

NORTH CAROLINA

HOUSING
FINANCE
AGENCY



Semi-Annual Financial Statements

December 31, 2021

Semi-Annual Financial Statements

Six months ended December 31, 2021

North Carolina Housing Finance Agency

**NORTH CAROLINA HOUSING FINANCE AGENCY
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
FOR THE SIX MONTHS ENDED DECEMBER 31, 2021**

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NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2021

(Unaudited)

(in thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$ 47,777
Restricted cash and cash equivalents	719,372
Restricted investments	16,613
Accrued interest receivable on investments	3,703
Mortgage loans receivable	79,183
Mortgage loans held for resale	83
Accrued interest receivable on mortgage loans	2,485
State receivables	125
Other assets	4,288
TOTAL CURRENT ASSETS	\$ 873,629

Noncurrent assets:

Restricted investments	\$ 1,255,322
Mortgage loans receivable, net	292,081
Other assets, net	24
Capital assets, net	1,911
TOTAL NONCURRENT ASSETS	\$ 1,549,338
TOTAL ASSETS	\$ 2,422,967

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows for pensions	\$ 3,147
Deferred outflows for other postemployment benefits	2,800
Accumulated decrease in fair value of hedging derivative	1,542
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 7,489

LIABILITIES

Current liabilities:

Bonds payable	\$ 40,125
Accrued interest payable	19,065
Accounts payable	2,698
Unearned revenues	29,917
Other liabilities	990
TOTAL CURRENT LIABILITIES	\$ 92,795

Noncurrent liabilities:

Bonds payable, net	\$ 1,424,198
Derivative instrument - interest rate swap	1,542
Unearned revenues	19,409
Pension liability	6,815
Other postemployment benefits	13,347
Other liabilities	5,064
TOTAL NONCURRENT LIABILITIES	\$ 1,470,375
TOTAL LIABILITIES	\$ 1,563,170

DEFERRED INFLOWS OF RESOURCES

Deferred inflows for other postemployment benefits	\$ 5,945
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 5,945

NET POSITION

Net investment in capital assets	\$ 1,911
Restricted net position	831,037
Unrestricted net position	28,393
TOTAL NET POSITION	\$ 861,341

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

SIX MONTHS ENDED DECEMBER 31, 2021

(Unaudited)

(in thousands)

OPERATING REVENUES

Interest on investments	\$	19,629
Net decrease in fair value of investments		(9,416)
Interest on mortgage loans		8,355
Federal program awards received		98,872
Program income/fees		60,600
Other revenues		88
TOTAL OPERATING REVENUES	\$	178,128

OPERATING EXPENSES

Interest on bonds	\$	18,889
Mortgage servicing expense		474
Federal program expense		168,500
Nonfederal program expense		15,662
General and administrative expense		12,666
Other expenses		130
TOTAL OPERATING EXPENSES	\$	216,321

OPERATING INCOME (LOSS) **\$ (38,193)**

NON-OPERATING REVENUES (EXPENSES)

State appropriations received	\$	5,330
State grants received		29,685
State program expense		(32,731)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$	2,284

CHANGE IN NET POSITION **\$ (35,909)**

TOTAL NET POSITION - BEGINNING **\$ 897,250**

TOTAL NET POSITION - ENDING **\$ 861,341**

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

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF CASH FLOWS

SIX MONTHS ENDED DECEMBER 31, 2021

(Unaudited)

(in thousands)

Cash flows from operating activities:	
Interest on mortgage loans	\$ 8,715
Principal payments on mortgage loans	46,944
Purchase of mortgage loans	(6,810)
Federal program awards received	99,273
Federal program expense	(169,050)
Nonfederal program expense	(15,662)
Federal grant administration income	5,491
Program income/fees	57,042
Other expenses	(15,530)
Other revenues	1,180
Net cash provided by operating activities	\$ 11,593
Cash flows from non-capital financing activities:	
Issuance of bonds	\$ 162,000
Principal repayments on bonds	(183,625)
Interest paid	(15,725)
Bond issuance costs paid	(1,320)
State appropriations received	5,330
State grants received	29,685
State program expense	(32,731)
State tax credits	(125)
Net cash used in non-capital financing activities	\$ (36,511)
Cash flows from investing activities:	
Proceeds from sales or maturities of investments	\$ 135,695
Purchase of investments	(167,795)
Earnings on investments	21,297
Net cash used in investing activities	\$ (10,803)
Net decrease in cash, cash equivalents and restricted cash	\$ (35,721)
Cash, cash equivalents and restricted cash at beginning of year	802,870
Cash, cash equivalents and restricted cash at end of year	\$ 767,149
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (38,193)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Interest on investments	(19,629)
Increase in fair value of investments	9,416
Interest on bonds	18,889
Change in operating assets and liabilities:	
Decrease in mortgage loans receivable	40,053
Decrease in accrued interest receivable on mortgage loans	450
Increase in mortgage loans held for resale	(83)
Decrease in other assets	2,971
Decrease in accounts payable and other liabilities	(3,308)
Increase in unearned revenues	1,027
Total adjustments	\$ 49,786
Net cash provided by operating activities	\$ 11,593

