

Semi-Annual Financial Statements

December 31, 2015



NORTH CAROLINA
HOUSING
FINANCE
AGENCY

Semi-Annual Financial Statements

Six months ended December 31, 2015

North Carolina Housing Finance Agency

**NORTH CAROLINA HOUSING FINANCE AGENCY
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
FOR THE SIX MONTHS ENDED DECEMBER 31, 2015**

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NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2015

(Unaudited)

(in thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$	9,968
Restricted cash and cash equivalents		443,885
Accrued interest receivable on investments		575
Mortgage loans receivable		145,131
Accrued interest receivable on mortgage loans		6,304
State receivables		30,258
Other assets		6,843

TOTAL CURRENT ASSETS \$ 642,964

Noncurrent assets:

Investments	\$	3,091
Restricted investments		88,851
Mortgage loans receivable, net		733,346
Other assets, net		3,429

TOTAL NONCURRENT ASSETS \$ 828,717

TOTAL ASSETS \$ 1,471,681

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows for pensions	\$	740
Accumulated decrease in fair value of hedging derivative		4,270

TOTAL DEFERRED OUTFLOWS OF RESOURCES \$ 5,010

LIABILITIES

Current liabilities:

Bonds payable	\$	26,515
Accrued interest payable		12,596
Accounts payable		3,431
Unearned revenues		27,840
Other liabilities		721

TOTAL CURRENT LIABILITIES \$ 71,103

Noncurrent liabilities:

Bonds payable, net	\$	700,585
Derivative instrument - interest rate swap		4,270
Unearned revenues		11,547
Other liabilities		4,957

TOTAL NONCURRENT LIABILITIES \$ 721,359

TOTAL LIABILITIES \$ 792,462

DEFERRED INFLOWS OF RESOURCES

Deferred state grant	\$	2,243
Deferred inflows for pensions		2,187

TOTAL DEFERRED INFLOWS OF RESOURCES \$ 4,430

NET POSITION

Restricted	\$	663,625
Unrestricted		16,174

TOTAL NET POSITION \$ 679,799

The accompanying notes are an integral part of this financial statement.

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

SIX MONTHS ENDED DECEMBER 31, 2015

(Unaudited)

(in thousands)

OPERATING REVENUES

Interest on investments	\$	2,790
Net decrease in fair value of investments		(317)
Interest on mortgage loans		21,792
Federal program awards received		111,054
Program income/fees		30,703
Other revenues		263
TOTAL OPERATING REVENUES	\$	166,285

OPERATING EXPENSES

Interest on bonds	\$	14,378
Mortgage servicing expense		1,253
Federal program expense		111,473
Nonfederal program expense		10,018
General and administrative expense		11,768
Other expenses		1,288
TOTAL OPERATING EXPENSES	\$	150,178

OPERATING INCOME

\$ 16,107

NON-OPERATING REVENUES (EXPENSES)

State appropriations received	\$	16,214
State grants received		3,958
State program expense		(39,067)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$	(18,895)

CHANGE IN NET POSITION

\$ (2,788)

TOTAL NET POSITION - BEGINNING

\$ 682,587

TOTAL NET POSITION - ENDING

\$ 679,799

The accompanying notes are an integral part of this financial statement.

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF CASH FLOWS

SIX MONTHS ENDED DECEMBER 31, 2015

(Unaudited)

(in thousands)

Cash flows from operating activities:	
Interest on mortgage loans	\$ 22,875
Principal payments on mortgage loans	71,665
Purchase of mortgage loans	(8,542)
Federal program awards received	118,733
Federal program expense	(111,752)
Nonfederal program expense	(10,018)
Federal grant administration income	6,623
Program income/fees	24,477
Other expenses	(19,167)
Other revenues	6,437
Net cash provided by operating activities	\$ 101,331
Cash flows from non-capital financing activities:	
Issuance of bonds	\$ 66,000
Principal repayments on bonds	(77,745)
Interest paid	(14,695)
Bond issuance costs paid	(654)
State appropriations received	16,214
State grants received	11,185
State tax credits	51,842
State program expense	(39,067)
Net cash provided by non-capital financing activities	\$ 13,080
Cash flows from investing activities:	
Proceeds from sales or maturities of investments	\$ 2,721
Purchase of investments	(2,957)
Earnings on investments	2,750
Net cash provided by investing activities	\$ 2,514
Net increase in cash	\$ 116,925
Cash and cash equivalents at beginning of year	336,928
Cash and cash equivalents at end of year	\$ 453,853
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 16,107
Adjustments to reconcile operating income to net cash provided by operating activities:	
Interest on investments	(2,790)
Decrease in fair value of investments	317
Interest on bonds	14,378
Change in assets and liabilities:	
Decrease in mortgage loans receivable	63,397
Decrease in accrued interest receivable on mortgage loans	1,083
Decrease in other assets	6,744
Decrease in accounts payable and other liabilities	(6,308)
Increase in unearned revenues	8,403
Total adjustments	\$ 85,224
Net cash provided by operating activities	\$ 101,331

