	5.3
Mortgage servicing expense	618	716	(98)	(13.7)
Federal program expense	277,279	337,760	(60,481)	(17.9)
Nonfederal program expense	70,380	79,901	(9,521)	(11.9)
General and administrative expense	32,419	36,831	(4,412)	(12.0)
Other expenses	1,366	441	925	209.8
Total Operating Expenses	<u>\$ 502,643</u>	<u>\$ 533,126</u>	<u>\$ (30,483)</u>	<u>(5.7)</u>
Operating Income (Loss)	<u>\$ 119,508</u>	<u>\$ (2,339)</u>	<u>\$ 121,847</u>	<u>5,209.4</u>
Non-Operating Revenues (Expenses)				
State appropriations received	\$ 55,660	\$ 55,660	\$ -	0.0
State grants received	55,999	43,155	12,844	29.8
Noncapital contributions	6	18	(12)	(66.7)
State program expense	(108,373)	(176,678)	68,305	(38.7)
Total Non-Operating Revenues (Expenses)	<u>\$ 3,292</u>	<u>\$ (77,845)</u>	<u>\$ 81,137</u>	<u>104.2</u>
Change in Net Position	<u>\$ 122,800</u>	<u>\$ (80,184)</u>	<u>\$ 202,984</u>	<u>253.1</u>
Total Net Position - Beginning	<u>\$ 856,993</u>	<u>\$ 937,177</u>	<u>\$ (80,184)</u>	<u>(8.6)</u>
Total Net Position - Ending	<u>\$ 979,793</u>	<u>\$ 856,993</u>	<u>\$ 122,800</u>	<u>14.3</u>

New Business

The state's biennium budget for fiscal years 2024 and 2025 was approved on October 3, 2023 and included recurring appropriations for the Agency of \$7.66 million for HTF and \$3 million for HOME Match, along with non-recurring appropriations for both fiscal years of \$35 million for WHLP, and an additional \$10 million for HTF to provide housing for homeless veterans and victims of domestic violence, sexual assault, and human trafficking.

The US Department of Treasury established the ERA2 program to provide financial support to deliver housing stability for eligible renters throughout the COVID-19 pandemic. ERA2 was funded through the American Rescue Plan Act of 2021 and offered financial assistance and housing stability services, and to cover costs for other affordable rental housing and eviction prevention activities. The NC Office of State Budget and Management designated NCPRO to accept and administer funds. During fiscal year 2025, approximately \$59 million of remaining ERA2 funds were appropriated to the HTF administered by the Agency, who began disbursing funds during the year.

Debt Administration

The Agency issued taxable and tax-exempt bonds in fiscal year 2025 to finance a portion of its HomeAd production. The Series 55 tax-exempt bond issuance closed in October 2024 for a total of \$500,000,000 par plus a net premium of \$11,832,000. The issuance included a \$200,000,000 convertible option bond with a

mandatory tender in January 2026 and \$80,000,000 of variable rate debt. The Series 56 tax-exempt bond issuance also closed in October 2024 for \$60,000,000. This series was issued as a convertible option bond with a mandatory tender in July 2025. The bonds were called in April 2025. The Series 57 bond issuance closed in February 2025 for a total of \$299,000,000 par plus a premium of \$12,155,000. The issuance contained a tax-exempt amount of \$92,500,000, and a taxable amount of \$206,500,000. The Series 58 bond issuance closed in June 2025 for a total of \$299,000,000 par plus a premium of \$11,121,000. The issuance contained a tax-exempt amount of \$92,445,000, and a taxable amount of \$206,555,000. Proceeds have been used to finance production of both the Agency's first mortgage purchases and the NC 1st Home Advantage Down Payment Assistance.

In fiscal year 2025, the Agency had biannual debt service payments totaling \$211,890,000. In conjunction with the October 2024 issuance of Series 55 bonds, the Agency entered into a new interest rate swap for \$80,000,000 to hedge its variable rate debt issued at that time. Detailed information concerning the swap is discussed in Note E, "Derivative Instrument – Interest Rate Swap."

The Agency issued conduit multifamily mortgage revenue bonds of \$15,200,000 in August 2024 for the acquisition and renovation of 14 affordable apartment properties in rural communities across North Carolina. These bonds are limited obligations of the Agency, secured solely by the revenues and other assets pledged for their payment.

Programs and Activities

The Agency's mission is to provide safe, affordable housing opportunities to enhance the quality of life of North Carolinians. The Agency focuses its efforts on providing assistance to borrowers purchasing a home, financing affordable rental housing, and helping homeowners who are facing foreclosure or living in substandard housing.

For the year ended June 30, 2025, the Agency recorded expenditures of \$298,656,000 in federal funds for the following programs:

- Carryover Loan Program (COLP)
- Community Partners Loan Pool (CPLP)
- Essential Single-Family Rehabilitation Loan Pool (ESFRLP)
- Rental Production Program (RPP)
- Rental Production Program – Disaster Recovery (RPP-DR)
- Section 8 Project-Based Contract Administration (Section 8 PBCA)
- Self-Help Loan Pool (SHLP)

For the year ended June 30, 2025, the Agency recorded expenditures of \$108,319,000 in State funds for the following programs:

- Community Partners Loan Pool (CPLP)
- Displacement Prevention Partnership (DPP)
- Essential Single-Family Rehabilitation Loan Pool – Disaster Recovery (ESFRLP-DR)
- Housing Services (HS)
- Key Rental Assistance (Key)
- Rental Production Program (RPP)
- Supportive Housing Development Program (SHDP)
- Transitions to Community Living Voucher (TCLV)
- Urgent Repair Program (URP)
- Workforce Housing Loan Program (WHLP)

For the year ended June 30, 2025, the Agency recorded expenditures of \$1,306,545,000 from other funding sources for the following programs:

- Carryover Loan Program (COLP)
- Community Partners Loan Pool (CPLP)
- Construction Training Partnership (CTP)
- Essential Single-Family Rehabilitation Loan Pool (ESFRLP)
- NC Home Advantage Mortgage (HomeAd)
- NC 1st Home Advantage Down Payment Assistance (1st Home DPA)
- Rental Production Program (RPP)
- State Home Foreclosure Prevention Project (SHFPP)
- Urgent Repair Program (URP)

For the year ended June 30, 2025, the Agency made awards of \$368,007,000 for the following programs:

- Low-Income Housing Tax Credit (LIHTC)
- NC Home Advantage Tax Credit (MCC)
- NC Home Advantage Mortgage (HomeAd)

All major programs for which the Agency recorded expenditures or made awards in the year ended June 30, 2025 are described in the section below:

Home Ownership Programs The Agency offers low-cost mortgages, down payment assistance and mortgage credit certificates (MCCs) for qualified buyers through the following programs:

- Community Partners Loan Pool provides down payment assistance to qualifying homebuyers purchasing a home through local governments and nonprofits. Homebuyers are offered interest-free, deferred second mortgages up to 25% of the purchase price when combined with a HomeAd mortgage or up to 10% when combined with a USDA Section 502 loan.
- NC Home Advantage Mortgage provides affordable mortgage options and forgivable down payment assistance to first-time and move-up homebuyers. Borrowers are offered 30-year fixed rate mortgages and 15-year deferred, forgivable second mortgages of 3% of the first mortgage amount.
- NC 1st Home Advantage Down Payment Assistance program provides another down payment assistance option for qualifying veterans and first-time homebuyers. This comes in the form of a \$15,000 deferred forgivable 15-year second mortgage.
- NC Home Advantage Tax Credit helps qualifying veterans and first-time homebuyers increase their mortgage affordability by providing MCCs. MCCs are federal tax credits that reduce tax liability annually by up to 30% of mortgage interest for existing homes or up to 50% for new construction, each with a maximum credit of \$2,000 annually.
- Self-Help Loan Pool provides affordable mortgage assistance to qualified homebuyers purchasing homes through nonprofit Self-Help Housing loan pool members. Homebuyers are offered interest-free amortizing loans in combination with SHLP nonprofit member financing.

Housing Preservation Programs The Agency partners with local governments, nonprofits and regional councils to finance the rehabilitation of substandard owner-occupied homes to prevent displacement through the following programs:

- Displacement Prevention Partnership offers interest-free, deferred, forgiven loans through the North Carolina Division of Vocational Rehabilitation and Independent Living Offices to repair or improve home accessibility for qualifying homeowners with mobility issues. Homeowners who are disabled earning up

to 50% of area median income are eligible for these loans.

- Essential Single-Family Rehabilitation Loan Pool provides essential and critical home rehabilitation for qualifying homeowners. Funds are provided to partners in the form of interest-free, deferred, forgiven loans. The program benefits homeowners earning up to 80% of area median income with full-time household members who are elderly, disabled, qualified veterans and/or children under the age of six years old frequently present in a home with lead hazards.
- Essential Single-Family Rehabilitation Loan Pool – Disaster Recovery program provides interest-free, deferred, forgiven loans to eligible homeowners to provide essential rehabilitations in response to damage from Hurricane Matthew and Tropical Storms Julia and Hermine. Homeowners earning up to 100% of area median income whose homes were affected by these storms in the counties listed in the Disaster Recovery Act of 2016 are eligible for loans for rehabilitation.
- Urgent Repair Program provides interest-free, deferred, forgiven loans to assist qualifying homeowners with emergency repairs and modifications that address imminent threats to health or safety. Homeowners who are elderly, special needs, veterans or disabled earning up to 50% of area median income are eligible.

Foreclosure Prevention Programs The Agency provides foreclosure prevention services in partnership with housing counseling organizations approved by the US Department of Housing and Urban Development (HUD) through various programs, including the following:

- State Home Foreclosure Prevention Project provides free housing counseling and legal assistance to homeowners facing foreclosure. These services are funded through foreclosure filing fees, which are paid by servicers of North Carolina home loans.

