

# Semi-Annual Financial Statements

*Six months ended December 31, 2007*

North Carolina Housing Finance Agency



**NORTH CAROLINA HOUSING FINANCE AGENCY  
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2007**

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# NORTH CAROLINA HOUSING FINANCE AGENCY

BALANCE SHEET  
DECEMBER 31, 2007  
(Unaudited)

(in thousands)

## ASSETS

### Current assets:

|   |    |                |
|---|----|----------------|
| Cash and cash equivalents                     | \$ | 5,741          |
| Restricted cash and cash equivalents          |    | 154,638        |
| Accrued interest receivable on investments    |    | 2,794          |
| Accrued interest receivable on mortgage loans |    | 9,052          |
| State tax credits receivable                  |    | 13,555         |
| Restricted investments                        |    | 7,045          |
| Other assets                                  |    | 10,618         |
| <b>TOTAL CURRENT ASSETS</b>                   |    | <b>203,443</b> |

### Noncurrent assets:

|                                      |           |                  |
|--------------------------------------|-----------|------------------|
| Restricted cash and cash equivalents |           | 46,144           |
| Investments                          |           | 5,801            |
| Restricted investments               |           | 263,335          |
| Mortgage loans receivable, net       |           | 1,553,117        |
| Other assets, net                    |           | 2,165            |
| <b>TOTAL NONCURRENT ASSETS</b>       |           | <b>1,870,562</b> |
| <b>TOTAL ASSETS</b>                  | <b>\$</b> | <b>2,074,005</b> |

## LIABILITIES

### Current liabilities:

|                                  |    |                |
|----------------------------------|----|----------------|
| Bonds payable                    | \$ | 98,595         |
| Accrued interest payable         |    | 16,624         |
| Accounts payable                 |    | 1,345          |
| Deferred revenues                |    | 874            |
| Other liabilities                |    | 74             |
| <b>TOTAL CURRENT LIABILITIES</b> |    | <b>117,512</b> |

### Noncurrent liabilities:

|                                     |  |                  |
|-------------------------------------|--|------------------|
| Bonds payable, net                  |  | 1,520,390        |
| Deferred revenues                   |  | 7,333            |
| Other liabilities                   |  | 4,746            |
| <b>TOTAL NONCURRENT LIABILITIES</b> |  | <b>1,532,469</b> |
| <b>TOTAL LIABILITIES</b>            |  | <b>1,649,981</b> |

## NET ASSETS

|   |           |                  |
|---|-----------|------------------|
| Restricted                              |           | 409,053          |
| Unrestricted                            |           | 14,971           |
| <b>TOTAL NET ASSETS</b>                 |           | <b>424,024</b>   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$</b> | <b>2,074,005</b> |

# NORTH CAROLINA HOUSING FINANCE AGENCY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

SIX MONTHS ENDED DECEMBER 31, 2007

(Unaudited)

(in thousands)

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### OPERATING REVENUES

|   |    |                |
|---|----|----------------|
| Interest on investments                   | \$ | 14,891         |
| Net increase in fair value of investments |    | 2,089          |
| Interest on mortgage loans                |    | 41,529         |
| Federal program awards received           |    | 75,751         |
| Program income/fees                       |    | 6,959          |
| Other revenues                            |    | 446            |
| <b>TOTAL OPERATING REVENUES</b>           |    | <u>141,665</u> |

### OPERATING EXPENSES

|                                 |  |                |
|---------------------------------|--|----------------|
| Interest on bonds               |  | 41,713         |
| Mortgage servicing expense      |  | 2,290          |
| Federal program expense         |  | 73,763         |
| Nonfederal program expense      |  | 1,021          |
| General and administrative      |  | 7,933          |
| Other expenses                  |  | 770            |
| <b>TOTAL OPERATING EXPENSES</b> |  | <u>127,490</u> |

### OPERATING INCOME

14,175

### NONOPERATING REVENUES (EXPENSES)

|   |  |                 |
|---|--|-----------------|
| State appropriations received                 |  | 9,304           |
| State program expense                         |  | (31,791)        |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> |  | <u>(22,487)</u> |

### CHANGE IN NET ASSETS

(8,312)

### NET ASSETS-BEGINNING

432,336

### NET ASSETS-ENDING

\$ 424,024

See Notes to Financial Statements

# NORTH CAROLINA HOUSING FINANCE AGENCY

## STATEMENT OF CASH FLOWS

SIX MONTHS ENDED DECEMBER 31, 2007

(Unaudited)

(in thousands)

### Cash flows from operating activities:

|                                      |           |
|--------------------------------------|-----------|
| Interest on mortgage loans           | \$ 40,771 |
| Principal payments on mortgage loans | 63,307    |
| Purchase of mortgage loans           | (233,485) |
| Federal awards received              | 77,363    |
| Federal program expense              | (74,515)  |
| Nonfederal program expense           | (1,021)   |
| Federal grant administration income  | 3,574     |
| Program income/fees                  | 8,253     |
| Other expenses                       | (10,180)  |
| Other revenues                       | (817)     |

