

Semi-Annual Financial Statements

December 31, 2014



NORTH CAROLINA

HOUSING
FINANCE
AGENCY

Semi-Annual Financial Statements

Six months ended December 31, 2014

North Carolina Housing Finance Agency

**NORTH CAROLINA HOUSING FINANCE AGENCY
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014**

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NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2014

(Unaudited)

(in thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$	4,086
Restricted cash and cash equivalents		378,087
Accrued interest receivable on investments		470
Mortgage loans receivable		153,285
Accrued interest receivable on mortgage loans		8,050
State receivables		35,472
Other assets		8,800
TOTAL CURRENT ASSETS	\$	588,250

Noncurrent assets:

Investments	\$	3,115
Restricted investments		85,775
Mortgage loans receivable, net		845,344
Other assets, net		3,283
TOTAL NONCURRENT ASSETS	\$	937,517
TOTAL ASSETS	\$	1,525,767

DEFERRED OUTFLOW OF RESOURCES

Accumulated decrease in fair value of hedging derivative	\$	5,029
TOTAL DEFERRED OUTFLOW OF RESOURCES	\$	5,029

LIABILITIES

Current liabilities:

Bonds payable	\$	28,845
Accrued interest payable		15,798
Accounts payable		2,679
Unearned revenues		54,787
Other liabilities		130
TOTAL CURRENT LIABILITIES	\$	102,239

Noncurrent liabilities:

Bonds payable, net	\$	780,529
Derivative instrument - interest rate swap		5,029
Unearned revenues		11,054
Other liabilities		5,523
TOTAL NONCURRENT LIABILITIES	\$	802,135
TOTAL LIABILITIES	\$	904,374

DEFERRED INFLOW OF RESOURCES

Deferred state grant	\$	1,511
TOTAL DEFERRED INFLOW OF RESOURCES	\$	1,511

NET POSITION

Restricted	\$	608,062
Unrestricted		16,849
TOTAL NET POSITION	\$	624,911

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, 2014

(Unaudited)

(in thousands)

OPERATING REVENUES	
Interest on investments	\$ 2,060
Net increase in fair value of investments	227
Interest on mortgage loans	25,554
Federal program awards received	112,463
Program income/fees	28,018
Other revenues	2,845
TOTAL OPERATING REVENUES	\$ 171,167
OPERATING EXPENSES	
Interest on bonds	\$ 15,430
Mortgage servicing expense	1,447
Federal program expense	112,489
Nonfederal program expense	5,094
General and administrative expense	12,539
Other expenses	1,341
TOTAL OPERATING EXPENSES	\$ 148,340
OPERATING INCOME	\$ 22,827
NON-OPERATING REVENUES (EXPENSES)	
State appropriations received	\$ 7,455
State grants received	3,128
State program expense	(46,465)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ (35,882)
CHANGE IN NET POSITION	\$ (13,055)
TOTAL NET POSITION - BEGINNING	\$ 637,966
TOTAL NET POSITION - ENDING	\$ 624,911

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, 2014

(Unaudited)

(in thousands)

Cash flows from operating activities:	
Interest on mortgage loans	\$ 26,669
Principal payments on mortgage loans	76,647
Purchase of mortgage loans	(7,827)
Federal program awards received	117,393
Federal program expense	(113,573)
Nonfederal program expense	(5,094)
Federal grant administration income	7,753
Program income/fees	21,001
Other expenses	(14,665)
Other revenues	2,184
Net cash provided by operating activities	\$ 110,488
Cash flows from non-capital financing activities:	
Principal repayments on bonds	\$ (87,105)
Interest paid	(17,613)
State appropriations received	7,455
State grants received	7,566
State tax credits	47,645
State program expense	(46,246)
Net cash used in non-capital financing activities	\$ (88,298)
Cash flows from investing activities:	
Proceeds from sales or maturities of investments	\$ 89,804
Purchase of investments	(89,359)
Earnings on investments	2,047
Net cash provided by investing activities	\$ 2,492
Net increase in cash	\$ 24,682
Cash and cash equivalents at beginning of year	357,491
Cash and cash equivalents at end of year	\$ 382,173
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 22,827
Adjustments to reconcile operating income to net cash provided by operating activities:	
Interest on investments	(2,060)
Increase in fair value of investments	(227)
Interest on bonds	15,430
Change in assets and liabilities:	
Decrease in mortgage loans receivable	68,554
Decrease in accrued interest receivable on mortgage loans	1,234
Decrease in other assets	926
Decrease in accounts payable and other liabilities	(987)
Increase in unearned revenues	4,791
Total adjustments	\$ 87,661
Net cash provided by operating activities	\$ 110,488

