



***Idaho Housing  
and Finance***  
*Association*

[www.ihfa.org](http://www.ihfa.org)

**Audit Report as of  
June 30, 2019 and 2018**

# Idaho Housing and Finance Association

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June 30, 2019 and 2018

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## Independent Auditor's Report

To the Board of Commissioners  
Idaho Housing and Finance Association  
Boise, Idaho

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Idaho Housing and Finance Association, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Idaho Housing and Finance Association's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Idaho Housing and Finance Association as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Restatement**

As discussed in Note 15 to the financial statements, Idaho Housing and Finance Association excluded amounts and disclosures related to its tax-exempt mortgage securities. This resulted in an understatement of assets, liabilities, revenues and expenses as of and for the year ended June 30, 2018. Accordingly, amounts reported for those items have been restated in the 2018 financial statements now presented, to correct the omission. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Idaho Housing and Finance Association's basic financial statements. The supplementary financial information on pages 54 through 57 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary financial information on pages 54 through 57 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
October 30, 2019

The Idaho Housing and Finance Association's (the Association) Management Discussion and Analysis presents readers of the Association's financial statements a narrative overview and analysis of the financial activities of the Association for the years ended June 30, 2019 and 2018.

### **Organizational Overview**

The Association is a self-supporting organization that must generate all revenue necessary to cover the cost of its operations. The Association services loans for single-family borrowers in Idaho, Connecticut, Iowa, New Mexico, South Dakota, Texas and Washington, and multifamily affordable housing projects in Idaho. The Association administers fifteen (15) Housing and Urban Development (HUD) programs---Emergency Shelter Grants Program, HOME Investment Partnerships Program, Housing Trust Fund, Housing Opportunities for Persons with AIDS, Neighborhood Stabilization Program, Continuum of Care Program, Comprehensive Housing and Counseling Program, Family Self-Sufficiency Program, Section 8 New Construction/Substantial Rehabilitation, Section 8 Performance Based Contract Administration, Low Rent Public Housing Operating Subsidy, Public Housing Capital Fund, Housing Choice Voucher Program, Mainstream 5 Year Program, Federal Housing Administration Insured Mortgage Loans, and Public and Indian Housing Loan Guarantee program; two (2) U.S. Treasury programs---Tax Credit Assistance Program and State Small Business Credit Initiative; one (1) Department of Veterans Affairs (VA) program---Guaranteed Mortgage Loans; and one (1) U.S. Department of Agriculture (USDA) program---USDA Rural Housing Services Insured Mortgage Loans. The Association also issues bonds to finance nonprofit facilities, economic development projects, and road improvements throughout the State of Idaho.

### **Financial Highlights**

The Association's net position increased during its fiscal year 2019 (FY19), reflecting stronger loan acquisition production, a larger servicing portfolio (as Loan Servicing Contracts (LSC) increased), higher servicing revenue, and cost containment. Assets increased reflecting an increase in fair value of LSC and an increase in tax-exempt mortgage-backed securities (TEMS) assets. Liabilities also increased due to the increase TEMS liabilities and increases in loan production levels. Additionally, the Association expanded its commercial paper financing facilities to support higher levels of loan acquisition and sales.

The financial highlights of the Association as of June 30, 2019 compared to June 30, 2018 are as follows:

- Total net position, after fair market value and federal pass-through adjustments, increased \$33.8 million or 9.6%
- Total net position, before fair market value and federal pass-through adjustments, increased \$34.3 million or 9.5%
- Total assets increased \$230.2 million or 11.1%
- Total deferred outflow of resources decreased \$2.4 million or 6.3%
- Total liabilities increased \$197.6 million or 11.3%
- Total deferred inflow of resources decreased \$4.1 million or 94.1%
- Cash and investments increased \$147.7 million or 39.9%
- Loans held for investment decreased \$35.5 million or 10.6%
- Fair value of loan servicing contracts increased \$4.0 million or 3.6%