**Net cash used in operating activities** **(126,750)**

### Cash flows from non-capital financing activities:

|                               |          |
|-------------------------------|----------|
| Issuance of bonds             | 65,000   |
| Principal repayments          | (82,405) |
| Interest paid                 | (39,784) |
| Bond issuance costs paid      | (1,513)  |
| State appropriations received | 9,304    |
| State tax credit              | 27,838   |
| State program expense         | (31,791) |

**Net cash used in non-capital financing activities** **(53,351)**

### Cash flows from investing activities:

|  |          |
|--|----------|
| Proceeds from sales or maturities of investments | 342,656  |
| Purchase of investments                          | (95,373) |
| Earnings on investments                          | 14,833   |

**Net cash provided by investing activities** **262,116**

Net decrease in cash 82,015

Cash and cash equivalents at beginning of year 124,508

**Cash and cash equivalents at end of period** **\$ 206,523**

### Reconciliation of operating income to net cash provided by operating activities:

Operating income \$ 14,175

### Adjustments to reconcile operating income to net cash

#### provided by (used in) operating activities:

|                                       |          |
|---------------------------------------|----------|
| Interest on investments               | (14,891) |
| Increase in fair value of investments | (2,089)  |
| Interest on bonds                     | 41,713   |

### Change in assets and liabilities:

|  |           |
|--|-----------|
| Increase in mortgage loans                         | (169,721) |
| Increase in interest receivable on mortgage loans  | (821)     |
| Decrease in other assets                           | 5,472     |
| Decrease in accounts payable and other liabilities | (847)     |
| Increase in deferred revenues                      | 259       |

**Total adjustments** **(140,925)**

**Net cash used in operating activities** **\$ (126,750)**

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS *(Unaudited)*

**A. BASIS OF PRESENTATION** The Agency applies all statements issued by the Governmental Accounting Standards Board (GASB) and all Financial Accounting Standards Board (FASB) statements issued on or before November 30, 1989, except those that conflict with the GASB. For full note disclosure, refer to the June 30, 2007 financials posted on the website at [www.nchfa.com](http://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. A summary of the Agency's primary programs are as follows:

Agency Programs Direct administrative and operational activities, including operating expenses of various programs, are recorded in Agency Programs.

Home Ownership Bond Programs The Home Ownership Bond Programs were created through various single family bond resolutions and are restricted as to their use. The proceeds of individual bond issues are used to purchase first mortgage loans on single family residential units or to purchase first or second mortgage loans.

Rental Bond Programs The Rental Bond Programs were created through various multifamily bond resolutions and are restricted as to their use. The proceeds of individual bond issues are used to provide mortgage loans to developers of rental housing projects.

Housing Trust Fund Programs The North Carolina Housing 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 General Assembly of the State of North Carolina ("General Assembly") has appropriated funds; substantially all of which are to be used to make loans and grants under the Housing Trust Fund Programs. The Agency received State appropriations in the amount of \$7,750,000 for the six months ended December 31, 2007. The Housing Partnership is responsible for developing policy with respect to 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.

Federal and State Programs The Agency administers six federal programs. The Section 8 Lower Income Housing Assistance Payment Program and the HOME Investment Partnership Program represent 99% of federal program expenditures. The Agency receives a fee for administering these programs. The HOME Investment Partnership Program is matched with funds appropriated by the General Assembly, the amount of matching funds received during the six months ended December 31, 2007 was \$804,000. Additionally, \$750,000 was received from the State to assist homeowners who are at risk for foreclosure due to job loss. These monies from the State are reported in the financial statements as nonoperating revenues.

**B. BONDS PAYABLE**

Bonds payable activity for the six months ended December 31, 2007 was as follows (in thousands):

|                                   | <u>Beginning<br/>Balance</u> | <u>Additions</u>       | <u>Reductions</u>        | <u>Ending<br/>Balance</u> |
|-----------------------------------|------------------------------|------------------------|--------------------------|---------------------------|
| <b>Bonds Payable</b>              |                              |                        |                          |                           |
| Home Ownership                    | \$1,571,425                  | \$65,000               | \$(77,220)               | \$1,559,205               |
| Rental                            | <u>84,690</u>                | <u>-</u>               | <u>(5,185)</u>           | <u>79,505</u>             |
|                                   | <u>1,656,115</u>             | <u>65,000</u>          | <u>(82,405)</u>          | <u>1,638,710</u>          |
| Less Deferred Bond Financing Cost |                              |                        |                          |                           |
| Home Ownership                    | (17,093)                     | (1,513)                | 1,232                    | (17,374)                  |
| Rental                            | <u>(2,543)</u>               | <u>-</u>               | <u>192</u>               | <u>(2,351)</u>            |
|                                   | <u>(19,636)</u>              | <u>(1,513)</u>         | <u>1,424</u>             | <u>(19,725)</u>           |
| <b>Total Bonds Payable, Net</b>   | <b><u>\$1,636,479</u></b>    | <b><u>\$63,487</u></b> | <b><u>\$(80,981)</u></b> | <b><u>\$1,618,985</u></b> |