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, 2014 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. A summary of the Agency's primary programs is as follows:

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 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. The Agency received State appropriations in the amount of \$6,730,000 for the six months ended December 31, 2014 and are reflected in *State appropriations received*. Of the appropriation, \$3,396,000 represents the Housing Trust Fund appropriation and will be used to make loans and grants. The Agency also received a nonrecurring appropriation of \$10,000,000 for the Workforce Housing Loan Program which is to be used for the purpose of making loans for qualified North Carolina low-income multifamily housing development. As of December 31, 2014, \$3,334,000 has been received for this program.

The Agency was also awarded a \$2,893,000 State grant from the North Carolina Department of Health and Human Services ("DHHS") known as the Community Living Housing Fund to provide permanent community-based housing for individuals with severe mental illness or severe and persistent mental illness. Funds in the amount of \$1,511,000 were received and recorded as *Deferred state grant* in *Deferred Inflows Of Resources*. These funds are only available for expenditure upon an act of appropriation by the State General Assembly.

Federal and State Programs The Agency administers ten federal programs. The Section 8 Lower Income Housing Assistance Payment Program, the HOME Investment Partnership Program, the Tax Credit Assistance Program, and the Hardest Hit Fund Program represent 99% of federal program expenditures. The Agency receives a fee for administering Section 8 contracts, the HOME Investment Partnership Programs, and the Hardest Hit Fund. 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, 2014 was \$725,000. Also, \$3,128,000 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.

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 homebuyer mortgage loans on single family

residential units.

B. BONDS PAYABLE

Bonds payable activity for the six months ended December 31, 2014 was as follows (*in thousands*):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds Payable				
Home Ownership	\$ 893,750	\$ -	\$ (87,105)	\$ 806,645
Bond Premium	3,653	-	(924)	2,729
Total Bonds Payable, net	\$ 897,403	\$ -	\$ (88,029)	\$ 809,374

Bonds payable as of December 31, 2014 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	\$ 5,545
Series 16	Variable	7/1/2032	11,370
Series 17	Variable - 5.00	7/1/2034	14,830
Series 18	Variable - 4.45	1/1/2035	12,250
Series 22 CE	4.35 - 5.25	1/1/2039	41,555
Series 23	3.95 - 5.00	1/1/2037	24,805
Series 24	4.10 - 5.50	1/1/2038	35,785
Series 25	4.35 - 5.75	7/1/2037	27,255
Series 26	3.75 - 5.50	7/1/2038	28,355
Series 27 A	4.85 - 6.00	1/1/2038	16,895
Series 28	3.75 - 5.50	1/1/2039	30,485
Series 29	4.15 - 5.50	7/1/2038	43,015
Series 30	3.85 - 5.50	7/1/2039	33,555
Series 31	3.65 - 5.50	7/1/2038	34,170
Series 32	4.00	1/1/2030	84,315
Series 33	1.26 - 4.32	1/1/2034	88,360
Series 34	0.49 - 4.00	7/1/2035	57,840
Series 35	0.49 - 3.99	7/1/2032	50,990
			<u>\$ 641,375</u>
Home Ownership Revenue Bonds			
(2009 Trust Agreement)			
Series A-1 and Series 1	1.63 - 4.50	7/1/41	\$ 73,740
Series A-2 and Series 2	1.50 - 4.25	7/1/41	91,530
			<u>\$ 165,270</u>
Total Bonds Outstanding			<u>\$ 806,645</u>
Plus Bond Premium			<u>\$ 2,729</u>
Total Home Ownership Bond Programs			<u><u>\$ 809,374</u></u>

Special Facilities (Conduits) The Agency issued the 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, 2014 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	\$ 2,140
2014 Resolution	Multifamily Housing Revenue Bonds	<u>4,337</u>
Total Special Facilities (Conduits)		<u>\$ 6,477</u>

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

On December 15, 2014, the 2013 Resolution, Multifamily Housing Revenue Bonds, were redeemed at par.