- Bonds payable increased \$7.4 million or 0.8%
- Escrow and Project Reserve Deposits increased \$33.5 or 39.4%
- Investor Remittances increased \$35.3 or 57.8%
- Other liabilities increased \$15.5 million or 87.8%
- Interest on loans and GARVEE pledge revenues decreased \$0.6 million or 0.9%
- Interest on investments increased \$2.1 million or 44.9%
- Gain on loan sales increased \$16.0 million or 72.5%
- Other revenue decreased \$1.54 million or 32.6%
- Loan acquisition cost expense increased \$1.2 million or 3.6%
- Fair value of investments increased \$5.3 million or 96.3%
- Fair value of servicing contracts increased \$39.9 million or 90.8%
- Federal pass-through revenues remained materially unchanged.
- Federal pass-through expenses decreased \$0.4 million or 0.9%

The Association experienced a solid, productive FY19 amid a strong general economic environment, a vibrant Idaho real estate market, and modest increases in interest rates. The following significant factors characterized and affected the Association's financial results:

1. Increased loan production and servicing portfolio value
2. increased gains on loan sales

The Association continued to develop marketing and relationship channels in the State of Idaho. This effort along with developing additional servicing partnership relationships with six other state housing finance agencies (HFA) has led a significant growth in its servicing portfolio and servicing income. The Association expects this trend to continue for the next few years as it absorbs each HFA's loan servicing potential. The Association has various joint-venture or sub servicing relationships with Connecticut Housing Finance Authority (CHFA), Iowa Finance Authority (IFA), New Mexico Mortgage Finance Authority (MFA), South Dakota Housing Development Authority (SDHDA), Texas Department of Housing and Community Affairs (TDHCA), and Washington State Housing Finance Commission (WSHFC).

Overall, the Association has successfully managed its loan and financing programs during this period. Looking forward, the Association expects diminishing uncertainty in the economic, legal, and mortgage-lending environments and continued loan portfolio growth.

The Association has provisioned for non-loan losses on certain legacy transactions associated with the administration of its loans held for investment. Additionally, the Association has developed an economic development bond program to enhance its offering of products providing financing opportunities to promote economic growth in Idaho.

See the financial analysis section of this Management's Discussion and Analysis for additional information on the Government Accounting Standards Board (GASB) required fair value adjustments.

## **Overview of the Financial Statements**

This annual financial report consists of three parts: Management's Discussion and Analysis; the financial statements, including notes to the financial statements; and supplemental schedules. Summary information is presented for separate mortgage revenue bond programs in the supplemental schedules.

According to the American Institute of Certified Public Accountants (AICPA), in its Audit Guide for Not-For-Profit Organizations, the Association meets the definition of a governmental entity and incorporates GASB accounting standards into its financial statements. However, due to the nature of the Association, it is considered a Special Purpose Governmental Entity engaged only in business-type activities. Accordingly, the Association uses Proprietary Enterprise Fund reporting and the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Association's financial statements provide detailed information about the most significant activities within the Proprietary Fund. Some of the activities are required by the Department of Housing and Urban Development (HUD) or by certain bond requirements. However, the Association has established others to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money.

Component units are organizations legally separate from but financially accountable to the Association and their relationship with the Association is such that exclusion would cause the Association's financial statements to be misleading. The Association has determined that The Housing Company and the Home Partnership Foundation are integral and material components of the Association's reporting entity and their respective financial statements have been incorporated as such.

Accordingly, The Housing Company's basic financial statements are presented immediately following the Association's basic financial statements while the Home Partnership Foundation's basic financial statements have been blended with the Association's basic financial statements.

## **Financial Analysis**

The following table summarizes the changes in net position that occurred during the years ended June 30, 2019, 2018, and 2017 as well as the changes in net position.