Rental Development Programs The Agency finances affordable homes and apartments developed by local governments, nonprofits and private developers through various programs, including the following:

- Carryover Loan Program provides financing for the acquisition of land for 9% new construction tax credit properties.
- Low-Income Housing Tax Credit provides eligible rental developers with financing necessary to develop and substantially rehabilitate affordable rental housing in the State. The tax credit reduces the investors' federal tax liability by up to 9% of the eligible project cost each year for 10 years, and participation in the program ensures the creation and/or preservation of affordable rental housing for households earning up to 80% of the area median income.
- Rental Production Program provides long-term financing for tax credit developments. Amortizing or deferred loans are available up to 20 years.
- Rental Production Program – Disaster Recovery provides loans to fund construction of affordable rental developments in counties with a federally-declared disaster designation due to Hurricane Florence in 2018 and Hurricane Matthew in 2016.
- Workforce Housing Loan Program provides long-term financing for tax credit developments. Assistance is available in the form of 30-year balloon loans for a percentage of development costs based on income designations for each county.

Rental Assistance Programs The Agency administers rent assistance contracts for privately owned apartments or intermediaries through the following programs:

- Key Rental Assistance provides rental assistance for low-income persons with disabilities, including those experiencing homelessness. The Agency is responsible for executing agreements with property owners, reviewing income eligibility documentation at move-in and recertification periods, making rental assistance payments to owners and projecting costs of the program. The Agency partners with DHHS

in administering this program.

- Section 8 Project-Based Contract Administration rental assistance projects are administered by the Agency for certain project-based Section 8 Housing Assistance Payment contracts on behalf of HUD. The Agency partners with NC Quadel Consulting Corporation to manage the contract administration duties.
- Transition to Community Living Voucher was established to create an efficient and effective state housing administration system to allow people with certain disabilities to successfully live in the communities of their choice. The Agency supports Local Management Entities/Managed Care Organizations in administering vouchers through the development and maintenance of a secure electronic funds management and document collection system, reviewing payment requests for compliance and disbursing funds accordingly. The Agency partners with DHHS in administering this program.

Supportive Housing Programs The Agency finances the development of supportive housing for North Carolinians through its partners across the State:

- Supportive Housing Development Program provides amortizing or deferred loans to local governments, nonprofits and regional councils to finance the production of emergency and permanent supportive housing. This program benefits people earning up to 50% of the area median income who have supportive housing needs or are experiencing homelessness.

Additional Information

This discussion and analysis is intended to provide additional information regarding the activities of the North Carolina Housing Finance Agency. If you have questions about the report or need additional financial information, contact Brett Warner, Chief Financial Officer, North Carolina Housing Finance Agency, 3508 Bush Street, Raleigh, North Carolina 27609, (919) 981-2519, bawarner@nchfa.com, or visit the Agency's website at www.nchfa.com.



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Independent Auditor's Report

The Board of Directors
North Carolina Housing Finance Agency

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the North Carolina Housing Finance Agency (the Agency), a public agency component unit of the State of North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Agency, as of June 30, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2025 on our consideration of the Agency'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 solely 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 Agency'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* in considering the Agency's internal control over financial reporting and compliance.

BDO USA, P.C.

September 22, 2025

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF NET POSITION

AS OF JUNE 30, 2025

(in thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$ 193,024
Restricted cash and cash equivalents	1,137,701
Restricted investments	200,599
Accrued interest receivable on investments	16,041
Mortgage loans receivable, net	51,090
Mortgage loans held for sale	548
Accrued interest receivable on mortgage loans	1,010
State receivables	821
Other assets	4,513

TOTAL CURRENT ASSETS \$ 1,605,347

Noncurrent assets:

Restricted investments	\$ 2,985,357
Mortgage loans receivable, net	220,389
Hedging derivatives asset	3,362
Capital assets, net	1,478
Other assets, net	17

TOTAL NONCURRENT ASSETS \$ 3,210,603

TOTAL ASSETS \$ 4,815,950

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows for pensions	\$ 4,716
Deferred outflows for other postemployment benefits	6,220
Accumulated decrease in fair value of hedging derivatives	547

TOTAL DEFERRED OUTFLOWS OF RESOURCES \$ 11,483

LIABILITIES

Current liabilities:

Bonds payable	\$ 61,895
Accrued interest payable	67,890
Accounts payable	3,286
Unearned revenues	4,877
Lease liabilities	644
Other liabilities	1,486

TOTAL CURRENT LIABILITIES \$ 140,078

Noncurrent liabilities:

Bonds payable, net	\$ 3,641,266
Hedging derivatives liability	547
Unearned revenues	26,593
Pension liability	8,828
Other postemployment benefits	17,443
Lease liabilities	794
Other liabilities	6,186

TOTAL NONCURRENT LIABILITIES \$ 3,701,657

TOTAL LIABILITIES \$ 3,841,735

DEFERRED INFLOWS OF RESOURCES

Deferred inflows for pensions	\$ 26
Deferred inflows for other postemployment benefits	2,517
Accumulated increase in fair value of hedging derivatives	3,362

TOTAL DEFERRED INFLOWS OF RESOURCES \$ 5,905

NET POSITION

Net investment in capital assets	\$ 1,478
Restricted net position	795,098
Unrestricted net position	183,217

TOTAL NET POSITION \$ 979,793

The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2025

(in thousands)

OPERATING REVENUES

Interest on investments	\$ 187,306
Net increase (decrease) in fair value of investments	62,345
Interest on mortgage loans	11,648
Federal program awards received	277,714
Nonfederal program awards received	8,935
Program income/fees	73,922
Other revenues	281

TOTAL OPERATING REVENUES	\$ 622,151
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OPERATING EXPENSES

Interest on bonds	\$ 120,541
Lease interest expense	40
Mortgage servicing expense	618
Federal program expense	277,279
Nonfederal program expense	70,380
General and administrative expense	32,419
Other expenses	1,366

TOTAL OPERATING EXPENSES	\$ 502,643
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OPERATING INCOME (LOSS)	\$ 119,508
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NON-OPERATING REVENUES (EXPENSES)

State appropriations received	\$ 55,660
State grants received	55,999
Noncapital contributions	6
State program expense	(108,373)

TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 3,292
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CHANGE IN NET POSITION	\$ 122,800
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TOTAL NET POSITION - BEGINNING	\$ 856,993
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TOTAL NET POSITION - ENDING	\$ 979,793
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The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025

(in thousands)

Cash flows from operating activities:

Interest on mortgage loans	\$ 11,712
Principal payments on mortgage loans	33,487
Purchase of mortgage loans	(18,757)
Sale of mortgage loans held for sale	275,323
Purchase of mortgage loans held for sale	(266,215)
Federal program awards received	280,525
Nonfederal program awards received	8,935
Federal program expense	(276,122)
Nonfederal program expense	(70,380)
Federal grant administration income	9,686
Program income/fees	70,181
Other expenses	(35,925)
Other revenues	2,387
Net cash provided by (used in) operating activities	\$ 24,837

Cash flows from non-capital financing activities:

Issuance of bonds	\$ 1,158,000
Principal repayments on bonds	(211,890)
Interest paid on bonds	(71,158)
Bond issuance costs paid	(6,822)
State appropriations received	55,660
State grants received	55,999
State program expense	(108,373)
Noncapital contributions	6
Net cash provided by (used in) non-capital financing activities	\$ 871,422

Cash flows from investing activities:

Proceeds from sales or maturities of investments	\$ 325,644
Purchase of investments	(1,231,390)
Earnings on investments	182,776
Net cash provided by (used in) investing activities	\$ (722,970)

Net increase (decrease) in cash and cash equivalents, unrestricted and restricted	\$ 173,289
Cash and cash equivalents, unrestricted and restricted, at beginning of year	1,157,436
Cash and cash equivalents, unrestricted and restricted, at end of year	\$ 1,330,725

Reconciliation of operating income (loss) to net cash

provided by (used in) operating activities:

Operating income (loss)	\$ 119,508
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Adjustments to reconcile operating income (loss) to net cash

provided by (used in) operating activities:

Interest on investments	(187,306)
Decrease (increase) in fair value of investments	(62,345)
Interest on bonds	120,541

Change in operating assets and liabilities:

Decrease (increase) in mortgage loans receivable	16,086
Decrease (increase) in mortgage loans held for sale	9,108
Decrease (increase) in accrued interest receivable on mortgage loans	133
Decrease (increase) in other assets	2,790
Decrease (increase) in deferred outflows of resources	(1,454)
Increase (decrease) in accounts payable and other liabilities	88
Increase (decrease) in deferred inflows of resources	1,961
Increase (decrease) in unearned revenues	5,727
Total adjustments	\$ (94,671)
Net cash provided by (used in) operating activities	\$ 24,837

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

A. AUTHORIZING LEGISLATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Authorizing Legislation The North Carolina Housing Finance Agency (Agency) is a public agency and component unit of the State of North Carolina (State). The accompanying financial statements represent the financial position of the Agency only. The Agency was created to provide financing for housing to residents of the State with low and moderate incomes. Pursuant to its enabling legislation, the Agency is authorized to issue bonds and other obligations to fulfill its corporate purpose up to a total outstanding amount of \$12 billion. The debt obligations of the Agency do not constitute a debt, grant, or line of credit of the State, and the State is not liable for the repayment of such obligations.

Basis of Presentation The accompanying financial statements of the Agency have been prepared in accordance with generally accepted accounting principles in the United States (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) establishes standards of financial accounting and reporting for state and local government entities.

Measurement Focus and Basis of Accounting The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Programs The Agency's accounts are organized on the basis of programs. Each program represents a separate accounting entity. Agency resources are allocated to these programs based on legal responsibility, fiscal accountability, and management designation. The Agency's primary programs are summarized below:

Agency Programs Direct administrative and operational activities, including operating expenses of various programs, are recorded in Agency Programs. Among the most active programs are the federal Low-Income Housing Tax Credit (LIHTC) program and the State Home Foreclosure Prevention Project (SHFPP). The Agency administers LIHTC for the State, evaluating applications for the tax credits and monitoring the rental properties for the compliance period to ensure that they meet federal program requirements, among other responsibilities. The Agency earns fees related to the applications and monitoring of LIHTC properties.