North Carolina Housing Finance Agency

Additional Information

NORTH CAROLINA HOUSING FINANCE AGENCY
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2014
(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	\$ 4,086	-	-	-	-	\$ 4,086
Restricted cash and cash equivalents	60,777	27,759	147,736	126,452	15,363	378,087
Accrued interest receivable on investments	38	11	-	382	39	470
Mortgage loans receivable	379	1,305	6,702	137,025	7,874	153,285
Accrued interest receivable on mortgage loans	3	14	49	7,168	816	8,050
State receivables	23,973	-	11,499	-	-	35,472
Other assets	327	-	1,751	5,874	848	8,800
Interprogram (payable)/receivable	(827)	7,798	(10,554)	3,582	1	-
TOTAL CURRENT ASSETS	\$ 88,756	36,887	157,183	280,483	24,941	\$ 588,250
Noncurrent assets:						
Investments	\$ 3,115	-	-	-	-	\$ 3,115
Restricted investments	8,329	-	-	72,272	5,174	85,775
Mortgage loans receivable, net	2,991	16,476	79,632	593,511	152,734	845,344
Other assets, net	3,283	-	-	-	-	3,283
TOTAL NONCURRENT ASSETS	\$ 17,718	16,476	79,632	665,783	157,908	\$ 937,517
TOTAL ASSETS	\$ 106,474	53,363	236,815	946,266	182,849	\$ 1,525,767
DEFERRED OUTFLOW OF RESOURCES						
Accumulated decrease in fair value of hedging derivative	\$ -	-	-	5,029	-	\$ 5,029
TOTAL DEFERRED OUTFLOW OF RESOURCES	\$ -	-	-	5,029	-	\$ 5,029
LIABILITIES						
Current liabilities:						
Bonds payable	\$ -	-	-	25,205	3,640	\$ 28,845
Accrued interest payable	-	-	-	13,222	2,576	15,798
Accounts payable	235	-	1,804	640	-	2,679
Unearned revenues	1,330	-	53,457	-	-	54,787
Other liabilities	126	-	4	-	-	130
TOTAL CURRENT LIABILITIES	\$ 1,691	-	55,265	39,067	6,216	\$ 102,239
Noncurrent liabilities:						
Bonds payable, net	\$ -	-	-	618,060	162,469	\$ 780,529
Derivative instrument - interest rate swap	-	-	-	5,029	-	5,029
Unearned revenues	11,054	-	-	-	-	11,054
Other liabilities	4,375	-	-	1,148	-	5,523
TOTAL NONCURRENT LIABILITIES	\$ 15,429	-	-	624,237	162,469	\$ 802,135
TOTAL LIABILITIES	\$ 17,120	-	55,265	663,304	168,685	\$ 904,374
DEFERRED INFLOW OF RESOURCES						
Deferred state grant	\$ -	1,511	-	-	-	\$ 1,511
TOTAL DEFERRED INFLOW OF RESOURCES	\$ -	1,511	-	-	-	\$ 1,511
NET POSITION						
Restricted	\$ 72,505	51,852	181,550	287,991	14,164	\$ 608,062
Unrestricted	16,849	-	-	-	-	16,849
TOTAL NET POSITION	\$ 89,354	51,852	181,550	287,991	14,164	\$ 624,911

NORTH CAROLINA HOUSING FINANCE AGENCY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SIX MONTHS ENDED DECEMBER 31, 2014
(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	\$ 283	57	183	1,456	81	\$ 2,060
Net (decrease)/increase in fair value of investments	(23)	-	-	232	18	227
Interest on mortgage loans	30	229	1,062	21,094	3,139	25,554
Federal program awards received	-	-	112,463	-	-	112,463
Program income/fees	6,476	570	17,694	3,278	-	28,018
Other revenues	2,804	-	30	11	-	2,845
TOTAL OPERATING REVENUES	\$ 9,570	856	131,432	26,071	3,238	\$ 171,167
OPERATING EXPENSES						
Interest on bonds	\$ -	-	-	12,935	2,495	\$ 15,430
Mortgage servicing expense	1	-	-	1,153	293	1,447
Federal program expense	-	-	112,489	-	-	112,489
Nonfederal program expense	2,264	-	-	2,830	-	5,094
General and administrative expense	8,620	-	3,542	361	16	12,539
Other expenses	3	432	485	411	10	1,341
TOTAL OPERATING EXPENSES	\$ 10,888	432	116,516	17,690	2,814	\$ 148,340
OPERATING (LOSS) INCOME	\$ (1,318)	424	14,916	8,381	424	\$ 22,827
NON-OPERATING REVENUES (EXPENSES)						
Transfers in (out)	\$ 7,046	(40)	(9,930)	2,924	-	\$ -
State appropriations received	-	6,730	725	-	-	7,455
State grants received	-	-	3,128	-	-	3,128
State program expense	(31,563)	(6,843)	(8,059)	-	-	(46,465)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ (24,517)	(153)	(14,136)	2,924	-	\$ (35,882)
CHANGE IN NET POSITION	\$ (25,835)	271	780	11,305	424	\$ (13,055)
TOTAL NET POSITION - BEGINNING	\$ 115,189	51,581	180,770	276,686	13,740	\$ 637,966
TOTAL NET POSITION - ENDING	\$ 89,354	51,852	181,550	287,991	14,164	\$ 624,911