Idaho Housing and Finance Association  
Management's Discussion and Analysis  
June 30, 2019 and 2018

As of June 30, (in thousands)	2019		As Restated 2018		As Restated 2017
	Balance	% Change from	Balance	% Change from	Balance
		prior period		prior period	
Cash and cash equivalents	\$ 19,584	27.28%	\$ 15,386	(33.89%)	\$ 23,273
Cash and cash equivalents held in trust or as agent	244,841	46.87%	166,702	47.38%	113,114
Investments, fair value	33,931	(43.55%)	60,112	131.87%	25,925
Investments, fair value held in trust	219,807	71.36%	128,273	(48.54%)	249,255
Loans held for investment, net	298,688	(10.63%)	334,232	(16.15%)	398,624
Loans available for sale	163,006	32.33%	123,180	(2.98%)	126,964
Loan servicing contracts, fair value	116,510	3.58%	112,479	64.02%	68,575
State of Idaho GARVEE Receivable	537,242	(5.24%)	566,936	(5.57%)	600,395
Tax Exempt Mortgage Securities Asset	597,571	15.32%	518,203	21.55%	426,324
Loans pending modification	6,029	(17.69%)	7,325	121.10%	3,313
Property and Equipment	9,747	50.88%	6,460	25.36%	5,153
Other Assets	49,877	82.07%	27,395	(28.33%)	38,225
Interest rate swap contracts	36,048	(6.33%)	38,483	(19.82%)	47,996
<b>Total assets and deferred outflow</b>	<b>\$ 2,332,881</b>	<b>10.82%</b>	<b>\$ 2,105,166</b>	<b>(1.03%)</b>	<b>\$ 2,127,136</b>
Bonds	\$ 938,476	0.79%	\$ 931,120	(20.15%)	\$ 1,166,123
Commercial Paper	130,000	30.00%	100,000	100.00%	50,000
Tax Exempt Mortgage Securities Liability	597,571	15.32%	518,203	21.55%	426,324
Swap contract fair value liability	24,381	(8.53%)	26,656	(40.21%)	44,580
Interest payable-swap contract	6,078	(15.18%)	7,166	(16.86%)	8,619
Escrow and Project Reserve Deposits	118,411	39.42%	84,934	74.37%	48,708
Investor Remittances	96,276	57.79%	61,015	33.10%	45,843
Other Liabilities	33,219	87.83%	17,686	(48.08%)	34,063
Interest rate swap contracts	259	(94.06%)	4,363	0.00%	1,484
<b>Total liabilities and deferred inflow</b>	<b>\$ 1,944,671</b>	<b>11.05%</b>	<b>\$ 1,751,143</b>	<b>(4.09%)</b>	<b>\$ 1,825,744</b>
Net investment in capital assets	\$ 9,747	50.88%	\$ 6,460	25.36%	\$ 5,153
Bond funds	161,299	12.62%	143,221	9.83%	130,403
Section 8 voucher HAP fund	196	86.67%	105	(74.64%)	414
The HOME Partnership Foundation, Inc. fund	2,008	(23.53%)	2,626	11.98%	2,345
Unrestricted	214,960	6.62%	201,611	23.63%	163,077
Idaho Community Investment Holdings, LLC	-	0.00%	-	0.00%	-
<b>Total net position</b>	<b>\$ 388,210</b>	<b>9.66%</b>	<b>\$ 354,023</b>	<b>17.46%</b>	<b>\$ 301,392</b>