In 2008, the State authorized the formation of SHFPP in response to the foreclosure crisis. State statute requires that all parties who wish to initiate a foreclosure against a home in North Carolina remit a \$75 fee to the Agency. The fees collected are used to counsel and/or provide legal assistance to homeowners at risk of foreclosure. Any excess funds are allocated to the North Carolina Housing Trust Fund (HTF) annually.

Housing Trust Fund Programs The North Carolina Housing Trust and Oil Overcharge Act created the HTF and the North Carolina Housing Partnership (Housing Partnership). The purpose of the HTF is to increase the supply of decent, affordable, and energy-efficient housing for residents of the State with low and moderate incomes. The Housing Partnership is responsible for developing policy for the operation of several programs within the HTF. The Agency staff provides services to the Housing Partnership and administers the HTF programs. State appropriations are reported in *Non-Operating Revenues (Expenses)* in the accompanying financial statements, and include a recurring appropriation that is used to make loans and grants under the HTF programs and a nonrecurring appropriation for the Workforce Housing Loan Program. The Agency also received nonrecurring appropriations in fiscal year

2025 to provide housing for homeless veterans and victims of domestic violence, sexual assault, and human trafficking.

The Agency periodically receives funds from the North Carolina Department of Health and Human Services (DHHS) for the Community Living Housing Fund when unspent Transition to Community Living funds are available at DHHS at the end of the fiscal year. In October 2022, Session Law 2022-180 established a recurring appropriation for such funds, not to exceed \$3.8 million. Any funds received in excess of \$3.8 million are reported in *Deferred state grants* until appropriated by the North Carolina General Assembly (General Assembly), at which time they are moved to *State grants received*.

In fiscal year 2025, approximately \$59 million of remaining COVID-era Emergency Rental Assistance (ERA2) funds were appropriated by the General Assembly to the HTF. These are federal funds originally from the US Department of Treasury (Treasury) that were provided to assist eligible households with financial assistance, provide housing stability services, and cover costs for other affordable rental housing and eviction prevention activities. The Agency is using the funds for eligible affordable rental housing purposes, including the construction, rehabilitation, or preservation of affordable rental housing projects and related activities, serving very low-income families.

Federal and State Programs The Agency administers several federal programs including Section 8 Project-Based Contract Administration (Section 8 PBCA), ERA2, the combined HOME Investment Partnerships Program (HOME) and the HOME Investment Partnerships American Rescue Plan Program (HOME-ARP), Community Development Block Grant Disaster Recovery (CDBG-DR), and National Housing Trust Fund (NHTF), which represent 78%, 11%, 9%, 1% and 1% of federal expenditures, respectively. The Agency receives a fee for administering these programs. The HOME program is matched with State funds of up to \$3 million annually as appropriated by the General Assembly.

The Agency receives funds from DHHS for the Transitions to Community Living Voucher program (TCLV), the Key Rental Assistance (Key) program and other housing programs. TCLV is a tenant-based, rental assistance program, which also provides assistance with security deposits, holding fees and risk mitigation claims. The Key program provides assistance and services to low-income individuals with disabilities and those who are homeless. These funds are reported in *State grants received*.

Home Ownership Bond Programs The Home Ownership Bond Programs were created through single-family trust agreements and are restricted as to their use. The proceeds of individual bond issues are used to purchase qualifying mortgage loans for single-family residential units.

The Agency's former FirstHome program was funded with tax-exempt mortgage revenue bonds, and the mortgage loans are reported in *Mortgage loans receivable, net* in the 1998 Home Ownership Bond Program. Mortgage loan interest income related to the Home Ownership Bond Programs is reported in *Interest on mortgage loans*.

The operations for the NC Home Advantage Mortgage (HomeAd) program are financed through the issuance of taxable and tax-exempt mortgage revenue bonds as well as the sale of mortgage-backed securities (MBS). The production related to the HomeAd program is reported in the 1998 Home Ownership Bond Program. In contrast to the FirstHome program, in which the Agency owns the mortgage loans, all HomeAd production is pooled into MBS, regardless of the method of financing. For HomeAd loans funded through the sale of MBS, the related program income is recorded in *Program income/fees*. The MBS funded with bond proceeds are reported in *Restricted Investments*, which also include US Agency securities held by the Agency, as described in Note B, "Cash, Cash Equivalents, Investments, Fair Value Measurements and Securities Lending Transactions." The corresponding earnings from the bond-funded MBS are reported in *Interest on investments*. The down payment assistance loans and lender compensation incurred by the HomeAd program are reported in *Nonfederal program expense*, regardless of the method of financing.

Significant Accounting Policies Below is a summary of the Agency's significant accounting policies:

Cash and Cash Equivalents *Cash and cash equivalents* are comprised of cash on hand, amounts on deposit with financial institutions which are insured or collateralized under provisions of State laws and regulations, and amounts in pooled cash accounts managed by in the North Carolina State Treasurer (State Treasurer), and highly liquid investments with original maturities of three months or less. Funds deposited in an investment pool of the State Treasurer are invested in a variety of instruments as authorized by State law. The majority of *Cash and cash equivalents* classified as restricted on the accompanying Statement of Net Position are for the Agency's debt service payments, bond calls, and for funding home ownership under the Agency's different programs.

Investments *Restricted investments* are reported at fair value in accordance with GASB Codification Section 150, *Investments*. The investments include US Treasury securities, US Agency securities and MBS insured by the Government National Mortgage Association (GNMA), which is a US government agency, and the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), both government sponsored enterprises. The interest earnings are reported in *Interest on investments* and the net change in fair value is reported in *Net increase (decrease) in fair value of investments*.

Mortgage Loans Receivable, Net Mortgage loans include first lien single-family mortgages from the Agency's former FirstHome program, and second lien single-family and multifamily mortgages from various Agency programs. The Agency has the ability and intent to hold these loans for the foreseeable future; therefore, they are not considered investments under GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), and are carried at their outstanding principal balances less a loan loss reserve. The Agency determines the loan loss reserve based on an evaluation of the loan portfolio, current economic conditions, historical loss experience and other factors relevant to the determination of the collectability of the loans.

Mortgage Loans Held For Sale Periodically, the Agency purchases a portion of HomeAd mortgage loans from its originating lenders to hold from the time of loan purchase to the subsequent securitization of the loan, which is approximately one month. The loans are recorded at their outstanding principal balances. When these loans are purchased, they are included in *Mortgage loans held for sale*. The interest income and servicing fees associated with these loans are included in *Interest on mortgage loans* and *Mortgage servicing expense*, respectively.

Other Assets *Other assets* for Federal and State Programs includes receivables related to the HOME, Section 8 PBCA, NHTF, Section 811 Project Rental Assistance for Persons with Disabilities, and HOME-ARP programs. *Other assets* reflected in the Home Ownership Bond Programs include mortgage payments collected by servicers that will be remitted to the Agency in the upcoming fiscal year.

Capital Assets, Net Fixed assets, net of accumulated depreciation, are included in *Capital assets, net* in the accompanying financial statements. Fixed assets of \$5,000 or greater, intangible assets of \$100,000 or greater, and internally developed software with development costs of \$1 million or greater are capitalized and depreciated over a five-year economic useful life using the straight-line method. Right to Use (RTU) buildings and RTU machinery and equipment, net of accumulated depreciation, are also included in *Capital assets, net*. RTU assets with a lease term of greater than 12 months are capitalized and depreciated over the lesser of the lease term or the useful life of the asset, using the straight-line method. Such leases are only subject to capitalization by the Agency if total future lease payments total \$100,000 or more.

Bond Premium and Discount Bond premium and discount represents the difference in the amount received upon the sale of bonds and the par value and is included as a component of *Bonds payable, net* in the accompanying financial statements. The bond premium and discount are amortized using the effective interest rate method over the life of the related bonds and are adjusted accordingly for any bond calls that occur during the year. The amortization of the bond premium and discount is included as a component of *Interest on bonds* in the accompanying financial statements.

Derivative Instruments The Agency has entered into interest rate swap agreements (swap) in order to provide lower cost fixed rate financing for its loan production. The Agency pays a fixed interest rate in exchange for receiving a variable interest rate from the counterparty. By entering into a swap, the Agency hedges its interest rate risk associated with variable rate bonds. The Agency's swaps are considered to be hedging derivative instruments under GASB Statement No. 53 and are recorded under *Hedging derivatives asset* or *Hedging derivatives liability*. The fair market value of each swap is recorded under *Deferred Inflows of Resources* or *Deferred Outflows of Resources*. The interest differentials paid or received under the swaps are recognized as an increase or decrease in *Interest on bonds*.

Unearned Revenues *Unearned revenues* includes monitoring fees received upon the completion of LIHTC projects. Since the Agency's monitoring of LIHTC projects occurs over time, these fees are amortized on a straight-line basis over the life of the tax credit or over the life of the loan. As these funds are disbursed, unearned revenue is reduced and revenue is recognized.

Interprogram Receivable (Payable) During the normal course of operations, the Agency has numerous transactions among programs to provide services. If certain transactions among programs have not been settled as of June 30, 2025 these balances are recorded as *Interprogram receivable (payable)* and eliminated in the accompanying financial statements.

Deferred Outflows/Inflows of Resources In addition to Assets, the Statement of Net Position includes a separate section for *Deferred Outflows of Resources*. This section of the financial statements represents a consumption of net position that applies to a future period and will not be recognized as an expense or expenditure until then. The Agency has three items that meet the criterion: contributions to the pension plan, contributions to other postemployment benefits (OPEB), and an accumulated decrease in fair value of hedging derivative instruments. In addition to Liabilities, the Statement of Net Position includes a separate section for *Deferred Inflows of Resources*. This section of the financial statements represents an acquisition of net position that applies to a future period and will not be recognized as revenue until then. The Agency has three items that meets the criterion: deferred inflows related to the pension plan, deferred inflows related to OPEB, and an accumulated increase in fair value of hedging derivative instruments.