NORTH CAROLINA HOUSING FINANCE AGENCY
COMBINING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED DECEMBER 31, 2014
(Unaudited)

(in thousands)	AGENCY PROGRAMS	GRANT PROGRAMS	HOME OWNERSHIP BOND PROGRAMS			Total
		Housing Trust Fund	Federal and State Programs	1998	2009	
Cash flows from operating activities:						
Interest on mortgage loans	\$ 30	228	1,116	22,136	3,159	\$ 26,669
Principal payments on mortgage loans	108	504	8,091	60,065	7,879	76,647
Purchase of mortgage loans	-	(750)	(6,537)	(540)	-	(7,827)
Federal program awards received	-	-	117,393	-	-	117,393
Federal program expense	-	-	(113,573)	-	-	(113,573)
Nonfederal program expense	(2,264)	-	-	(2,830)	-	(5,094)
Federal grant administration income	-	-	7,753	-	-	7,753
Program income/fees	7,212	570	9,941	3,278	-	21,001
Other expenses	(7,610)	(32)	(4,548)	(2,164)	(311)	(14,665)
Other revenues	5,456	64	-	(3,318)	(18)	2,184
Net cash provided by operating activities	\$ 2,932	584	19,636	76,627	10,709	\$ 110,488
Cash flows from non-capital financing activities:						
Principal repayments on bonds	\$ -	-	-	(80,670)	(6,435)	(87,105)
Interest paid	-	-	-	(14,889)	(2,724)	(17,613)
Net transfers	7,046	(40)	(9,930)	2,924	-	-
State appropriations received	-	6,730	725	-	-	7,455
State grants received	-	1,511	6,055	-	-	7,566
State tax credits	47,645	-	-	-	-	47,645
State program expense	(31,563)	(6,843)	(7,840)	-	-	(46,246)
Net cash provided by (used in) non-capital financing activities	\$ 23,128	1,358	(10,990)	(92,635)	(9,159)	\$ (88,298)
Cash flows from investing activities:						
Proceeds from sales or maturities of investments	\$ 86,611	-	-	3,193	-	\$ 89,804
Purchase of investments	(86,611)	-	-	(2,748)	-	(89,359)
Earnings on investments	282	55	183	1,446	81	2,047
Net cash provided by investing activities	\$ 282	55	183	1,891	81	\$ 2,492
Net increase (decrease) in cash	\$ 26,342	1,997	8,829	(14,117)	1,631	\$ 24,682
Cash and cash equivalents at beginning of year	38,521	25,762	138,907	140,569	13,732	357,491
Cash and cash equivalents at end of year	\$ 64,863	27,759	147,736	126,452	15,363	\$ 382,173
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:						
Operating (loss) income	\$ (1,318)	424	14,916	8,381	424	\$ 22,827
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:						
Interest on investments	(283)	(57)	(183)	(1,456)	(81)	(2,060)
Decrease (increase) in fair value of investments	23	-	-	(232)	(18)	(227)
Interest on bonds	-	-	-	12,935	2,495	15,430
Change in assets and liabilities:						
Decrease in mortgage loans receivable	108	186	1,524	58,856	7,880	68,554
(Increase) decrease in interest receivable on mortgage loans	-	(1)	54	1,154	27	1,234
Decrease (increase) in other assets	3,307	64	902	(3,329)	(18)	926
Increase (decrease) in accounts payable and other liabilities	332	(32)	(1,605)	318	-	(987)
Increase in unearned revenues	763	-	4,028	-	-	4,791
Total adjustments	\$ 4,250	160	4,720	68,246	10,285	\$ 87,661
Net cash provided by operating activities	\$ 2,932	584	19,636	76,627	10,709	\$ 110,488



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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