# Idaho Housing and Finance Association

## Management's Discussion and Analysis

June 30, 2019 and 2018

As of June 30, (in thousands)	2019		As Restated 2018		As Restated 2017
	Balance	% Change	Balance	% Change	Balance
		from prior period		from prior period	
Interest on loans and GARVEE pledged revenues	\$ 61,262	(0.94%)	\$ 61,841	(1.71%)	\$ 62,914
Interest on Investments	6,871	44.93%	4,741	(7.00%)	5,098
Loan servicing fees	37,013	27.03%	29,138	36.50%	21,347
Contract and grant administration fees	11,964	21.92%	9,813	19.41%	8,218
Gains on loan sales	38,128	72.47%	22,107	(32.57%)	32,787
Other	3,203	(32.58%)	4,751	40.35%	3,385
Total revenues	158,441	19.68%	132,391	(1.02%)	133,749
Interest	59,556	(1.98%)	60,758	(5.20%)	64,090
Salaries and benefits	17,981	19.99%	14,986	10.17%	13,603
Loan acquisition costs	35,877	3.61%	34,626	6.45%	32,529
General operating	11,573	21.37%	9,535	24.25%	7,674
Bond financing costs	588	(42.69%)	1,026	(68.77%)	3,285
Grants to others	1,035	22.63%	844	30.65%	646
Losses on real estate-owned property	3,200	19900.00%	16	14.29%	14
Other	1,855	15.87%	1,601	83.81%	871
Total expenses	131,665	6.70%	123,392	0.55%	122,712
Operating income (loss)	26,776	197.54%	8,999	(18.47%)	11,037
Net increase (decrease) in fair value of investments	(206)	(96.25%)	(5,498)	138.21%	(2,308)
Net increase (decrease) in fair value of servicing rights	4,031	(90.82%)	43,904	113.96%	20,520
Derivative instruments, interest rate swap	3,465	(38.56%)	5,640	94.35%	2,902
Federal pass-through revenues	45,903	0.21%	45,805	(2.68%)	47,067
Federal pass-through expenses	(45,782)	(0.95%)	(46,219)	(0.98%)	(46,675)
Total non-operating revenues and expenses	7,411	(83.01%)	43,632	102.88%	21,506
Change in Net Position	\$ 34,187	(35.04%)	\$ 52,631	61.73%	\$ 32,543
Loans serviced as agent (not reported on statement of net position)	\$ 15,008,892	42.02%	\$ 10,567,997	44.37%	\$ 7,319,959

The fair value adjustments reported in the Statement of Net Position on page 7 and the Statement of Revenues, Expenses, and Changes in Net Position on page 8 are required under GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and No. 72, *Fair Value Measurement and Application*.

### Capital Asset and Debt Administration

Capital Assets: The Association's capital assets include land, buildings, office, and computer equipment. Capital assets are presented in the financial statements at \$9.75 million (net of accumulated depreciation), an increase of 50.88%, related to the addition of second office location and a building to be used as a shelter. Typically, the change in capital assets in any given year is immaterial to the overall operation of the Association.

**Debt:** The Association periodically sells bonds to investors to raise capital. Bonds are marketable securities backed by mortgage loans on residential and multifamily properties. The Association's bond issues are highly rated because, in addition to a mortgage on the property being financed, the bond issue requires cash reserves along with mortgage insurance and other safeguards, giving the investor or bondholder additional assurance that the bond issuer (the Association) will repay the loan.

Additional information about our long-term liabilities is presented in the notes to the financial statements.

### **Economic Factors**

The primary business activity of the Association is funding the purchase and servicing of single-family home mortgages. The Association's mortgage financing activities are sensitive to the level of interest rates, the spread between the rate available on Association loans and those available in the conventional mortgage markets and the availability of affordable housing. The availability of FNMA, FHMLC, and GNMA to purchase loans or guarantee loan securities; the availability of the Federal Housing Administration (FHA), the Veterans Administration (VA), and the Department of Agriculture's Office of Rural Development (RD) to guarantee loans; the continuation and development of servicing relationships outside of Idaho; and the availability of long-term, tax-exempt financing on favorable terms are key elements in providing the resources necessary for the Association to continue its mortgage financing and servicing activities. In addition, the funding of the Association's federal programs activities is dependent on budget appropriations from the U.S. Department of Housing and Urban Development, as contained in the Federal budget.

### **Contacting the Association's Financial Management**

This financial report is designed to provide a general overview of Idaho Housing and Finance Association's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director at Idaho Housing and Finance Association, P.O. Box 7899, Boise, ID 83707-1899, or contact our website at [www.idahohousing.com](http://www.idahohousing.com).