Net Position *Net Position* is reported as restricted when constraints placed on it are externally imposed by creditors, grantors, laws or regulations, or by law through constitutional provisions.

The Agency's Board of Directors approves an operating budget annually that is funded with revenues generated by administrative fees earned on programs, interest income earned on investments, repayment of program funds, and earnings and reserves from trust agreements. These revenue sources are used to cover operating expenses. The decision to use restricted or unrestricted receipts to fund a payment is considered at the transaction level depending on the nature of the payment.

Net position of the Home Ownership Bond Programs is restricted pursuant to the Agency's agreements with its bondholders as determined in its trust agreement. The Agency has restricted these funds in amounts sufficient to meet required debt service and operating expenses as defined by the trust agreement.

Net position of the HTF Programs is restricted in accordance with the policies of the Housing Partnership. The Agency and Federal and State Programs' net positions are restricted in accordance with each program's requirements.

Operating Revenues and Expenses As one of its primary funding sources, the Agency has the authority to issue bonds to the investing public to create inflows of private capital. These funds are used to finance mortgage loans for qualified borrowers. Additional operating income is earned from the sale of the MBS associated with the HomeAd program that are funded through the TBA markets. In addition, a significant amount of operating revenues is derived from federal programs, other program income/fees, interest earned on mortgage loans and MBS that are financed with bonds, including (or offset by) GASB Statement No. 31 fair market value adjustments associated with the investments resulting from market fluctuations.

Accordingly, the primary operating expenses of the Agency are those related to federal programs and the interest expense on bonds outstanding. Other significant operating expenses include down payment assistance and lender compensation, which are reported in *Nonfederal program expense*, and Agency operations, which are reported in *General and administrative expense*.

Non-Operating Revenues and Expenses *State appropriations received* and *State grants received* are classified as *Non-Operating Revenues (Expenses)*. The related expenses are classified as *State program expense*.

General and Administrative Expense *General and administrative expense* is classified by the related program. To the extent allowed by federal and state programs and trust agreements, transfers are made from proceeds of federal and state programs or bond issuances to the Agency to reimburse allowable general and administrative expenses. Certain indirect costs are allocated to federal and state programs based on an independently prepared cost allocation plan.

Use of Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the contingent and reported amounts of assets, liabilities, deferred inflows and outflows of resources at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period (e.g., loan loss reserve). Actual results could differ from estimates.

B. CASH, CASH EQUIVALENTS, INVESTMENTS, FAIR VALUE MEASUREMENTS AND SECURITIES LENDING TRANSACTIONS

Cash and Cash Equivalents As of June 30, 2025, the Agency had deposits with a carrying value of \$42,242,000 and a bank balance of \$42,312,000 in its primary operating account. Of this amount, \$39,371,000 was classified as restricted funds, which included \$2,192,000 of escrow and replacement reserves maintained on behalf of multifamily and single-family mortgagors; accordingly, a corresponding liability of the same amount is also included on the Statement of Net Position.

The Agency had deposits with a carrying value of \$1,288,483,000 and a bank balance \$1,290,314,000 on deposit with the Agency's fiduciary agents. Of this balance, \$1,098,330,000 was classified as restricted funds. Such deposits are held in accordance with State Statute 159-31(b) by a third-party custodian.

Deposits - Custodial Credit Risk Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. At June 30, 2025, the Agency was not exposed to any material custodial credit risk.

Deposits - Foreign Currency Risk Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of a deposit. The Agency does not have exposure to foreign currency risk.

Investments The Agency's restricted investments include US Treasury securities, US Agency securities and MBS insured by GNMA, FNMA and FHLMC.

The Agency funds a portion of its HomeAd production with both tax-exempt and taxable bonds. In the HomeAd program, mortgages are made by lenders, purchased by the Agency's master servicer, and securitized into MBS. For MBS that are financed with bonds, the MBS are reflected in *Restricted investments* on the Statement of Net Position.

At June 30, 2025, the Agency held the following investments with the listed maturities at annual rates ranging from 1.675% to 7.125%. Ratings are displayed with the Moody's Investors Service (Moody's) rating listed first and the Standard & Poor's (S&P) rating listed second (*in thousands*):

Investments (Ratings)	Carrying Amount	Investment Maturities (<i>In Years</i>)			
		Less Than 1	1 – 5	6 – 10	More Than 10
GNMA MBS (Aa1/AA+)	\$1,451,965	\$ -	\$ -	\$ -	\$1,451,965
FNMA MBS (Aa1/AA+)	1,169,024	-	-	-	1,169,024
FHLMC MBS (Aa1/AA+)	362,601	-	-	-	362,601
US Treasury Securities (Aa1/AA+)	200,000	200,000	-	-	-
US Agency Securities (Aa1/AA+)	2,366	599	1,767	-	-
Total Categorized	\$3,185,956	\$ 200,599	\$ 1,767	\$ -	\$2,983,590

Interest Rate Risk Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. The Agency's investment strategy is designed to match the life of the asset with the date of its related liability. The Agency seeks to minimize interest rate risk by structuring the portfolio to meet ongoing program and operational cash requirements without having to sell securities prior to maturity.

Credit Risk Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes authorize the Agency to invest in (i) direct obligations or obligations on which the principal and interest are unconditionally guaranteed by the US Government; (ii) obligations issued by an approved agency or corporation wholly-owned by the US Government; (iii) interest-bearing time deposits, certificates of deposit, or other approved forms of deposits in any bank or trust company in North Carolina which satisfies insurance and, if necessary, collateral requirements for holding Agency money; (iv) duly established investment programs of the State Treasurer; (v) repurchase agreements; and (vi) repurchase agreements with banks and financial institutions which are chartered outside of the State and meet specified rating and collateral requirements of the various trust agreements. The MBS are securitized by GNMA, FNMA and FHLMC. The GNMA MBS are direct obligations of the US Government. FNMA and FHLMC are government sponsored enterprises that have credit ratings and perceived credit risk comparable to direct US obligations. The US Treasury securities are direct obligations of the US Government; the US Agency securities are direct obligations of the Federal Farm Credit Bank and Federal Home Loan Bank.

Concentration of Credit Risk Concentration of credit risk is the risk of loss related to the percentage of the Agency's investment portfolio in any single issuer, except for investments explicitly

backed by the US government. The Agency's investments in FNMA and FHLMC both exceed 5% of total investments as of June 30, 2025.

Custodial Credit Risk Custodial credit risk occurs when investment securities are uninsured and are not registered in the name of the Agency, and there is a failure of the counterparty. At year end, the Agency was not exposed to custodial credit risk. The US Treasury securities and the US Agency securities, including the MBS, are on deposit with the Agency's fiduciary agent, which holds these securities by book entry in its fiduciary Federal Reserve accounts. The Agency's ownership of these securities is identified through the internal records of the fiduciary agent.

Foreign Currency Risk Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Agency does not have exposure to foreign currency risk.

Fair Value Measurements To the extent available, the Agency's investments are recorded at fair value within the fair value hierarchy established by GAAP, in accordance with GASB 72. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1	Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.
Level 2	Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.
Level 3	Investments with unobservable inputs and may require a degree of professional judgment.

The Agency had the following recurring fair value measurements as of June 30, 2025 (*in thousands*):

Investment Type	Fair Value	Input Level	
US Treasury Securities	\$200,000	Level 1	Valuation of the underlying assets is based on quoted prices for identical assets in active markets.
US Agency Securities	\$2,366	Level 2	Valuation of the underlying assets is performed by the Agency's custodian using observable inputs such as yield curves and indices.
MBS	\$2,983,590	Level 2	Valuation of the underlying assets is performed by the Agency's custodian using observable inputs such as yield curves and indices.

Securities Lending Transactions GASB Codification Section 160, *Investments—Security Lending* establishes accounting and financial reporting standards for transactions where governmental entities transfer their securities to broker-dealers and other entities (borrowers) in exchange for collateral (which may be cash, securities, or letters of credit) and simultaneously agree to return the collateral in exchange for the original securities in the future. The Agency does not directly engage in securities lending transactions; however, the State Treasurer is authorized to engage in these types of transactions under State Statute 147-69.3(e). The types of securities include government securities and corporate bonds and notes which are held in the pooled investment accounts of the State Treasurer. A securities custodian manages the securities lending program for the State and receives cash as collateral from the borrowers. Collateral is invested in a collateral investment pool and must be maintained at 100% of the market value of the original securities. This investment in the collateral investment pool is considered to be a highly liquid investment. The State has a custodial credit risk related to the transactions.

Throughout fiscal year 2025, the Agency had deposits from time to time in the pooled investment accounts of the State Treasurer; however, due to market conditions these deposits were immaterial at all times during the fiscal year and were \$0 as of June 30, 2025. The risk associated with any future transactions will be recorded by the State in its fiduciary funds in a future period. No allocation will be made to the Agency.

C. MORTGAGE LOANS RECEIVABLE

The Agency's mortgage loans are derived from various funding sources. Loans receivable as of June 30, 2025, are as follows (*in thousands*):

	<u>Agency Programs</u>	<u>Housing Trust Fund Programs</u>	<u>Federal and State Programs</u>	<u>Home Ownership Bond Programs</u>	<u>Total</u>
Mortgage loans receivable	\$ 10,244	\$ 20,262	\$ 79,214	\$ 161,929	\$ 271,649
Less: allowance for loan losses	-	(28)	-	(142)	(170)
	<u>\$ 10,244</u>	<u>\$ 20,234</u>	<u>\$ 79,214</u>	<u>\$ 161,787</u>	<u>\$ 271,479</u>
Less: current portion	(8,857)	(11,710)	(6,889)	(23,634)	(51,090)
Mortgage loans receivable, net	\$ 1,387	\$ 8,524	\$ 72,325	\$ 138,153	\$ 220,389

For the Home Ownership Bond Programs, the Agency has collateralized \$153,116,000 in mortgage loans receivable and \$3,911,263,000 in cash and investments pledged to repay the \$3,611,425,000 single-family bonds payable outstanding as of June 30, 2025. Proceeds from the bonds issued were used to finance housing throughout the State. The outstanding bonds are payable through fiscal year 2057 and are repaid from principal and interest on mortgage loans and MBS, unexpended bond proceeds, proceeds from the sale of investments as well as interest income from investments. The Agency expects 100% of the mortgage loans and MBS, both principal and interest, to pay the principal and interest debt service requirements on the bonds. The total debt service requirement based on projected cash flows as of June 30, 2025 is \$6,646,846,000 (see "Maturities" under Note D).