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS *(Unaudited)*

- A. BASIS OF PRESENTATION** The accompanying financial statements of the Agency have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) as applicable to governments. The Governmental Accounting Standards Board (“GASB”) establishes standards of financial accounting and reporting for state and local government entities. For full note disclosure, refer to the June 30, 2015 financial statements posted on the website at nchfa.com.

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.

Housing Trust Fund Programs The North Carolina Trust and Oil Overcharge Act created the North Carolina Housing Trust Fund (“Housing Trust Fund”) and the North Carolina Housing Partnership (“Housing Partnership”). The purpose of the Housing Trust Fund 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 programs within the Housing Trust Fund. The Agency provides staff services to the Housing Partnership and administers the Housing Trust Fund Programs. The Agency received State appropriations in the amount of \$15,120,000 for the six months ended December 31, 2015. Of this amount, \$5,745,000 is a recurring appropriation that is used to make loans and grants under the Housing Trust Fund Programs. The remaining \$9,375,000 nonrecurring appropriation is the Workforce Housing Loan Program which is used to make loans for qualified, North Carolina low-income multifamily housing development.

The General Assembly appropriated \$2,894,000 from the North Carolina Department of Health and Human Services (“DHHS”) for the Community Living Housing Fund to provide permanent community-based housing in integrated settings appropriate for individuals with severe and persistent mental illness. These appropriations are reported in *State grants received*. Additional funds for the Community Living Housing Fund in the amount of \$2,243,000 were received and recorded as *Deferred state grant* in *Deferred Inflows Of Resources*. These funds will only be available for disbursement upon appropriation by the General Assembly.

Federal and State Programs The Agency administers eight federal programs. Of the Agency's federal programs, the Section 8 Programs, the Hardest Hit Fund®, and the HOME Investment Partnerships Program (“HOME Program”) represent 60%, 27%, and 9%, respectively. The Agency receives a fee for administering these programs. The HOME Program is matched with funds appropriated by the General Assembly; the amount of matching funds received during the six months ended December 31, 2015 was \$1,094,000. Also, \$1,064,000 was received from DHHS to provide rent assistance for extremely low-income persons with disabilities, including the homeless. These monies from the State are reported in the financial statements as *Non-Operating Revenues (Expenses)*.

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

The N.C. Home Advantage Mortgage Program (“HomeAd”) was transitioned in fiscal year 2015 from Agency Programs to the 1998 Home Ownership Bond Program in conjunction

with the transition of its master servicer. For the six months ended December 31, 2015, the 1998 Home Ownership Bond Program recorded program income of \$13,132,000 related to HomeAd which is included as part of *Program income/fees*. Likewise, deferred forgiven loans totaling \$7,053,000 and lender compensation totaling \$1,973,000 related to the HomeAd program are reflected as a part of *Nonfederal program expense* in the 1998 Home Ownership Bond Program.