Idaho Housing and Finance Association  
 Statements of Net Position  
 June 30, 2019 and 2018  
 (in thousands)

	2019	2018 As Restated
<b>Assets and Deferred Outflow of Resources</b>		
Cash and cash equivalents	\$ 19,584	\$ 15,386
Cash and cash equivalents held in trust or as agent	244,841	166,702
Investments, fair value	33,931	60,112
Investments held in trust, fair value	219,807	128,273
Loans held for investment, net	298,688	334,232
Loans available for sale	163,006	123,180
Loan servicing contracts, fair value	116,510	112,479
Loans pending modification	6,029	7,325
Property and equipment	9,747	6,460
Other assets	49,877	27,395
Tax Exempt Mortgage Securities Asset	597,571	518,203
State of Idaho GARVEE Receivable	537,242	566,936
Total assets	2,296,833	2,066,683
<b>Deferred Outflow of Resources</b>		
Interest rate swap contracts amortized value	24,010	29,599
Interest rate swap contracts fair value	12,038	8,884
Total deferred outflow of resources	36,048	38,483
	\$ 2,332,881	\$ 2,105,166

Idaho Housing and Finance Association

Statements of Net Position

June 30, 2019 and 2018

(in thousands)

	2019	2018 As Restated
<b>Liabilities and Deferred Inflow of Resources</b>		
Commercial paper	\$ 130,000	\$ 100,000
Bonds and notes	938,476	931,120
Tax Exempt Mortgage Securities Liability	597,571	518,203
Interest payable-swap contract	6,078	7,166
Investor remittance liability	96,276	61,015
Escrow and project reserve deposits	118,411	84,934
Swap contract fair value	24,381	26,656
Other liabilities	33,219	17,686
	<u>1,944,412</u>	<u>1,746,780</u>
<b>Deferred Inflow of Resources</b>		
Interest rate swap contracts fair value	259	4,363
	<u>259</u>	<u>4,363</u>
<b>Net Position</b>		
Net investment in capital assets	9,747	6,460
Restricted		
Bond funds	161,299	143,221
Section 8 voucher HAP fund	196	105
The Home Partnership Foundation, Inc. fund	2,008	2,626
Unrestricted	214,960	201,611
	<u>388,210</u>	<u>354,023</u>
	<u>\$ 2,332,881</u>	<u>\$ 2,105,166</u>

Idaho Housing and Finance Association  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2019 and 2018  
(in thousands)

	2019	2018 As Restated
Operating Revenues		
Gain on loan sales	\$ 38,128	\$ 22,107
Interest on loans and GARVEE pledged revenues	61,262	61,841
Interest on investments	6,871	4,741
Loan servicing fees	37,013	29,138
Grant and contract administration fees	11,964	9,813
Other	3,203	4,751
	158,441	132,391
Operating Expenses		
Loan acquisition costs	35,877	34,626
Interest	59,556	60,758
Salaries and benefits	17,981	14,986
General operating	11,573	9,535
Bond financing costs	588	1,026
Grant to others	1,035	844
Losses on real estate-owned property	3,200	16
Other	1,855	1,601
	131,665	123,392
Operating Income	26,776	8,999
Nonoperating Revenues and Expenses		
Net increase (decrease) in fair value of investments	(206)	(5,498)
Net increase (decrease) in fair value of servicing contracts	4,031	43,904
Derivative instruments, interest rate swap	3,465	5,640
Federal pass-through revenues	45,903	45,805
Federal pass-through expenses	(45,782)	(46,219)
	7,411	43,632
Change in Net Position	34,187	52,631
Net Position, Beginning of Year	354,023	301,392
Net Position, End of Year	\$ 388,210	\$ 354,023