Bonds payable as of December 31, 2007 are as follows (in thousands):

| <u>Issue</u>  | <u>Stated<br/>Rates (%)</u> | <u>Final<br/>Maturity</u> | <u>Principal<br/>Amount</u> |
|---|-----------------------------|---------------------------|-----------------------------|
| <b>Single Family Revenue Bonds</b><br>(1985 Resolution) |                             |                           |                             |
| Series Y/Z  | 6.30 - 6.60                 | 2026                      | \$5,335                     |
| Series AA/BB  | 6.00 - 6.50                 | 2026                      | 7,430                       |
| Series CC/DD  | 5.45 - 6.20                 | 2027                      | 5,320                       |
| Series EE/FF  | 5.60 - 6.25                 | 2028                      | 5,285                       |
| Series GG/HH  | 5.60 - 6.30                 | 2028                      | 6,795                       |
| Series II/JJ  | 6.15 - 6.45                 | 2028                      | 12,015                      |
| Series KK/LL  | 5.40 - 6.20                 | 2028                      | 6,485                       |
| Series MM/NN  | 5.15 - 5.95                 | 2028                      | 4,650                       |
| Series OO/PP  | 5.80 - 6.25                 | 2028                      | 10,490                      |
| Series QQ/RR  | 5.00 - 5.85                 | 2028                      | 15,410                      |
| Series SS/TT  | 4.90 - 5.70                 | 2028                      | 7,080                       |
| Series UU/VV  | 4.60 - 5.35                 | 2029                      | 12,215                      |
| Series WW   | 6.25                        | 2018                      | <u>29,715</u>               |
|   |                             |                           | <u>\$128,225</u>            |

| <u>Issue</u>                              | <u>Stated Rates (%)</u> | <u>Final Maturity</u> | <u>Principal Amount</u>   |
|---|-------------------------|-----------------------|---------------------------|
| <b>Home Ownership Revenue Bonds</b>       |                         |                       |                           |
| (1998 Trust Agreement)                    |                         |                       |                           |
| Series 1                                  | 4.80 - 5.38             | 2030                  | 25,815                    |
| Series 2                                  | 4.40 - 5.25             | 2030                  | 15,840                    |
| Series 3                                  | 4.25 - 5.20             | 2030                  | 25,985                    |
| Series 4                                  | 4.35 - 5.30             | 2030                  | 22,700                    |
| Series 5                                  | 4.80 - 5.63             | 2030                  | 18,955                    |
| Series 6                                  | 5.15 - 6.20             | 2030                  | 11,470                    |
| Series 7                                  | 5.30 - 6.25             | 2031                  | 21,390                    |
| Series 8                                  | 5.50 - 6.40             | 2031                  | 10,870                    |
| Series 9                                  | 4.75 - 5.88             | 2032                  | 34,530                    |
| Series 10                                 | 4.05 - 5.40             | 2033                  | 21,650                    |
| Series 11                                 | 4.13 - 5.38             | 2033                  | 37,820                    |
| Series 12                                 | 4.10 - 5.45             | 2033                  | 39,230                    |
| Series 13                                 | 3.75 - 5.35             | 2034                  | 44,885                    |
| Series 14                                 | 3.95 - 5.53             | 2034                  | 50,605                    |
| Series 15                                 | Variable - 4.95         | 2032                  | 37,730                    |
| Series 16                                 | Variable - 5.40         | 2032                  | 38,930                    |
| Series 17                                 | Variable - 5.00         | 2034                  | 42,135                    |
| Series 18                                 | Variable - 5.00         | 2035                  | 39,310                    |
| Series 19                                 | 2.85 - 5.25             | 2035                  | 56,370                    |
| Series 20                                 | 2.75 - 4.75             | 2035                  | 58,940                    |
| Series 21                                 | 3.00 - 5.00             | 2035                  | 60,570                    |
| Series 22 A                               | 3.60 - 5.50             | 2037                  | 63,255                    |
| Series 22 CE                              | 3.85 - 5.25             | 2039                  | 80,000                    |
| Series 23                                 | 3.30 - 5.00             | 2037                  | 62,635                    |
| Series 24                                 | 3.50 - 5.50             | 2038                  | 84,835                    |
| Series 25                                 | 3.85 - 5.75             | 2037                  | 64,525                    |
| Series 26                                 | 3.40 - 5.50             | 2038                  | 65,000                    |
| Series 27 Convertible Option Bonds        | 3.70                    | 2038                  | 65,000                    |
| Series 28                                 | 3.50-5.50               | 2039                  | 65,000                    |
| Series 29                                 | 3.80-5.50               | 2038                  | 100,000                   |
| Series 30                                 | 3.45-5.50               | 2039                  | <u>65,000</u>             |
|   |                         |                       | <u>1,430,980</u>          |
|   |                         |                       | <u>1,559,205</u>          |
| <b>Less deferred bond financing costs</b> |                         |                       | <u>(17,374)</u>           |
| <b>Total Home Ownership Bond Programs</b> |                         |                       | <b><u>\$1,541,831</u></b> |