For the current fiscal year, debt service payments, bond calls and related interest payments totaling \$283,048,000 were made for the Home Ownership Bond Programs. Payments received on mortgage loans and MBS for the Home Ownership Bond Programs were \$31,276,000 and \$278,087,000, respectively.

The existing and future mortgage loans which the Agency may purchase under the Home Ownership Bond Programs must comply with guidelines established by the Agency, including the requirement that all such mortgage loans be insured by the Federal Housing Administration, guaranteed

by the Veterans Administration, guaranteed by the US Department of Agriculture, Rural Development, insured under a private mortgage insurance program, or have a loan-to-value ratio equal to or less than 80%. As of June 30, 2025, all outstanding FirstHome mortgage loans purchased with mortgage revenue bond proceeds satisfy these requirements and have stated interest rates ranging from 3% to 8.75%.

D. BONDS PAYABLE

Bonds payable activity for the year ended June 30, 2025 was as follows (*in thousands*):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds Payable				
Home Ownership	\$ 2,665,315	\$ 1,158,000	\$ (211,890)	\$ 3,611,425
Unamortized Bond Premium/Discount	70,134	35,108	(13,506)	91,736
Total Bonds Payable, Net	\$ 2,735,449	\$ 1,193,108	\$ (225,396)	\$ 3,703,161

Bonds payable as of June 30, 2025 are as follows (*in thousands*):

<u>Issue</u>	<u>Stated Rates (%)</u>	<u>Final Maturity</u>	<u>Principal Amount</u>
Home Ownership Revenue Bonds			
(1998 Housing Revenue Bonds Trust Agreement)			
Series 35	2.870	7/1/2032	\$ 960
Series 36	3.482	7/1/2025	480
Series 37	2.300 – 3.500	7/1/2039	16,370
Series 38	2.450 – 4.000	7/1/2047	77,020
Series 39	2.800 – 4.000	7/1/2048	32,965
Series 40	4.250	7/1/2047	10,505
Series 41	2.150 – 4.000	1/1/2050	73,300
Series 42	1.500 – 4.000	1/1/2050	83,465
Series 43	1.600 – 4.000	7/1/2050	88,520
Series 44	1.700 – 4.000	7/1/2050	83,065
Series 45	0.700 – 3.000	7/1/2051	136,170
Series 46	0.600 – 3.000	7/1/2051	120,660
Series 47	0.500 – 3.000	7/1/2051	134,320
Series 48	2.050 – 5.000	7/1/2052	178,250
Series 49	3.300 – 6.000	7/1/2053	168,785
Series 50	2.700 – 5.500	1/1/2054	171,940
Series 51	3.250 – 5.750	1/1/2054	192,030
Series 52 A/B	3.625 – 6.500	1/1/2055	305,670
Series 52 C	Variable	7/1/2049	40,000
Series 53	3.100 – 6.250	1/1/2055	299,500
Series 54	3.400 – 6.500	1/1/2055	299,450
Series 55 A/C	3.000 – 6.250	7/1/2056	420,000
Series 55 B	Variable	1/1/2050	80,000
Series 57	4.385 – 6.250	1/1/2056	299,000
Series 58	4.442 – 6.500	1/1/2056	299,000
Total Bonds Outstanding			\$ 3,611,425
Plus Unamortized Bond Premium & Discount			\$ 91,736
Total Bonds Payable, Net			\$ 3,703,161

Maturities Debt service requirements, including sinking fund requirements on term bonds, subsequent to June 30, 2025, are as follows (*in thousands*):

Bonds Outstanding without Interest Rate Swaps

Fiscal Year Ending June 30	Principal	Interest
2026	\$ 61,895	\$ 143,967
2027	75,505	153,942
2028	80,375	151,693
2029	82,790	149,206
2030	85,430	146,592
2031-2035	464,500	686,091
2036-2040	557,870	589,561
2041-2045	633,180	464,035
2046-2050	656,340	316,608
2051-2055	738,955	125,938
2056-2057	54,585	2,068
Total Requirements	\$ 3,491,425	\$ 2,929,701

Bonds Outstanding with Interest Rate Swaps

Fiscal Year Ending June 30	Principal	Interest
2026	\$ -	\$ 3,906
2027	-	4,740
2028	-	4,740
2029	-	4,740
2030	-	4,740
2031-2035	-	23,700
2036-2040	-	23,700
2041-2045	14,920	23,446
2046-2050	105,080	12,008
Total Requirements	\$ 120,000	\$ 105,720

Total Bonds Outstanding

Fiscal Year Ending June 30	Principal	Interest
2026	\$ 61,895	\$ 147,873
2027	75,505	158,682
2028	80,375	156,433
2029	82,790	153,946
2030	85,430	151,332
2031-2035	464,500	709,791
2036-2040	557,870	613,261
2041-2045	648,100	487,481
2046-2050	761,420	328,616
2051-2055	738,955	125,938
2056-2057	54,585	2,068
Total Requirements	\$ 3,611,425	\$ 3,035,421

Bond Redemptions The trust agreements provide for various methods of redemption. Bonds are redeemed at par from prepayments of mortgage loans securing the issues, from unexpended bond proceeds of the issues, from excess revenues, or from funds released via the related decreases in the respective debt service reserve requirements.

For the year ended June 30, 2025, bond redemptions were as follows (*in thousands*):

<u>Issue</u>	<u>Amount Redeemed</u>
Housing Revenue Bonds (1998 Trust Agreement)	\$ 211,890

Special Facilities (Conduits) The Agency issued Multifamily Housing Revenue Bonds which are not presented in the financial statements of the Agency. These bonds are limited obligations of the Agency, secured solely by the revenues and other assets pledged for their payment. These bonds do not constitute a debt of and are not guaranteed by the State or any political subdivision thereof. Accordingly, these obligations are excluded from the Agency's financial statements.

Bonds payable as of June 30, 2025 for special facilities are as follows (*in thousands*):

<u>Issue</u>	<u>Bond Type</u>	<u>Bonds Outstanding</u>
Series 2022 (S. Emerson Hills Apt. Homes)*	Multifamily Housing Revenue Bonds	\$ 36,361
Series 2024 (Fitch Irick Portfolio)	Multifamily Housing Revenue Bonds	43,251
Series 2024 (Cabarrus Arms Apartments)**	Multifamily Housing Revenue Bonds	12,203
Series 2024 (Weaver-PPM Portfolio)	Multifamily Housing Revenue Bonds	15,200
Total		<u>\$ 107,015</u>

* The bonds were issued as “draw down” bonds, in which the principal amount of the bonds will increase from time to time as the bond proceeds are advanced to pay for eligible construction expenses up to an amount not to exceed \$37,515,000. As of June 30, 2025, \$36,361,000 has been advanced.

** The bonds were issued for a total of \$12,325,000. As of June 30, 2025, a total of \$122,000 scheduled principal payments have been made.

Bonds related to special facilities that were fully redeemed in fiscal year 2025 are as follows:

<u>Issue</u>	<u>Bond Type</u>	<u>Redemption Date</u>
Series 2022 (Five Points Crossing, LP)	Multifamily Housing Revenue Bonds	12/18/2024

E. DERIVATIVE INSTRUMENT - INTEREST RATE SWAP

Summary Information During fiscal year 2025, the Agency entered into a new swap agreement with Royal Bank of Canada to hedge the Series 55-B variable-rate bonds issued during the period. The existing swap with Bank of America, N.A. remains in place to hedge Series 52-C variable-rate bonds. Both pay-fixed rate interest rate swaps are designated as hedging derivative instruments representing a cash flow hedge for the organization (*in thousands*):

Hedgeable Item	Notional Amount	Classification	FMV at June 30, 2025 Asset (Liability)	Classification	Net Change in FMV
Series 52-C	\$40,000	Hedging Derivative	\$(547)	Deferred Outflows of Resources	\$(156)
Series 55-B	\$80,000	Hedging Derivative	\$3,362	Deferred Inflows of Resources	\$3,362

There were no derivative instruments reclassified from a hedging derivative to an investment derivative instrument during the period. There was no deferral amount within investment revenue due to any reclassifications during the period.

Objective The Agency enters into interest rate swaps, in connection with its variable-rate revenue bonds, as a means to manage the future cash flow impact associated with these instruments.

Terms and Credit Risk The terms and credit risk of the outstanding swap as of June 30, 2025 is as follows (*in thousands*):

Notional Amount	Counterparty	Counterparty Credit Rating Moody's/S&P	Date of Swap Execution	Maturity Date of Swap	Fixed Rate	Floating Index
\$40,000	Bank of America, N.A.	Aa2/A+	11/21/2023	7/1/2049	3.607%	70% SOFR-Compound* + 0.10%
\$80,000	Royal Bank of Canada	Aa1/AA-	10/8/2024	1/1/2050	2.817%	65% SOFR-Compound* + 0.15%

* SOFR-Compound is the Secured Overnight Financing Rate, with compounding for each day of interest during the accrual period.

Fair Value The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. The Agency's derivatives are classified as Level 2 in the fair value hierarchy.

Interest Rate Risk Under the terms of the swap, the Agency pays the counterparty a fixed rate and receives a variable payment. The variable rate component for the Series 52-C swap is computed

as 70% of SOFR compound rate plus 10 basis points. The variable rate component for the Series 55-B swap is computed as 65% of SOFR compound rate plus 15 basis points. The SOFR rate was 4.45% as of June 30, 2025. The variable-rate payment to the bondholders for both Series 52-C and Series 55-B bonds is determined by the remarketing agent, TD Securities (USA) LLC. The interest rate as of June 30, 2025 was 3.95%.