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

NOTES TO FINANCIAL STATEMENTS *(Unaudited)*

- A. BASIS OF PRESENTATION** The accompanying financial statements of the North Carolina Housing Finance Agency (Agency) have been prepared in accordance with generally accepted accounting principles in the United States of America as applicable to governments. The Governmental Accounting Standards Board establishes standards of financial accounting and reporting for state and local government entities. For full note disclosure, refer to the June 30, 2021 financial statements posted on the Agency's website at www.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. 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 of North Carolina (State). The Agency evaluates applications for the tax credits and monitors 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 receives funds from the North Carolina Department of Health and Human Services (DHHS) for the Community Living Housing Fund. These are reported in *Deferred state grants* until appropriated by the North Carolina General Assembly (General Assembly).

Federal and State Programs The Agency administers several federal programs. Of the Agency's federal programs, the Section 8 program, Hardest Hit Fund (HHF) and the HOME Investment Partnerships Program (HOME) represent 51%, 39% and 7% 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 has closed out HHF with the US Department of the Treasury as of December 2021.

In fiscal year 2022, the Agency began administering the Housing Stability Counseling Program and The HOME Investment Partnerships American Rescue Plan. Other federal programs administered by the Agency include Community Development Block Grant – Disaster Recovery and the Homeowner Assistance Fund.

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 various 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 Mortgage (FirstHome) program was funded with tax-exempt mortgage revenue bonds, and the mortgage loans are reported in *Mortgage loans receivable* and *Mortgage loans receivable, net* in the Home Ownership Bond Programs. 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 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 Home Ownership Bond Programs. 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 *Investments*, which also include US Agency securities held by the Agency. 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.

B. BONDS PAYABLE

Bonds payable activity for the year ended December 31, 2021 was as follows (*in thousands*):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds Payable				
Home Ownership	\$ 1,430,950	\$ 162,000	\$ (182,720)	\$ 1,410,230
Home Ownership (Direct Placement)	15,230	-	(905)	14,325
	<u>\$ 1,446,180</u>	<u>\$ 162,000</u>	<u>\$ (183,625)</u>	<u>\$ 1,424,555</u>
Unamortized Bond Premium/Discount	36,914	5,468	(2,614)	39,768
Total Bonds Payable, Net	<u>\$ 1,483,094</u>	<u>\$ 167,468</u>	<u>\$ (186,239)</u>	<u>\$ 1,464,323</u>

Bonds payable as of December 31, 2021 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 33	3.363 – 3.413	7/1/2022	\$ 1,610
Series 34	2.812	7/1/2035	4,280
Series 35	2.870 – 3.686	7/1/2032	7,835
Series 36	2.728 – 3.482	1/1/2031	11,690
Series 37A & Series 37B	1.900 – 3.500	7/1/2039	72,475
Series 37C (Direct Placement)	Variable	1/1/2035	14,325
Series 38	1.750 – 4.000	7/1/2047	154,470
Series 39	2.600 – 4.000	7/1/2048	96,475
Series 40	2.400 – 4.250	7/1/2047	46,650
Series 41	1.800 – 4.000	1/1/2050	117,050
Series 42	1.200 – 4.000	1/1/2050	129,835
Series 43	1.250 – 4.000	7/1/2050	136,660
Series 44	1.050 – 4.000	7/1/2050	115,005
Series 45	0.250 – 3.000	7/1/2051	187,550
Series 46	0.200 – 3.000	7/1/2051	166,645
Series 47	0.100 – 3.000	7/1/2051	162,000
Total Bonds Outstanding			<u>\$ 1,424,555</u>
Plus Unamortized Bond Premium & Discount			<u>\$ 39,768</u>
Total Bonds Payable, Net			<u><u>\$ 1,464,323</u></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. These bonds do not constitute a debt of and are not guaranteed by the State, any political subdivision thereof, or the Agency. Accordingly, these obligations are excluded from the Agency's financial statements.