B. BONDS PAYABLE

Bonds payable activity for the six months ended December 31, 2015 was as follows (*in thousands*):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds payable				
Home Ownership	\$ 736,790	\$ 66,000	\$ (77,745)	\$ 725,045
Bond premium	1,627	631	(203)	2,055
Total Bonds payable, net	<u>\$ 738,417</u>	<u>\$ 66,631</u>	<u>\$ (77,948)</u>	<u>\$ 727,100</u>

Bonds payable as of December 31, 2015 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 15	Variable	7/1/2032	\$ 5,105
Series 16	Variable	7/1/2032	9,420
Series 17	Variable - 5.000	7/1/2034	12,950
Series 18	Variable - 4.450	1/1/2035	6,520
Series 22 CE	4.500 - 5.250	1/1/2039	35,495
Series 24	4.200 - 4.900	1/1/2038	29,775
Series 25	4.400 - 4.900	7/1/2037	21,940
Series 26	3.800 - 4.700	7/1/2038	22,390
Series 27 A	5.000 - 6.000	1/1/2038	7,910
Series 28	3.800 - 5.500	1/1/2039	25,785
Series 29	4.250 - 5.500	7/1/2038	35,440
Series 30	3.950 - 5.500	7/1/2039	26,980
Series 31	3.750 - 5.500	7/1/2038	29,035
Series 32	4.000	1/1/2030	71,545
Series 33	1.617 - 4.319	1/1/2034	77,720
Series 34	0.972 - 4.002	7/1/2035	47,075
Series 35	0.838 - 3.986	7/1/2032	43,480
Series 36	0.473 - 3.907	1/1/2033	66,000
			<u>\$ 574,565</u>
Home Ownership Revenue Bonds			
(2009 Housing Revenue Bonds Trust Agreement)			
Series A-1 and Series 1	1.875 - 4.500	7/1/2041	\$ 65,640
Series A-2 and Series 2	1.900 - 4.250	7/1/2041	84,840
			<u>\$ 150,480</u>
Total Bonds Outstanding			<u>\$ 725,045</u>
Plus Bond Premium			<u>\$ 2,055</u>
Home Ownership Bond Programs			<u>\$ 727,100</u>

Special Facilities (Conduits) The Agency issued Multifamily Housing Revenue Bonds which are not presented in the financial statements of the Agency. These bonds are secured solely by the properties and related revenues of the projects and the applicable credit enhancements, with the exception of the 2002 Resolution, which is secured by payments received on GNMA mortgages. These bonds do not constitute a debt of and are not guaranteed by the State of North Carolina, any political subdivision thereof or the Agency. Accordingly, these obligations are excluded from the Agency's financial statements.

Bonds payable as of December 31, 2015 for special facilities are as follows (*in thousands*):

<u>Issue</u>	<u>Bond Type</u>	<u>Bonds Outstanding</u>
2002 Resolution* (Series D)	Multifamily Housing Revenue Bonds	\$ 2,110
2014 Resolution (Series A and B)	Multifamily Housing Revenue Bonds	<u>11,361</u>
Total		<u>\$ 13,471</u>

*This is a Section 501(c)3 entity and did not require volume cap when the bonds were issued.

North Carolina Housing Finance Agency

Additional Information

NORTH CAROLINA HOUSING FINANCE AGENCY
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2015
(Unaudited)