Basis Risk and Termination Risk The swaps expose the Agency to basis risk to the extent that the interest payments on its variable-rate bonds do not match the variable-rate payments received on the associated swaps. The Agency's swaps are subject to termination if the counterparty's or the Agency's rating fall below Baa2 as issued by Moody's or BBB as issued by S&P.

Credit Risk Credit risk is the risk that the counterparty will not fulfill its obligations. The measurement of this risk is the fair market value of the swaps. The Agency is exposed to credit risk for any positive fair market value to a counterparty. As of June 30, 2025, the Agency's credit risk is minimal. To mitigate credit risk, the Agency maintains strict credit standards. The counterparty to both contracts is a major financial institution with investment-grade ratings.

Foreign Currency Risk Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Agency's swap is denominated in US dollars; therefore, it is not subject to foreign currency risk.

Rollover Risk Rollover risk exists when the derivative does not last as long as the associated debt is outstanding. The maturity date of the Agency's swap contract matches the maturity dates of the hedged debt; therefore, the Agency has no rollover risk.

Market Access Risk Market access risk is the risk that the Agency will not be able to enter credit markets as planned or that credit will become more costly. The Agency's current market access risk is limited due to Standby Bond Purchase Agreements with TD Bank, N.A. that were executed in conjunction with the issuance of the Series 52-C and Series 55-B variable-rate bonds.

Quantitative Method of Evaluating Effectiveness To assess the effectiveness of the hedging derivative instrument, the Agency employed the Regression Analysis Method. Under the Regression Analysis Method, a hedging derivative instrument is effective if the following criteria is met: (1) the R-Squared of the regression analysis is at least 0.80; (2) the F-statistic is within a 95% confidence interval, with the Significance F less than 0.05; and (3) the regression coefficient for the slope is between (1.25) and (0.80). The results of the testing as of June 30, 2025 are as follows:

Hedgeable Item	R-Squared	Significance F	Regression Slope Coefficient	Test Performance
Series 52-C	0.99313	0.00000	(0.87767)	PASS
Series 55-B	0.99561	0.00000	(0.90495)	PASS

Swap Payments and Associated Debt As rates vary, variable-rate bond interest payments and net swap payments will differ between the fixed rate paid to the counterparty and the variable rate paid to the Agency. Using rates as of June 30, 2025, debt service requirements of the variable-rate debt and net swap payments are as follows (*in thousands*):

Fiscal Year	Variable-Rate Bond		Interest Rate	Total
Ending June 30	Principal	Interest	Swap, Net	Interest
2026	\$ -	\$ 3,906	\$ (65)	\$ 3,841
2027	-	4,740	(116)	4,624
2028	-	4,740	(116)	4,624
2029	-	4,740	(127)	4,613
2030	-	4,740	(116)	4,624
2031-2035	-	23,700	(591)	23,109
2036-2040	-	23,700	(591)	23,109
2041-2045	14,920	23,446	(581)	22,865
2045-2050	105,080	12,008	(186)	11,822
Total	\$ 120,000	\$ 105,720	\$ (2,489)	\$103,231

F. NONCURRENT LIABILITIES

Noncurrent liabilities for the year ended June 30, 2025 are as follows (*in thousands*):

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds payable					
Bonds payable, net	\$ 2,665,315	\$ 1,158,000	\$ (211,890)	\$ 3,611,425	\$ 61,895
Unamortized bond premium	70,134	35,108	(13,506)	91,736	-
Hedging derivatives liability	391	156	-	547	-
Unearned revenues	25,743	10,113	(4,386)	31,470	4,877
Pension liability	9,660	-	(832)	8,828	-
OPEB liability	13,365	4,091	(13)	17,443	-
Lease liability	2,113	20	(695)	1,438	644
Other noncurrent liabilities					
Arbitrage rebate payable	749	1,064	-	1,813	111
Compensated absences	2,159	1,113	(86)	3,186	1,293
Deposits payable	2,831	305	(943)	2,193	1
Workers' compensation	1,000	519	(1,039)	480	81
	\$ 2,793,460	\$ 1,210,489	\$ (233,390)	\$ 3,770,559	\$ 68,902

G. Leases

During the year ended June 30, 2025, the Agency leased a building with a 60-month term, which expires September 30, 2027, a copier with a 60-month term, which expires July 12, 2028, and a postage meter with a 60-month term, which expires May 6, 2028.

Lease assets are reported in *Capital assets, net*. Lease asset activity for the year ended June 30, 2025 was as follows (*in thousands*):

	Beginning Balance	Increases	Decreases	Ending Balance
Lease Assets:				
RTU Buildings	\$ 3,726	\$ -	\$ (49)	\$ 3,677
RTU Machinery & Equipment	122	-	-	122
Total Lease Assets	\$ 3,848	\$ -	\$ (49)	\$ 3,799
Accumulated Depreciation:				
RTU Buildings	\$ (1,791)	\$ (581)	\$ -	\$ (2,372)
RTU Machinery & Equipment	(25)	(24)	-	(49)
Total Accumulated Depreciation	\$ (1,816)	\$ (605)	\$ -	\$ (2,421)
Lease Assets, net	\$ 2,032	\$ (605)	\$ (49)	\$ 1,378

Lease liabilities as of June 30, 2025, are as follows (*in thousands*):

	Lease Liability June 30, 2025	Due Within One Year	Lease Term in Years	Interest Rate
Classification:				
RTU Buildings	\$ 1,364	\$ 620	5	6.25%
RTU Machinery & Equipment	74	24	5	8.23-8.29%
	\$ 1,438	\$ 644		

Future principal and interest lease payments as of June 30, 2025, are as follows (*in thousands*):

	Fiscal Year Ending June 30	Principal Payments	Interest Payments	Total Payments
Classification:				
RTU Buildings	2026	\$ 620	\$ 39	\$ 659
	2027	637	40	677
	2028	107	7	114
	2029	-	-	-
	2030	-	-	-
RTU Machinery & Equipment	2026	\$ 24	\$ 2	\$ 26
	2027	24	2	26
	2028	24	2	26
	2029	2	-	2
	2030	-	-	-
		\$ 1,438	\$ 92	\$ 1,530

H. Federal Awards

As a designated public housing agency for the US Department of Housing and Urban Development (HUD) Section 8 PBCA program, the Agency requisitions Section 8 program funds and makes disbursements to eligible landlords. For the year ended June 30, 2025, \$224,793,000 was received by the Agency and disbursed to property owners.

The Agency is designated as the participating entity under grant agreements with HUD for the HOME and the NHTF programs. The HOME program provides funding for the purpose of developing affordable housing for persons of low and very low income. The NHTF provides funding to increase and preserve the supply of decent, safe and sanitary affordable housing for extremely low and very low income households. For the year ended June 30, 2025, \$10,018,000 in HOME entitlement funds was

received and the Agency disbursed \$24,648,000 in entitlement and program income funds. During the year, \$1,990,000 in NHTF entitlement funds was received and disbursed by the Agency.

The Agency receives CDBG-DR funds from the NC Office of Recovery and Resiliency, a component of the NC Department of Public Safety, who is the participating entity with HUD. These funds are used for new construction of multifamily rental housing in counties impacted by Hurricane Matthew. For the year ended June 30, 2025, \$3,536,000 was received and disbursed by the Agency.

The Agency was appropriated ERA2 funds that had originally been awarded to the NC Pandemic Recovery Office by Treasury. The Agency is using the funds for eligible affordable rental housing purposes, including the construction, rehabilitation, or preservation of affordable rental housing projects and related activities, serving very low-income families impacted by the COVID-19 pandemic. For the year ended June 30, 2025, \$33,450,000 was received and disbursed by the Agency.

The Agency earned fees of \$10,239,000 for administering these and other federal programs for the year ended June 30, 2025. Of these fees, \$6,282,000 was paid to Quadel Consulting Corporation for Section 8 PBCA administration. These fees are reported in *General and administrative expense*.

Federal awards are subject to audit by the grantor agencies. The Agency could be held liable for amounts received in excess of allowable expenditures.

I. PENSION PLAN

Plan Description All permanent, full-time employees of the Agency participate in the Teachers' and State Employees' Retirement System of North Carolina (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State. TSERS provides retirement benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the General Assembly. TSERS is included in the Annual Comprehensive Financial Report (Annual Report) for the State. The State's Annual Report includes financial statements and required supplementary information for TSERS. The report may be obtained from the website for the North Carolina Office of State Controller (OSC) using the following link: <https://www.osc.nc.gov/public-information/reports>.

Benefits Provided TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

Funding Policy Plan members are required to contribute 6% of their annual covered salary, and the Agency is required to contribute at an actuarially determined rate. The fiscal year 2025 rate is 16.79% of the annual covered payroll. The contribution requirements of plan members and the Agency are established and may be amended by the General Assembly. The following table represents the three-year trend of the annual contributions made by the Agency to the State retirement system. The Agency made 100% of its required contributions for the years ended June 30, 2025, 2024, and 2023 (*in thousands*):

	2025	2024	2023
Retirement Contribution	\$2,120	\$2,085	\$1,935
Percentage of Covered Payroll	16.79%	17.64%	17.38%

Net Pension Liability At June 30, 2025, the Agency reported a liability of \$8,828,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions listed below. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2024 and at June 30, 2023, the Agency's proportion was 0.05958% and 0.05794%, respectively.