Bonds payable as of December 31, 2021 for special facilities are as follows (*in thousands*):

<u>Issue</u>	<u>Bond Type</u>	<u>Bonds Outstanding</u>
Series 2021 (Wind Crest Senior Living, LP)	Multifamily Housing Revenue Bonds	\$ 6,000
Series 2021 (Johnson Court Housing Partners, LP)	Multifamily Housing Revenue Bonds	8,000
Total		<u><u>\$ 14,000</u></u>

North Carolina Housing Finance Agency

Additional Information

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2021

(Unaudited)

(in thousands)	AGENCY	GRANT		HOME OWNERSHIP	Total
	PROGRAMS	Housing Trust Fund Programs	Federal and State Programs	BOND PROGRAMS	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 47,777	-	-	-	\$ 47,777
Restricted cash and cash equivalents	92,991	84,450	111,183	430,748	719,372
Restricted investments	-	-	-	16,613	16,613
Accrued interest receivable on investments	-	7	-	3,696	3,703
Mortgage loans receivable	281	1,275	10,112	67,515	79,183
Mortgage loans held for resale	-	-	-	83	83
Accrued interest receivable on mortgage loans	4	10	173	2,298	2,485
State receivables	125	-	-	-	125
Other assets	174	-	1,312	2,802	4,288
Interprogram receivable (payable)	941	(17)	(2,842)	1,918	-
TOTAL CURRENT ASSETS	\$ 142,293	85,725	119,938	525,673	\$ 873,629
Noncurrent assets:					
Restricted investments	\$ -	-	-	1,255,322	\$ 1,255,322
Mortgage loans receivable, net	6,393	10,575	76,151	198,962	292,081
Other assets, net	24	-	-	-	24
Capital assets, net	1,911	-	-	-	1,911
TOTAL NONCURRENT ASSETS	\$ 8,328	10,575	76,151	1,454,284	\$ 1,549,338
TOTAL ASSETS	\$ 150,621	96,300	196,089	1,979,957	\$ 2,422,967
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows for pensions	\$ 3,147	-	-	-	\$ 3,147
Deferred outflows for other postemployment benefits	2,800	-	-	-	2,800
Accumulated decrease in fair value of hedging derivative	-	-	-	1,542	1,542
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 5,947	-	-	1,542	\$ 7,489
LIABILITIES					
Current liabilities:					
Bonds payable	\$ -	-	-	40,125	\$ 40,125
Accrued interest payable	-	-	-	19,065	19,065
Accounts payable	103	-	854	1,741	2,698
Unearned revenues	2,174	-	27,743	-	29,917
Other liabilities	974	-	16	-	990
TOTAL CURRENT LIABILITIES	\$ 3,251	-	28,613	60,931	\$ 92,795
Noncurrent liabilities:					
Bonds payable, net	\$ -	-	-	1,424,198	\$ 1,424,198
Derivative instrument - interest rate swap	-	-	-	1,542	1,542
Unearned revenues	19,409	-	-	-	19,409
Pension liability	6,815	-	-	-	6,815
Other postemployment benefits	13,347	-	-	-	13,347
Other liabilities	5,064	-	-	-	5,064
TOTAL NONCURRENT LIABILITIES	\$ 44,635	-	-	1,425,740	\$ 1,470,375
TOTAL LIABILITIES	\$ 47,886	-	28,613	1,486,671	\$ 1,563,170
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows for other postemployment benefits	\$ 5,945	-	-	-	\$ 5,945
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 5,945	-	-	-	\$ 5,945
NET POSITION					
Net investment in capital assets	\$ 1,911	-	-	-	\$ 1,911
Restricted net position	72,433	96,300	167,476	494,828	831,037
Unrestricted net position	28,393	-	-	-	28,393
TOTAL NET POSITION	\$ 102,737	96,300	167,476	494,828	\$ 861,341

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

SIX MONTHS ENDED DECEMBER 31, 2021

(Unaudited)