| <u>Issue</u>                               | <u>Stated Rates (%)</u> | <u>Final Maturity</u> | <u>Principal Amount</u> |
|--|-------------------------|-----------------------|-------------------------|
| <b>Multifamily Revenue Bonds</b>           |                         |                       |                         |
| (1984 Resolution) Series F/G               | 6.60 - 8.25             | 2027                  | \$2,770                 |
| (1984 Resolution) Series H/I               | 5.95 - 7.85             | 2028                  | 12,570                  |
| (1984 Resolution) Series J                 | 5.05 - 5.55             | 2029                  | <u>8,285</u>            |
|  |                         |                       | <u>23,625</u>           |
| <b>Multifamily Revenue Refunding Bonds</b> |                         |                       |                         |
| (1992 Resolution) Series C                 | 2.40 - 4.80             | 2024                  | 12,475                  |
| <b>Multifamily Revenue Bonds</b>           |                         |                       |                         |
| (1994 Resolution) Series 1994              | 5.35 - 5.45             | 2024                  | 3,235                   |

| <u>Issue</u>   | <u>Stated Rates (%)</u> | <u>Final Maturity</u> | <u>Principal Amount</u> |
|--|-------------------------|-----------------------|-------------------------|
| <b>Multifamily Revenue Bonds</b><br>(1995 Resolution) Series A/B                 | 5.30 - 5.90             | 2020                  | 5,365                   |
| <b>Multifamily Revenue Bonds*</b><br>(2000 Resolution) Series A/B                | Variable                | 2029                  | 20,250                  |
| <b>Multifamily Housing Revenue Bonds*</b><br>(2002 Resolution) Series A, B, C, D | 5.10 - 5.50             | 2043                  | 9,355                   |
| <b>Multifamily Housing Revenue Bonds*</b><br>(2002A Resolution) Series 2002      | Variable                | 2023                  | <u>5,200</u>            |
|  |                         |                       | <u>79,505</u>           |
| <b>Less deferred bond financing costs</b>  |                         |                       | <u>(2,351)</u>          |
| <b>Total Rental Bond Programs</b>  |                         |                       | <b><u>\$77,154</u></b>  |

\*These bonds represent special financings that are issued on behalf of not-for-profit 501(c)(3) qualified entities. These financings, unlike the others, do not use private activity volume cap.

### **C. Subsequent Events**

On January 10, 2008, the Agency delivered Series 31 A & B bonds under the 1998 Home Ownership Trust Indenture in the amount of \$65,000,000.

On January 15, 2008, bonds of \$9,385,000 were sold, the proceeds of which are being used for the acquisition and rehabilitation of nine existing apartment properties. This bond sale closed on January 24, 2008 and is a part of the 2008 Multifamily Revenue Bond resolution.

North Carolina Housing Finance Agency

Additional Information

# NORTH CAROLINA HOUSING FINANCE AGENCY

## COMBINING BALANCE SHEET

DECEMBER 31, 2007

(Unaudited)