Deferred Outflows/Inflows of Resources Related to Pensions For the year ended June 30, 2025, the Agency recognized pension expense of \$2,701,000. At June 30, 2025, the Agency reported *Deferred Outflows of Resources* and *Deferred Inflows of Resources* related to pensions from the following sources (*in thousands*):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 795	\$ 26
Changes of assumptions		-
Net difference between projected and actual earnings on pension plan investments	1,456	-
Change in proportion and differences between Agency's contributions and proportionate share of contributions	345	-
Contributions subsequent to the measurement date	2,120	-
Total	\$ 4,716	\$ 26

Deferred Outflows of Resources of \$2,120,000 related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2025. Other amounts reported as *Deferred Outflows of Resources* and *Deferred Inflows of Resources* at June 30, 2025 related to pensions will be recognized as pension expense as follows (*in thousands*):

Year ending June 30:	
2026	\$ 849
2027	1,914
2028	(37)
2029	(156)
Total	\$ 2,570

Actuarial Assumptions The total pension liability was determined by an actuarial valuation performed as of December 31, 2023. The total pension liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2024. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal actuarial cost method was utilized. Inflation is assumed to be 2.5%, and salary increases range from 3.25% to 8.05% which includes 3.25% inflation and productivity factor. The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 6.5% and is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and studies that cover significant portions of the US population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2023 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc Cost of Living Adjustment amounts are not considered to be substantively automatic and are not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2024 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information above is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability and investment policy of the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

Discount Rate The discount rate used to measure the total pension liability was 6.5% for the December 31, 2023 valuation. The 6.5% discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate The following presents the Agency’s proportionate share of the net pension liability calculated using the discount rate of 6.5%, as well as what the Agency’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate (*in thousands*):

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Agency's proportionate share of the net pension liability	\$16	\$9	\$3

Pension Plan Fiduciary Net Position Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Report for the State.

J. OTHER POSTEMPLOYMENT BENEFITS

Plan Description In addition to providing pension benefits, the Agency participates in two postemployment benefit plans, the Retiree Health Benefit Fund (RHBF) and the Disability Income Plan of North Carolina (DIPNC), that are administered by the State as pension and other employee benefit trust funds. The Agency makes monthly contributions to the State for these benefits. The State’s Annual Report includes financial statements and required supplementary information for each plan. See Note I. “Pension Plan” for information about obtaining the Annual Report from OSC.

The RHBF has been established as a fund to provide health benefits to long-term disability beneficiaries of the DIPNC and retirees who have at least five years of creditable service with TSERS. TSERS pays the full cost of coverage for retirees enrolled in the State’s self-funded Teachers’ and State Employees’ Preferred Provider Organization medical plan who were hired prior to October 1, 2006, and retire with five or more years of State TSERS membership service. For employees hired on or after October 1, 2006 and before January 1, 2021, TSERS will pay the full cost of coverage for retirees with 20 or more years of service, TSERS will pay 50% of the cost of coverage for retirees with at least 10 years but less than 20 years of service, and the retiree with less than 10 years of service will pay the full

cost of coverage. Employees hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Short-term and long-term disability benefits are provided through the DIPNC. Long-term disability benefits are payable from the DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five years of contributing membership service with TSERS earned within 96 months prior to the end of the short-term disability period; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period, after salary continuation payments cease, or after monthly payments for workers' compensation cease, whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of employees' usual occupation; (4) the disability must have been continuous, likely to be permanent and incurred at the time of active employment; (5) the employee must not be eligible to receive unreduced retirement benefits from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. In addition, recipients of long-term disability benefits are eligible to receive the State-paid health insurance coverage. The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation reduced by any social security or workers' compensation to which the recipient may be entitled up to a maximum of \$3,900 per month. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from the DIPNC cease, and the employee will commence retirement under TSERS.

All short-term disability benefit payments are made by the various State-administered plans. The Agency has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Agency during the first six months of the short-term period. Contributions are determined as a percentage of covered monthly payrolls. Annually, the State sets monthly contribution rates for postemployment health care benefits, death benefits and disability benefits, which are the same for all agencies across the State.

Contributions Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly and coincide with the State's fiscal year. The Agency assumes no liability for retiree health care or long-term disability benefits other than its required contributions.

The following table represents the three-year trend of the annual contributions made by the Agency to the State post-employment benefit plans. The Agency made 100% of its required contributions for the years ended June 30, 2025, 2024, and 2023 (*in thousands*):

	2025	2024	2023
Health Care Benefit	\$ 883	\$ 844	\$ 767
Disability Benefit	\$ 16	\$ 13	\$ 11
Percentage of Covered Payroll			
Health Care Benefit	6.99%	7.14%	6.89%
Disability Benefit	0.13%	0.11%	0.10%

Since the benefit payments are made by the various State-administered plans and not by the Agency, the Agency does not determine the number of eligible participants.

Net OPEB Liability (Asset) At June 30, 2025, the Agency reported a liability of \$17,443,000 for its proportionate share of the collective net OPEB liability for RHBF. The Agency also reported an asset of \$17,000 for its proportionate share of the collective net OPEB asset for DIPNC. The total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability (asset) to June 30, 2024. The Agency's proportion of the net OPEB liability (asset) was based on the present value of future salaries for the Agency relative to the present value of future salaries for all participating employers, actuarially-determined. At June 30, 2024 and at June 30, 2023, the Agency's proportion was 0.05958% and 0.05794%, respectively.

Actuarial Assumptions The total OPEB liabilities (assets) for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities (assets) were then rolled forward to June 30, 2024 utilizing update procedures incorporating the actuarial assumptions.

	RHBF	DIPNC
Valuation Date	12/31/2023	12/31/2023
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3%
Healthcare Cost Trend Rate - Medical	5% - 6.5%	N/A
Healthcare Cost Trend Rate - Prescription Drug	5% - 10%	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates	5% - 7%	N/A
Healthcare Cost Trend Rate - Medicare Advantage	5% - 6.17%	N/A
Healthcare Cost Trend Rate - Administrative	3%	N/A

*Salary increases include 3.25% inflation and productivity factor.

**Investment rate of return is net of OPEB plan investment expense, including inflation.

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and studies that cover significant portions of the US population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2024.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2024 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 (the valuation date) was 2.76%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2023 valuations were based on the results of an actuarial experience study prepared as of December 31, 2019.

Discount Rate The discount rate used to measure the total OPEB liability for RHBF was 3.93%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.93% was used as the discount rate used to measure the total OPEB liability. The 3.93% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

The discount rate used to measure the total OPEB asset for DIPNC was 3%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position

was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following presents the Agency's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (*in thousands*):

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
RHBF	\$24	\$20	\$17
DIPNC	-	-	-

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates (*in thousands*):

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
RHBF	\$17	\$20	\$25

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus, the sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

Deferred Outflows/Inflows of Resources Related to OPEB For the year ended June 30, 2025, the Agency reported *Deferred Outflows of Resources* and *Deferred Inflows of Resources* related to OPEB from the following sources (*in thousands*):

Deferred Outflows of Resources Related to OPEB by Classification

	RHBF	DIPNC	TOTAL
Difference between actual and expected experience	\$ 142	\$ 7	\$ 149
Changes of assumptions	4,201	1	4,202
Net difference between projected and actual earnings on OPEB plan investments	75	13	88
Change in proportion and differences between Agency's contributions and proportionate share of contributions	879	3	882
Contributions subsequent to the measurement date	883	16	899
Total	\$ 6,180	\$ 40	\$ 6,220

Deferred Inflows of Resources Related to OPEB by Classification

	RHBFB	DIPNC	TOTAL
Difference between actual and expected experience	\$ -	\$ 19	\$ 19
Changes of assumptions	2,274	8	2,282
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Change in proportion and differences between Agency's contributions and proportionate share of contributions	215	1	216
Contributions subsequent to the measurement date	-	-	-
Total	\$ 2,489	\$ 28	\$ 2,517

Amounts reported as *Deferred outflows of resources* related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for RHBFB and DIPNC in the fiscal year ended June 30, 2025. Other amounts reported as *Deferred Outflows of Resources* and *Deferred Inflows of Resources* at June 30, 2025 related to OPEB will be recognized in OPEB expense as follows (*in thousands*):

Year ending June 30:	RHBFB	DIPNC
2026	\$ 203	\$ (5)
2027	628	(3)
2028	1,068	2
2029	909	1
2030	-	1
Thereafter	-	-
Total	\$ 2,808	\$ (4)

K. RISK MANAGEMENT

The Agency's risk management policies provide for participation in the State's risk management programs. The following types of risk are covered under these programs, as disclosed in the State's Annual Report:

- Automobile, Fire and Other Property Losses
- Public Officers' and Employees' Liability Insurance
- Employee Dishonesty and Computer Fraud
- Statewide Workers' Compensation Program/Fund

The State is responsible for the administration of all liability insurance policies. The deductible and amount of loss in excess of the policy is the responsibility of the Agency.

In addition to the State's policies, the Agency has Cyber Liability and Fraudulent Instruction coverage, which is intended to mitigate financial losses associated with criminal acts of breach and fraudulent impersonation of Agency vendors and staff.

L. SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through September 22, 2025 and determined that there have been no events that would require adjustments to our disclosures in the fiscal year 2025 financial statements.

North Carolina Housing Finance Agency

Supplementary Information



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Raleigh, NC 27601

Independent Auditor's Report on Supplementary Information

We have audited the financial statements of the business-type activities of the North Carolina Housing Finance Agency (the Agency), as of and for the year ended June 30, 2025, and have issued our report thereon dated September 22, 2025 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as described in the accompanying table of contents and presented in the following section of this document, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, P.C.