(in thousands)	AGENCY	GRANT		HOME OWNERSHIP	Total
	PROGRAMS	Housing Trust Fund Programs	Federal and State Programs	BOND PROGRAMS	
OPERATING REVENUES					
Interest on investments	\$ 78	54	59	19,438	\$ 19,629
Net increase (decrease) in fair value of investments	-	-	-	(9,416)	(9,416)
Interest on mortgage loans	71	270	494	7,520	8,355
Federal program awards received	-	-	98,872	-	98,872
Program income/fees	16,311	2,419	23,713	18,157	60,600
Other revenues	5	11	1	71	88
TOTAL OPERATING REVENUES	\$ 16,465	2,754	123,139	35,770	\$ 178,128
OPERATING EXPENSES					
Interest on bonds	\$ -	-	-	18,889	\$ 18,889
Mortgage servicing expense	-	-	-	474	474
Federal program expense	-	-	168,500	-	168,500
Nonfederal program expense	591	-	-	15,071	15,662
General and administrative expense	10,023	-	2,396	247	12,666
Other expenses	48	-	40	42	130
TOTAL OPERATING EXPENSES	\$ 10,662	-	170,936	34,723	\$ 216,321
OPERATING INCOME (LOSS)	\$ 5,803	2,754	(47,797)	1,047	\$ (38,193)
NON-OPERATING REVENUES (EXPENSES)					
Transfers in (out)	\$ 7,343	(77)	(7,053)	(213)	\$ -
State appropriations received	-	3,830	1,500	-	5,330
State grants received	-	-	29,685	-	29,685
State program expense	-	(16,769)	(15,962)	-	(32,731)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 7,343	(13,016)	8,170	(213)	\$ 2,284
CHANGE IN NET POSITION	\$ 13,146	(10,262)	(39,627)	834	\$ (35,909)
TOTAL NET POSITION - BEGINNING	\$ 89,591	106,562	207,103	493,994	\$ 897,250
TOTAL NET POSITION - ENDING	\$ 102,737	96,300	167,476	494,828	\$ 861,341

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF CASH FLOWS

SIX MONTHS ENDED DECEMBER 31, 2021

(Unaudited)

(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	\$ 69	271	497	7,878	\$ 8,715
Principal payments on mortgage loans	3,486	560	7,142	35,756	46,944
Purchase of mortgage loans	(2,981)	-	(3,746)	(83)	(6,810)
Federal program awards received	-	-	99,273	-	99,273
Federal program expense	-	-	(169,050)	-	(169,050)
Nonfederal program expense	(591)	-	-	(15,071)	(15,662)
Federal grant administration income	-	-	5,491	-	5,491
Program income/fees	17,282	2,419	19,184	18,157	57,042
Other expenses	(12,086)	(1)	(3,535)	92	(15,530)
Other revenues	1,525	-	-	(345)	1,180
Net cash provided by (used in) operating activities	\$ 6,704	3,249	(44,744)	46,384	\$ 11,593
Cash flows from non-capital financing activities:					
Issuance of bonds	\$ -	-	-	162,000	\$ 162,000
Principal repayments on bonds	-	-	-	(183,625)	(183,625)
Interest paid	-	-	-	(15,725)	(15,725)
Bond issuance costs paid	-	-	-	(1,320)	(1,320)
Net transfers	7,343	(77)	(7,053)	(213)	-
State appropriations received	-	3,830	1,500	-	5,330
State grants received	-	-	29,685	-	29,685
State program expense	-	(16,769)	(15,962)	-	(32,731)
State tax credits	(125)	-	-	-	(125)
Net cash provided by (used in) non-capital financing activities	\$ 7,218	(13,016)	8,170	(38,883)	\$ (36,511)
Cash flows from investing activities:					
Proceeds from sales or maturities of investments	\$ -	-	-	135,695	\$ 135,695
Purchase of investments	-	-	-	(167,795)	(167,795)
Earnings on investments	82	65	59	21,091	21,297
Net cash provided by (used in) investing activities	\$ 82	65	59	(11,009)	\$ (10,803)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 14,004	(9,702)	(36,515)	(3,508)	\$ (35,721)
Cash, cash equivalents and restricted cash at beginning of year	126,764	94,152	147,698	434,256	802,870
Cash, cash equivalents and restricted cash at end of year	\$ 140,768	84,450	111,183	430,748	\$ 767,149
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 5,803	2,754	(47,797)	1,047	\$ (38,193)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Interest on investments	(78)	(54)	(59)	(19,438)	(19,629)
Decrease (increase) in fair value of investments	-	-	-	9,416	9,416
Interest on bonds	-	-	-	18,889	18,889
Change in operating assets and liabilities:					
Decrease (increase) in mortgage loans receivable	504	549	3,395	35,605	40,053
Decrease (increase) in accrued interest receivable on mortgage loans	(2)	1	3	448	450
Decrease (increase) in mortgage loans held for resale	-	-	-	(83)	(83)
Decrease (increase) in other assets	2,009	-	1,307	(345)	2,971
Increase (decrease) in accounts payable and other liabilities	(2,503)	(1)	(1,649)	845	(3,308)
Increase (decrease) in unearned revenues	971	-	56	-	1,027
Total adjustments	\$ 901	495	3,053	45,337	\$ 49,786
Net cash provided by (used in) operating activities	\$ 6,704	3,249	(44,744)	46,384	\$ 11,593

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Our mission is to create affordable housing options 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.