(in thousands)	AGENCY PROGRAMS		GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS		Total
		Housing Trust Fund	Federal and State Programs		1998	2009	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 9,968	-	-	-	-	-	\$ 9,968
Restricted cash and cash equivalents	75,095	55,414	112,088	187,044	14,244	443,885	443,885
Accrued interest receivable on investments	38	31	-	463	43	575	575
Mortgage loans receivable	218	997	11,891	115,923	16,102	145,131	145,131
Accrued interest receivable on mortgage loans	3	15	50	5,357	879	6,304	6,304
State receivables	30,258	-	-	-	-	30,258	30,258
Other assets	273	-	1,089	4,766	715	6,843	6,843
Interprogram receivable/(payable)	826	200	(4,415)	3,022	367	-	-
TOTAL CURRENT ASSETS	\$ 116,679	56,657	120,703	316,575	32,350	\$ 642,964	
Noncurrent assets:							
Investments	\$ 3,091	-	-	-	-	3,091	\$ 3,091
Restricted investments	8,250	-	-	72,367	8,234	88,851	88,851
Mortgage loans receivable, net	2,710	16,328	79,125	506,998	128,185	733,346	733,346
Other assets, net	3,429	-	-	-	-	3,429	3,429
TOTAL NONCURRENT ASSETS	\$ 17,480	16,328	79,125	579,365	136,419	\$ 828,717	
TOTAL ASSETS	\$ 134,159	72,985	199,828	895,940	168,769	\$ 1,471,681	
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows for pensions	\$ 740	-	-	-	-	740	\$ 740
Accumulated decrease in fair value of hedging derivative	-	-	-	4,270	-	4,270	4,270
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 740	-	-	4,270	-	\$ 5,010	
LIABILITIES							
Current liabilities:							
Bonds payable	\$ -	-	-	22,995	3,520	26,515	\$ 26,515
Accrued interest payable	-	-	-	10,247	2,349	12,596	12,596
Accounts payable	132	-	1,459	1,558	282	3,431	3,431
Unearned revenues	1,871	-	25,969	-	-	27,840	27,840
Other liabilities	208	-	-	513	-	721	721
TOTAL CURRENT LIABILITIES	\$ 2,211	-	27,428	35,313	6,151	\$ 71,103	
Noncurrent liabilities:							
Bonds payable, net	\$ -	-	-	552,977	147,608	700,585	\$ 700,585
Derivative instrument - interest rate swap	-	-	-	4,270	-	4,270	4,270
Unearned revenues	11,547	-	-	-	-	11,547	11,547
Other liabilities	4,957	-	-	-	-	4,957	4,957
TOTAL NONCURRENT LIABILITIES	\$ 16,504	-	-	557,247	147,608	\$ 721,359	
TOTAL LIABILITIES	\$ 18,715	-	27,428	592,560	153,759	\$ 792,462	
DEFERRED INFLOWS OF RESOURCES							
Deferred state grant	\$ -	2,243	-	-	-	2,243	\$ 2,243
Deferred inflows for pensions	2,187	-	-	-	-	2,187	2,187
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 2,187	2,243	-	-	-	\$ 4,430	
NET POSITION							
Restricted	\$ 97,823	70,742	172,400	307,650	15,010	663,625	\$ 663,625
Unrestricted	16,174	-	-	-	-	16,174	16,174
TOTAL NET POSITION	\$ 113,997	70,742	172,400	307,650	15,010	\$ 679,799	

NORTH CAROLINA HOUSING FINANCE AGENCY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SIX MONTHS ENDED DECEMBER 31, 2015
(Unaudited)

(in thousands)	AGENCY PROGRAMS	GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS		Total
		Housing Trust Fund	Federal and State Programs	1998	2009	
OPERATING REVENUES						
Interest on investments	\$ 409	140	245	1,877	119	\$ 2,790
Net decrease in fair value of investments	(88)	-	-	(212)	(17)	(317)
Interest on mortgage loans	25	273	563	18,107	2,824	21,792
Federal program awards received	-	-	111,054	-	-	111,054
Program income/fees	6,872	577	10,122	13,132	-	30,703
Other revenues	6	12	-	221	24	263
TOTAL OPERATING REVENUES	\$ 7,224	1,002	121,984	33,125	2,950	\$ 166,285
OPERATING EXPENSES						
Interest on bonds	\$ -	-	-	12,049	2,329	\$ 14,378
Mortgage servicing expense	1	-	-	992	260	1,253
Federal program expense	-	-	111,473	-	-	111,473
Nonfederal program expense	992	-	-	9,026	-	10,018
General and administrative expense	8,416	-	3,069	270	13	11,768
Other expenses	64	-	208	993	23	1,288
TOTAL OPERATING EXPENSES	\$ 9,473	-	114,750	23,330	2,625	\$ 150,178
OPERATING (LOSS) INCOME	\$ (2,249)	1,002	7,234	9,795	325	\$ 16,107
NON-OPERATING REVENUES (EXPENSES)						
Transfers in (out)	\$ 10,997	(39)	(11,192)	234	-	\$ -
State appropriations received	-	15,120	1,094	-	-	16,214
State grants received	-	2,894	1,064	-	-	3,958
State program expense	(27,251)	(6,994)	(4,822)	-	-	(39,067)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ (16,254)	10,981	(13,856)	234	-	\$ (18,895)
CHANGE IN NET POSITION	\$ (18,503)	11,983	(6,622)	10,029	325	\$ (2,788)
TOTAL NET POSITION - BEGINNING	\$ 132,500	58,759	179,022	297,621	14,685	\$ 682,587
TOTAL NET POSITION - ENDING	\$ 113,997	70,742	172,400	307,650	15,010	\$ 679,799