| (in thousands)                                | AGENCY PROGRAMS |               | GRANT PROGRAMS |                | HOME OWNERSHIP BOND PROGRAMS |                  |
|---|-----------------|---------------|----------------|----------------|------------------------------|------------------|
|   |                 |               | Housing Trust  | Federal and    |                              |                  |
|   |                 |               | Fund           | State Programs | 1985                         | 1998             |
| <b>ASSETS</b>                                 |                 |               |                |                |                              |                  |
| <b>Current assets:</b>                        |                 |               |                |                |                              |                  |
| Cash and cash equivalents                     | \$              | 5,741         | -              | -              | -                            | -                |
| Restricted cash and cash equivalents          |                 | 32,502        | 38,725         | 12,833         | 19,729                       | 36,280           |
| Accrued interest receivable on investments    |                 | 224           | 175            | -              | 1,303                        | 775              |
| Accrued interest receivable on mortgage loans |                 | 153           | 10             | 13             | 1,119                        | 7,294            |
| State tax credit receivable                   |                 | 13,555        | -              | -              | -                            | -                |
| Restricted investments                        |                 | -             | -              | -              | -                            | -                |
| Other assets                                  |                 | 622           | -              | 1,008          | 1,212                        | 7,776            |
| Interprogram receivable/(payable)             |                 | 541           | (20)           | (532)          | (156)                        | 161              |
| <b>TOTAL CURRENT ASSETS</b>                   |                 | <b>53,338</b> | <b>38,890</b>  | <b>13,322</b>  | <b>23,207</b>                | <b>52,286</b>    |
| <b>Noncurrent assets:</b>                     |                 |               |                |                |                              |                  |
| Restricted cash and cash equivalents          |                 | -             | -              | -              | -                            | 46,144           |
| Investments                                   |                 | 5,801         | -              | -              | -                            | -                |
| Restricted investments                        |                 | 3,593         | -              | -              | 57,696                       | 172,070          |
| Mortgage loans receivable, net                |                 | 6,260         | 16,980         | 59,898         | 133,889                      | 1,261,633        |
| Other assets, net                             |                 | 2,165         | -              | -              | -                            | -                |
| <b>TOTAL NONCURRENT ASSETS</b>                |                 | <b>17,819</b> | <b>16,980</b>  | <b>59,898</b>  | <b>191,585</b>               | <b>1,479,847</b> |
| <b>TOTAL ASSETS</b>                           | <b>\$</b>       | <b>71,157</b> | <b>55,870</b>  | <b>73,220</b>  | <b>214,792</b>               | <b>1,532,133</b> |
| <b>LIABILITIES</b>                            |                 |               |                |                |                              |                  |
| <b>Current liabilities:</b>                   |                 |               |                |                |                              |                  |
| Bonds payable                                 | \$              | -             | -              | -              | 5,885                        | 90,250           |
| Accrued interest payable                      |                 | -             | -              | -              | 2,570                        | 13,753           |
| Accounts payable                              |                 | 109           | -              | 533            | 49                           | 556              |
| Deferred revenues                             |                 | 874           | -              | -              | -                            | -                |
| Other liabilities                             |                 | 13            | 1              | 60             | -                            | -                |
| <b>TOTAL CURRENT LIABILITIES</b>              |                 | <b>996</b>    | <b>1</b>       | <b>593</b>     | <b>8,504</b>                 | <b>104,559</b>   |
| <b>Noncurrent liabilities:</b>                |                 |               |                |                |                              |                  |
| Bonds payable, net                            |                 | -             | -              | -              | 120,067                      | 1,325,629        |
| Deferred revenues                             |                 | 7,333         | -              | -              | -                            | -                |
| Other liabilities                             |                 | 3,725         | -              | -              | 21                           | 1,000            |
| <b>TOTAL NONCURRENT LIABILITIES</b>           |                 | <b>11,058</b> | <b>-</b>       | <b>-</b>       | <b>120,088</b>               | <b>1,326,629</b> |
| <b>TOTAL LIABILITIES</b>                      |                 | <b>12,054</b> | <b>1</b>       | <b>593</b>     | <b>128,592</b>               | <b>1,431,188</b> |
| <b>NET ASSETS</b>                             |                 |               |                |                |                              |                  |
| Restricted                                    |                 | 44,132        | 55,869         | 72,627         | 86,200                       | 100,945          |
| Unrestricted                                  |                 | 14,971        | -              | -              | -                            | -                |
| <b>TOTAL NET ASSETS</b>                       |                 | <b>59,103</b> | <b>55,869</b>  | <b>72,627</b>  | <b>86,200</b>                | <b>100,945</b>   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>       | <b>\$</b>       | <b>71,157</b> | <b>55,870</b>  | <b>73,220</b>  | <b>214,792</b>               | <b>1,532,133</b> |

**RENTAL BOND PROGRAMS**

| <b>1984</b>   | <b>1992</b>   | <b>1994</b>  | <b>1995</b>  | <b>Special<br/>Facilities</b> | <b>TOTAL</b>        |
|---------------|---------------|--------------|--------------|-------------------------------|---------------------|
| -             | -             | -            | -            | -                             | \$ 5,741            |
| 2,228         | 12,186        | 33           | 122          | -                             | 154,638             |
| 141           | 149           | 24           | 3            | -                             | 2,794               |
| 106           | 57            | 21           | 37           | 242                           | 9,052               |
| -             | -             | -            | -            | -                             | 13,555              |
| 7,045         | -             | -            | -            | -                             | 7,045               |
| -             | -             | -            | -            | -                             | 10,618              |
| -             | -             | -            | 6            | -                             | -                   |
| <u>9,520</u>  | <u>12,392</u> | <u>78</u>    | <u>168</u>   | <u>242</u>                    | <u>203,443</u>      |
| -             | -             | -            | -            | -                             | 46,144              |
| -             | -             | -            | -            | -                             | 5,801               |
| 17,677        | 7,063         | 3,034        | 2,202        | -                             | 263,335             |
| 16,977        | 12,294        | 3,960        | 6,421        | 34,805                        | 1,553,117           |
| -             | -             | -            | -            | -                             | 2,165               |
| <u>34,654</u> | <u>19,357</u> | <u>6,994</u> | <u>8,623</u> | <u>34,805</u>                 | <u>1,870,562</u>    |
| <u>44,174</u> | <u>31,749</u> | <u>7,072</u> | <u>8,791</u> | <u>35,047</u>                 | <u>\$ 2,074,005</u> |
| 605           | 455           | 140          | 315          | 945                           | \$ 98,595           |
| -             | -             | 59           | -            | 242                           | 16,624              |
| 82            | 1             | 1            | 14           | -                             | 1,345               |
| -             | -             | -            | -            | -                             | 874                 |
| -             | -             | -            | -            | -                             | 74                  |
| <u>687</u>    | <u>456</u>    | <u>200</u>   | <u>329</u>   | <u>1,187</u>                  | <u>117,512</u>      |
| 21,626        | 11,464        | 3,000        | 4,744        | 33,860                        | 1,520,390           |
| -             | -             | -            | -            | -                             | 7,333               |
| -             | -             | -            | -            | -                             | 4,746               |
| <u>21,626</u> | <u>11,464</u> | <u>3,000</u> | <u>4,744</u> | <u>33,860</u>                 | <u>1,532,469</u>    |
| <u>22,313</u> | <u>11,920</u> | <u>3,200</u> | <u>5,073</u> | <u>35,047</u>                 | <u>1,649,981</u>    |
| 21,861        | 19,829        | 3,872        | 3,718        | -                             | 409,053             |
| -             | -             | -            | -            | -                             | 14,971              |
| <u>21,861</u> | <u>19,829</u> | <u>3,872</u> | <u>3,718</u> | <u>-</u>                      | <u>424,024</u>      |
| <u>44,174</u> | <u>31,749</u> | <u>7,072</u> | <u>8,791</u> | <u>35,047</u>                 | <u>\$ 2,074,005</u> |

# NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

SIX MONTHS ENDED DECEMBER 31, 2007

(Unaudited)

| (in thousands)                                | AGENCY PROGRAMS  |                    |                            | HOME OWNERSHIP BOND PROGRAMS |                |
|---|------------------|--------------------|----------------------------|------------------------------|----------------|
|   |                  | GRANT PROGRAMS     | FEDERAL and STATE PROGRAMS | 1985                         | 1998           |
|   |                  | Housing Trust Fund | Federal and State Programs |                              |                |
| <b>OPERATING REVENUES</b>                     |                  |                    |                            |                              |                |
| Interest on investments                       | \$ 1,228         | 923                | 46                         | 2,460                        | 9,025          |
| Net increase in fair value of investments     | 253              | -                  | -                          | 565                          | 469            |
| Interest on mortgage loans                    | 70               | 151                | 353                        | 4,775                        | 34,119         |
| Federal program awards received               | -                | -                  | 75,751                     | -                            | -              |
| Program income/fees                           | 1,973            | 288                | 4,698                      | -                            | -              |
| Other revenues                                | 214              | 225                | -                          | -                            | -              |
| <b>TOTAL OPERATING REVENUES</b>               | <b>3,738</b>     | <b>1,587</b>       | <b>80,848</b>              | <b>7,800</b>                 | <b>43,613</b>  |
| <b>OPERATING EXPENSES</b>                     |                  |                    |                            |                              |                |
| Interest on bonds                             | -                | -                  | -                          | 4,409                        | 35,122         |
| Mortgage servicing expense                    | -                | -                  | -                          | 254                          | 2,015          |
| Federal program expense                       | 737              | 135                | 72,889                     | -                            | -              |
| Nonfederal program expense                    | 1,021            | -                  | -                          | -                            | -              |
| General and administrative                    | 5,646            | -                  | 1,986                      | 21                           | 272            |
| Other expenses                                | 10               | -                  | 689                        | 9                            | 62             |
| <b>TOTAL OPERATING EXPENSES</b>               | <b>7,414</b>     | <b>135</b>         | <b>75,564</b>              | <b>4,693</b>                 | <b>37,471</b>  |
| <b>OPERATING INCOME (LOSS)</b>                | <b>(3,676)</b>   | <b>1,452</b>       | <b>5,284</b>               | <b>3,107</b>                 | <b>6,142</b>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>       |                  |                    |                            |                              |                |
| Transfers in (out)                            | 7,170            | (45)               | (2,129)                    | (2,900)                      | (550)          |
| State appropriations received                 | -                | 7,750              | 1,554                      | -                            | -              |
| State program expense                         | (25,239)         | (5,245)            | (1,307)                    | -                            | -              |
| <b>Total nonoperating revenues (expenses)</b> | <b>(18,069)</b>  | <b>2,460</b>       | <b>(1,882)</b>             | <b>(2,900)</b>               | <b>(550)</b>   |
| <b>Change in net assets</b>                   | <b>(21,745)</b>  | <b>3,912</b>       | <b>3,402</b>               | <b>207</b>                   | <b>5,592</b>   |
| <b>Total net assets - beginning</b>           | <b>80,848</b>    | <b>51,957</b>      | <b>69,225</b>              | <b>85,993</b>                | <b>95,353</b>  |
| <b>Total net assets - ending</b>              | <b>\$ 59,103</b> | <b>55,869</b>      | <b>72,627</b>              | <b>86,200</b>                | <b>100,945</b> |