September 22, 2025

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF NET POSITION

AS OF JUNE 30, 2025

	AGENCY PROGRAMS	GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS	
		Housing Trust Fund Programs	Federal and State Programs		Total
(In thousands)					
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 193,024	\$ -	\$ -	\$ -	\$ 193,024
Restricted cash and cash equivalents	56,341	217,036	67,816	796,508	1,137,701
Restricted investments	-	-	-	200,599	200,599
Accrued interest receivable on investments	-	-	-	16,041	16,041
Mortgage loans receivable, net	8,857	11,710	6,889	23,634	51,090
Mortgage loans held for sale	-	-	-	548	548
Accrued interest receivable on mortgage loans	1	6	9	994	1,010
State receivables	-	-	821	-	821
Other assets	256	-	2,524	1,733	4,513
Interprogram receivable (payable)	2,145	17	(2,882)	720	-
TOTAL CURRENT ASSETS	\$ 260,624	\$ 228,769	\$ 75,177	\$ 1,040,777	\$ 1,605,347
Noncurrent assets:					
Restricted investments	\$ -	\$ -	\$ -	\$ 2,985,357	\$ 2,985,357
Mortgage loans receivable, net	1,387	8,524	72,325	138,153	220,389
Hedging derivatives asset	-	-	-	3,362	3,362
Capital assets, net	1,478	-	-	-	1,478
Other assets, net	17	-	-	-	17
TOTAL NONCURRENT ASSETS	\$ 2,882	\$ 8,524	\$ 72,325	\$ 3,126,872	\$ 3,210,603
TOTAL ASSETS	\$ 263,506	\$ 237,293	\$ 147,502	\$ 4,167,649	\$ 4,815,950
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows for pensions	\$ 4,716	\$ -	\$ -	\$ -	\$ 4,716
Deferred outflows for other postemployment benefits	6,220	-	-	-	6,220
Accumulated decrease in fair value of hedging derivatives	-	-	-	547	547
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 10,936	\$ -	\$ -	\$ 547	\$ 11,483
LIABILITIES					
Current liabilities:					
Bonds payable	\$ -	\$ -	\$ -	\$ 61,895	\$ 61,895
Accrued interest payable	-	-	-	67,890	67,890
Accounts payable	721	-	1,645	920	3,286
Unearned revenues	2,972	1,905	-	-	4,877
Lease liabilities	644	-	-	-	644
Other liabilities	1,375	-	-	111	1,486
TOTAL CURRENT LIABILITIES	\$ 5,712	\$ 1,905	\$ 1,645	\$ 130,816	\$ 140,078
Noncurrent liabilities:					
Bonds payable, net	\$ -	\$ -	\$ -	\$ 3,641,266	\$ 3,641,266
Hedging derivatives liability	-	-	-	547	547
Unearned revenues	26,593	-	-	-	26,593
Pension liability	8,828	-	-	-	8,828
Other postemployment benefits	17,443	-	-	-	17,443
Lease liabilities	794	-	-	-	794
Other liabilities	4,484	-	-	1,702	6,186
TOTAL NONCURRENT LIABILITIES	\$ 58,142	\$ -	\$ -	\$ 3,643,515	\$ 3,701,657
TOTAL LIABILITIES	\$ 63,854	\$ 1,905	\$ 1,645	\$ 3,774,331	\$ 3,841,735
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows for pensions	\$ 26	\$ -	\$ -	\$ -	\$ 26
Deferred inflows for other postemployment benefits	2,517	-	-	-	2,517
Accumulated increase in fair value of hedging derivatives	-	-	-	3,362	3,362
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 2,543	\$ -	\$ -	\$ 3,362	\$ 5,905
NET POSITION					
Net investment in capital assets	\$ 1,478	\$ -	\$ -	\$ -	\$ 1,478
Restricted net position	23,350	235,388	145,857	390,503	795,098
Unrestricted net position	183,217	-	-	-	183,217
TOTAL NET POSITION	\$ 208,045	\$ 235,388	\$ 145,857	\$ 390,503	\$ 979,793

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2025

	AGENCY PROGRAMS	GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS		Total
(in thousands)		Housing Trust Fund Programs	Federal and State Programs			
OPERATING REVENUES						
Interest on investments	\$ 10,184	\$ 9,350	\$ 2,229	\$ 165,543	\$ 187,306	
Net increase (decrease) in fair value of investments	-	-	-	62,345	62,345	
Interest on mortgage loans	289	450	912	9,997	11,648	
Federal program awards received	-	33,450	244,264	-	277,714	
Nonfederal program awards received	-	8,935	-	-	8,935	
Program income/fees	33,793	5,070	18,114	16,945	73,922	
Other revenues	-	144	103	34	281	
TOTAL OPERATING REVENUES	\$ 44,266	\$ 57,399	\$ 265,622	\$ 254,864	\$ 622,151	
OPERATING EXPENSES						
Interest on bonds	\$ -	\$ -	\$ -	\$ 120,541	\$ 120,541	
Lease interest expense	40	-	-	-	40	
Mortgage servicing expense	-	-	-	618	618	
Federal program expense	-	2,079	275,200	-	277,279	
Nonfederal program expense	2,592	-	-	67,788	70,380	
General and administrative expense	24,615	-	6,601	1,203	32,419	
Other expenses	5	-	1,349	12	1,366	
TOTAL OPERATING EXPENSES	\$ 27,252	\$ 2,079	\$ 283,150	\$ 190,162	\$ 502,643	
OPERATING INCOME (LOSS)	\$ 17,014	\$ 55,320	\$ (17,528)	\$ 64,702	\$ 119,508	
NON-OPERATING REVENUES (EXPENSES)						
Transfers in (out)	\$ 6,684	(21,124)	\$ 14,767	\$ (327)	\$ -	
State appropriations received	-	52,660	3,000	-	55,660	
State grants received	-	3,366	52,633	-	55,999	
Noncapital contributions	6	-	-	-	6	
State program expense	(1)	(54,630)	(53,742)	-	(108,373)	
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 6,689	\$ (19,728)	\$ 16,658	\$ (327)	\$ 3,292	
CHANGE IN NET POSITION	\$ 23,703	\$ 35,592	\$ (870)	\$ 64,375	\$ 122,800	
TOTAL NET POSITION - BEGINNING	\$ 184,342	\$ 199,796	\$ 146,727	\$ 326,128	\$ 856,993	
TOTAL NET POSITION - ENDING	\$ 208,045	\$ 235,388	\$ 145,857	\$ 390,503	\$ 979,793	

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025

(in thousands)	AGENCY PROGRAMS	GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS	Total
		Housing Trust Fund Programs	Federal and State Programs		
Cash flows from operating activities:					
Interest on mortgage loans	\$ 289	\$ 450	\$ 919	\$ 10,054	\$ 11,712
Principal payments on mortgage loans	2,349	1,280	7,585	22,273	33,487
Purchase of mortgage loans	(3,059)	(10,299)	(5,399)	-	(18,757)
Sale of mortgage loans held for sale	-	-	-	275,323	275,323
Purchase of mortgage loans held for sale	-	-	-	(266,215)	(266,215)
Federal program awards received	-	33,450	247,075	-	280,525
Nonfederal program awards received	-	8,935	-	-	8,935
Federal program expense	-	(2,079)	(274,043)	-	(276,122)
Nonfederal program expense	(2,592)	-	-	(67,788)	(70,380)
Federal grant administration income	-	-	9,686	-	9,686
Program income/fees	38,105	6,975	8,156	16,945	70,181
Other expenses	(23,947)	-	(11,072)	(906)	(35,925)
Other revenues	2,892	113	(812)	194	2,387
Net cash provided by (used in) operating activities	\$ 14,037	\$ 38,825	\$ (17,905)	\$ (10,120)	\$ 24,837
Cash flows from non-capital financing activities:					
Issuance of bonds	\$ -	\$ -	\$ -	\$ 1,158,000	\$ 1,158,000
Principal repayments on bonds	-	-	-	(211,890)	(211,890)
Interest paid on bonds	-	-	-	(71,158)	(71,158)
Bond issuance costs paid	-	-	-	(6,822)	(6,822)
Net transfers	6,684	(21,124)	14,767	(327)	-
State appropriations received	-	52,660	3,000	-	55,660
State grants received	-	3,366	52,633	-	55,999
State program expense	(1)	(54,630)	(53,742)	-	(108,373)
Noncapital contributions	6	-	-	-	6
Net cash provided by (used in) non-capital financing activities	\$ 6,689	\$ (19,728)	\$ 16,658	\$ 867,803	\$ 871,422
Cash flows from investing activities:					
Proceeds from sales or maturities of investments	\$ -	\$ -	\$ -	\$ 325,644	\$ 325,644
Purchase of investments	-	-	-	(1,231,390)	(1,231,390)
Earnings on investments	10,214	9,320	2,229	161,013	182,776
Net cash provided by (used in) investing activities	\$ 10,214	\$ 9,320	\$ 2,229	\$ (744,733)	\$ (722,970)
Net increase (decrease) in cash and cash equivalents, unrestricted and restricted	\$ 30,940	\$ 28,417	\$ 982	\$ 112,950	\$ 173,289
Cash and cash equivalents, unrestricted and restricted, at beginning of year	218,455	188,589	66,834	683,558	1,157,436
Cash and cash equivalents, unrestricted and restricted, at end of year	\$ 249,395	\$ 217,006	\$ 67,816	\$ 796,508	\$ 1,330,725
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 17,014	\$ 55,320	\$ (17,528)	\$ 64,702	\$ 119,508
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Interest on investments	(10,184)	(9,350)	(2,229)	(165,543)	(187,306)
Decrease (increase) in fair value of investments	-	-	-	(62,345)	(62,345)
Interest on bonds	-	-	-	120,541	120,541
Change in operating assets and liabilities:					
Decrease (increase) in mortgage loans receivable	(710)	(9,163)	3,758	22,201	16,086
Decrease (increase) in mortgage loans held for sale	-	-	-	9,108	9,108
Decrease (increase) in accrued interest receivable on mortgage loans	-	-	7	126	133
Decrease (increase) in other assets	3,809	113	2,067	(3,199)	2,790
Decrease (increase) in deferred outflows of resources	(1,298)	-	-	(156)	(1,454)
Increase (decrease) in accounts payable and other liabilities	2,645	-	(3,640)	1,083	88
Increase (decrease) in deferred inflows of resources	(1,401)	-	-	3,362	1,961
Increase (decrease) in unearned revenues	4,162	1,905	(340)	-	5,727
Total adjustments	\$ (2,977)	\$ (16,495)	\$ (377)	\$ (74,822)	\$ (94,671)
Net cash provided by (used in) operating activities	\$ 14,037	\$ 38,825	\$ (17,905)	\$ (10,120)	\$ 24,837

This audit report required 838 audit hours at a cost of \$121,900.



Our mission is to provide safe, affordable housing opportunities to enhance the quality of life of North Carolinians.

A self-supporting public agency.