NORTH CAROLINA HOUSING FINANCE AGENCY
COMBINING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED DECEMBER 31, 2015
(Unaudited)

(in thousands)	AGENCY PROGRAMS		GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS		Total
		Housing Trust	Federal and	1998	2009		
		Fund	State Programs				
Cash flows from operating activities:							
Interest on mortgage loans	\$ 25	270	613	19,147	2,820	\$ 22,875	
Principal payments on mortgage loans	268	888	9,611	52,718	8,180	71,665	
Purchase of mortgage loans	-	-	(8,369)	(173)	-	(8,542)	
Federal program awards received	-	-	118,733	-	-	118,733	
Federal program expense	-	-	(111,752)	-	-	(111,752)	
Nonfederal program expense	(992)	-	-	(9,026)	-	(10,018)	
Federal grant administration income	-	-	6,623	-	-	6,623	
Program income/fees	7,269	577	3,499	13,132	-	24,477	
Other expenses	(8,058)	-	(9,090)	(1,948)	(71)	(19,167)	
Other revenues	83	7,877	-	(1,320)	(203)	6,437	
Net cash (used in) provided by operating activities	\$ (1,405)	9,612	9,868	72,530	10,726	\$ 101,331	
Cash flows from non-capital financing activities:							
Issuance of bonds	\$ -	-	-	66,000	-	\$ 66,000	
Principal repayments on bonds	-	-	-	(69,460)	(8,285)	(77,745)	
Interest paid	-	-	-	(12,166)	(2,529)	(14,695)	
Bond issuance costs paid	-	-	-	(654)	-	(654)	
Net transfers	10,997	(39)	(11,192)	234	-	-	
State appropriations received	-	15,120	1,094	-	-	16,214	
State grants received	-	2,244	8,941	-	-	11,185	
State tax credits	51,842	-	-	-	-	51,842	
State program expense	(27,251)	(6,994)	(4,822)	-	-	(39,067)	
Net cash provided by (used in) non-capital financing activities	\$ 35,588	10,331	(5,979)	(16,046)	(10,814)	\$ 13,080	
Cash flows from investing activities:							
Proceeds from sales or maturities of investments	\$ -	-	-	2,721	-	\$ 2,721	
Purchase of investments	-	-	-	(2,957)	-	(2,957)	
Earnings on investments	408	125	245	1,853	119	2,750	
Net cash provided by investing activities	\$ 408	125	245	1,617	119	\$ 2,514	
Net increase in cash	\$ 34,591	20,068	4,134	58,101	31	\$ 116,925	
Cash and cash equivalents at beginning of year	50,472	35,346	107,954	128,943	14,213	336,928	
Cash and cash equivalents at end of year	\$ 85,063	55,414	112,088	187,044	14,244	\$ 453,853	
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:							
Operating (loss) income	\$ (2,249)	1,002	7,234	9,795	325	\$ 16,107	
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:							
Interest on investments	(409)	(140)	(245)	(1,877)	(119)	(2,790)	
Decrease in fair value of investments	88	-	-	212	17	317	
Interest on bonds	-	-	-	12,049	2,329	14,378	
Change in assets and liabilities:							
Decrease in mortgage loans receivable	332	876	1,258	52,773	8,158	63,397	
(Increase) decrease in interest receivable on mortgage loans	-	(3)	50	1,040	(4)	1,083	
Decrease (increase) in other assets	716	7,877	(309)	(1,337)	(203)	6,744	
(Decrease) increase in accounts payable and other liabilities	(298)	-	(6,108)	(125)	223	(6,308)	
Increase in unearned revenues	415	-	7,988	-	-	8,403	
Total adjustments	\$ 844	8,610	2,634	62,735	10,401	\$ 85,224	
Net cash (used in) provided by operating activities	\$ (1,405)	9,612	9,868	72,530	10,726	\$ 101,331	



Our Mission is to create affordable housing opportunities for North Carolinians whose needs are not met by the market

Our Vision is to lead the nation in creating sustainable housing opportunities that people can afford.

Our Values : We Care, We Act, We Lead

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