**RENTAL BOND PROGRAMS**

| 1984   | 1992    | 1994  | 1995  | Special<br>Facilities | TOTAL      |
|--------|---------|-------|-------|-----------------------|------------|
| 521    | 529     | 81    | 78    | -                     | \$ 14,891  |
| 595    | 154     | 45    | 8     | -                     | 2,089      |
| 638    | 347     | 127   | 228   | 721                   | 41,529     |
| -      | -       | -     | -     | -                     | 75,751     |
| -      | -       | -     | -     | -                     | 6,959      |
| 6      | 1       | -     | -     | -                     | 446        |
| 1,760  | 1,031   | 253   | 314   | 721                   | 141,665    |
|        |         |       |       |                       |            |
| 772    | 284     | 91    | 314   | 721                   | 41,713     |
| 9      | 6       | 2     | 4     | -                     | 2,290      |
| -      | -       | -     | 2     | -                     | 73,763     |
| -      | -       | -     | -     | -                     | 1,021      |
| 3      | 1       | 1     | 3     | -                     | 7,933      |
| -      | -       | -     | -     | -                     | 770        |
| 784    | 291     | 94    | 323   | 721                   | 127,490    |
| 976    | 740     | 159   | (9)   | -                     | 14,175     |
|        |         |       |       |                       |            |
| -      | (1,405) | -     | (141) | -                     | -          |
| -      | -       | -     | -     | -                     | 9,304      |
| -      | -       | -     | -     | -                     | (31,791)   |
| -      | (1,405) | -     | (141) | -                     | (22,487)   |
| 976    | (665)   | 159   | (150) | -                     | (8,312)    |
| 20,885 | 20,494  | 3,713 | 3,868 | -                     | 432,336    |
| 21,861 | 19,829  | 3,872 | 3,718 | -                     | \$ 424,024 |

# NORTH CAROLINA HOUSING FINANCE AGENCY

## COMBINING STATEMENT OF CASH FLOWS

SIX MONTHS ENDED DECEMBER 31, 2007

(Unaudited)

| (in thousands)   | AGENCY           |                |                | HOME OWNERSHIP PROGRAMS |                  |
|--|------------------|----------------|----------------|-------------------------|------------------|
|  | PROGRAMS         | GRANT          | PROGRAMS       |                         |                  |
|  |                  | Housing Trust  | Federal and    | 1985                    | 1998             |
|  | Fund             | State Programs |                |                         |                  |
| <b>Cash flows from operating activities:</b>   |                  |                |                |                         |                  |
| Interest on mortgage loans   | \$ 67            | 151            | 358            | 4,841                   | 33,270           |
| Principal payments on mortgage loans   | 435              | 1,204          | 1,655          | 10,057                  | 46,003           |
| Purchase of mortgage loans   | (700)            | (681)          | (5,395)        | (401)                   | (226,308)        |
| Federal awards received  | -                | -              | 77,363         | -                       | -                |
| Federal program expense  | (737)            | (135)          | (73,641)       | -                       | -                |
| Nonfederal program expense   | (1,021)          | -              | -              | -                       | -                |
| Federal grant administration income  | -                | -              | 3,574          | -                       | -                |
| Program income/fees  | 6,841            | 288            | 1,124          | -                       | -                |
| Other expenses   | (5,613)          | 18             | (2,325)        | (131)                   | (2,110)          |
| Other revenues   | 471              | 94             | -              | 122                     | (1,515)          |
| <b>Net cash provided by (used in) operating activities</b>   | <b>(257)</b>     | <b>939</b>     | <b>2,713</b>   | <b>14,488</b>           | <b>(150,660)</b> |
| <b>Cash flows from non-capital financing activities:</b>   |                  |                |                |                         |                  |
| Issuance of bonds  | -                | -              | -              | -                       | 65,000           |
| Principal repayments on bonds  | -                | -              | -              | (17,730)                | (59,490)         |
| Interest paid  | -                | -              | -              | (4,506)                 | (33,274)         |
| Bond issuance costs paid   | -                | -              | -              | -                       | (1,513)          |
| Net transfers  | 7,170            | (45)           | (2,129)        | (2,900)                 | (550)            |
| State appropriations received  | -                | 7,750          | 1,554          | -                       | -                |
| State tax credits  | 27,838           | -              | -              | -                       | -                |
| State program expense  | (25,239)         | (5,245)        | (1,307)        | -                       | -                |
| <b>Net cash provided by (used in) non-capital financing activities</b>                                   | <b>9,769</b>     | <b>2,460</b>   | <b>(1,882)</b> | <b>(25,136)</b>         | <b>(29,827)</b>  |
| <b>Cash flows from investing activities:</b>   |                  |                |                |                         |                  |
| Proceeds from sales or maturities of investments   | -                | -              | -              | 33,377                  | 292,460          |
| Purchase of investments  | -                | -              | -              | (23,999)                | (63,645)         |
| Earnings on investments  | 1,204            | 887            | 46             | 2,472                   | 9,014            |
| <b>Net cash provided by (used in) investing activities</b>   | <b>1,204</b>     | <b>887</b>     | <b>46</b>      | <b>11,850</b>           | <b>237,829</b>   |
| Net increase in cash   | 10,716           | 4,286          | 877            | 1,202                   | 57,342           |
| Cash and cash equivalents at beginning of year   | 27,527           | 34,439         | 11,956         | 18,527                  | 25,082           |
| <b>Cash and cash equivalents at end of period</b>  | <b>\$ 38,243</b> | <b>38,725</b>  | <b>12,833</b>  | <b>19,729</b>           | <b>82,424</b>    |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b> |                  |                |                |                         |                  |
| Operating income (loss)  | \$ (3,676)       | 1,452          | 5,284          | 3,107                   | 6,142            |
| <b>Adjustments to reconcile operating income to net cash provided by (used in) operating activities:</b> |                  |                |                |                         |                  |
| Interest on investments  | (1,228)          | (923)          | (46)           | (2,460)                 | (9,025)          |
| Increase in fair value of investments  | (253)            | -              | -              | (565)                   | (469)            |
| Interest on bonds  | -                | -              | -              | 4,409                   | 35,122           |
| Change in assets and liabilities:  |                  |                |                |                         |                  |
| (Increase) decrease in mortgage loans  | (336)            | 299            | (3,051)        | 9,629                   | (180,215)        |
| (Increase) decrease in interest receivable on mortgage loans   | (3)              | -              | 5              | 93                      | (939)            |
| (Increase) decrease in other assets  | 5,156            | 93             | 1,612          | 122                     | (1,515)          |
| Increase (decrease) in accounts payable and other liabilities  | (176)            | 18             | (1,091)        | 153                     | 239              |
| Increase (decrease) in deferred revenues   | 259              | -              | -              | -                       | -                |
| <b>Total adjustments</b>   | <b>3,419</b>     | <b>(513)</b>   | <b>(2,571)</b> | <b>11,381</b>           | <b>(156,802)</b> |
| <b>Net cash provided by (used in) operating activities</b>   | <b>\$ (257)</b>  | <b>939</b>     | <b>2,713</b>   | <b>14,488</b>           | <b>(150,660)</b> |

**RENTAL BOND PROGRAMS**

| <b>1984</b>    | <b>1992</b>    | <b>1994</b>  | <b>1995</b>    | <b>Special<br/>Facilities</b> | <b>Total</b>        |
|----------------|----------------|--------------|----------------|-------------------------------|---------------------|
| 639            | 348            | 127          | 235            | 735                           | \$ 40,771           |
| 185            | 239            | 60           | 1,184          | 2,285                         | 63,307              |
| -              | -              | -            | -              | -                             | (233,485)           |
| -              | -              | -            | -              | -                             | 77,363              |
| -              | -              | -            | (2)            | -                             | (74,515)            |
| -              | -              | -            | -              | -                             | (1,021)             |
| -              | -              | -            | -              | -                             | 3,574               |
| -              | -              | -            | -              | -                             | 8,253               |
| (2)            | (6)            | (2)          | (9)            | -                             | (10,180)            |
| 6              | 1              | -            | 4              | -                             | (817)               |
| <b>828</b>     | <b>582</b>     | <b>185</b>   | <b>1,412</b>   | <b>3,020</b>                  | <b>(126,750)</b>    |
| -              | -              | -            | -              | -                             | 65,000              |
| (290)          | (215)          | (65)         | (2,330)        | (2,285)                       | (82,405)            |
| (737)          | (267)          | (89)         | (176)          | (735)                         | (39,784)            |
| -              | -              | -            | -              | -                             | (1,513)             |
| -              | (1,405)        | -            | (141)          | -                             | -                   |
| -              | -              | -            | -              | -                             | 9,304               |
| -              | -              | -            | -              | -                             | 27,838              |
| -              | -              | -            | -              | -                             | (31,791)            |
| <b>(1,027)</b> | <b>(1,887)</b> | <b>(154)</b> | <b>(2,647)</b> | <b>(3,020)</b>                | <b>(53,351)</b>     |
| 5,939          | 7,360          | 500          | 3,020          | -                             | 342,656             |
| (4,274)        | (1,024)        | (611)        | (1,820)        | -                             | (95,373)            |
| 526            | 525            | 80           | 79             | -                             | 14,833              |
| <b>2,191</b>   | <b>6,861</b>   | <b>(31)</b>  | <b>1,279</b>   | <b>-</b>                      | <b>262,116</b>      |
| 1,992          | 5,556          | -            | 44             | -                             | 82,015              |
| 236            | 6,630          | 33           | 78             | -                             | 124,508             |
| <b>2,228</b>   | <b>12,186</b>  | <b>33</b>    | <b>122</b>     | <b>-</b>                      | <b>\$ 206,523</b>   |
| 976            | 740            | 159          | (9)            | -                             | \$ 14,175           |
| (521)          | (529)          | (81)         | (78)           | -                             | (14,891)            |
| (595)          | (154)          | (45)         | (8)            | -                             | (2,089)             |
| 772            | 284            | 91           | 314            | 721                           | 41,713              |
| 185            | 239            | 60           | 1,184          | 2,285                         | (169,721)           |
| 1              | 1              | -            | 7              | 14                            | (821)               |
| -              | -              | -            | 4              | -                             | 5,472               |
| 10             | 1              | 1            | (2)            | -                             | (847)               |
| -              | -              | -            | -              | -                             | 259                 |
| <b>(148)</b>   | <b>(158)</b>   | <b>26</b>    | <b>1,421</b>   | <b>3,020</b>                  | <b>(140,925)</b>    |
| <b>828</b>     | <b>582</b>     | <b>185</b>   | <b>1,412</b>   | <b>3,020</b>                  | <b>\$ (126,750)</b> |