# Idaho Housing and Finance Association

## Statements of Cash Flows Years Ended June 30, 2019 and 2018 (in thousands)

	2019	2018 As Restated
<b>Operating Activities</b>		
Receipts from customers, loan interest, and fees	\$ 1,880,387	\$ 1,420,230
Loan principal payments	87,719	92,942
Principal and interest pass-through remittances as servicing agent	(1,629,526)	(1,213,240)
Loan sales	4,407,372	4,225,900
Loan acquisition costs	(35,877)	(34,626)
Interest paid	(61,122)	(64,293)
Payments to suppliers	(10,231)	(8,030)
Payments for transportation program costs	(6,655)	-
Payments for loans available for sale	(4,467,627)	(4,231,147)
Payments to employees for services and benefits	(17,562)	(14,928)
Loan principal additions	(39,250)	(26,047)
<b>Net Cash from Operating Activities</b>	<b>107,628</b>	<b>146,761</b>
<b>Noncapital Financing Activities</b>		
Bond financing costs	(4,258)	(1,878)
Bond and commercial paper payments	(545,289)	(930,378)
Bond and commercial paper issued	588,251	751,187
Federal pass-through revenues	45,903	45,805
Federal pass-through expenses	(45,782)	(46,219)
<b>Net Cash from (used for) Noncapital Financing Activities</b>	<b>38,825</b>	<b>(181,483)</b>
<b>Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(4,376)	(1,964)
<b>Net Cash used for Capital and Related Financing Activities</b>	<b>(4,376)</b>	<b>(1,964)</b>
<b>Investing Activities</b>		
Investment purchases	(4,905,229)	(4,187,601)
Investment redemptions	4,840,575	4,268,185
Investment income	4,914	1,803
<b>Net Cash from (used for) Investing Activities</b>	<b>(59,740)</b>	<b>82,387</b>
<b>Net Change in Cash</b>	<b>82,337</b>	<b>45,701</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>182,088</b>	<b>136,387</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 264,425</b>	<b>\$ 182,088</b>

# Idaho Housing and Finance Association

## Statements of Cash Flows

Years Ended June 30, 2019 and 2018

(in thousands)

	2019	2018
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 26,776	\$ 8,999
Adjustments to reconcile operating income to net cash from operating activities		
Loan principal received	87,719	92,942
Loans issued	(39,250)	(26,047)
Bond financing costs	4,258	1,878
Depreciation and other amortization	1,886	924
Changes in assets and liabilities		
Interest receivable	312	349
Interest payable	104	796
Interest on investments	(6,871)	(4,741)
Pledged revenues	29,694	33,459
Other assets	(28,522)	8,245
Accounts payable and other liabilities	31,524	29,958
Deposits	(2)	(1)
	<u>\$ 107,628</u>	<u>\$ 146,761</u>
Net Cash from Operating Activities		



**The Housing Company**  
 A Component Unit of Idaho Housing and Finance Association  
 Consolidated Statements of Financial Position  
 December 31, 2018 and 2017

	2018	2017
<b>Assets</b>		
Cash	\$ 5,976,623	\$ 4,267,947
Investments	3,050,000	3,300,000
Escrow and Reserve Deposits	1,282,572	1,727,547
Receivables	692,760	154,950
Prepaid Expenses	204,659	189,682
HOME/HTF Funded Homes Held for Sale	1,684,572	155,743
Land	4,987,658	5,208,387
Buildings and Equipment (net of accumulated depreciation)	40,894,048	41,714,566
Tax Credit Fees and Other (net of accumulated amortization)	502,423	210,925
	\$ 59,275,315	\$ 56,929,747
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 839,741	\$ 676,356
Interest Payable	210,461	213,968
Real Estate Taxes Payable	462,607	468,364
Mortgages Payable and Construction Loans (net of debt issuance cost of \$531,874 in 2018 and \$492,589 in 2017)	24,516,040	23,293,676
Security Deposits Payable	396,425	396,530
	26,425,274	25,048,894
<b>Net Assets, Without Donor Restrictions</b>		
Controlling Interests	9,304,371	8,067,575
Non Controlling Interests	23,545,670	23,813,278
	\$ 59,275,315	\$ 56,929,747

**The Housing Company**  
 A Component Unit of Idaho Housing and Finance Association  
 Consolidated Statements of Activities  
 Years Ended December 31, 2018 and 2017

	2018	2017
<b>Revenues</b>		
Tenant Rents	\$ 6,953,546	\$ 6,514,550
Housing Assistance Payments	2,856,277	2,842,146
Grants and Other Contributions	300,000	-
Interest and Dividends	53,880	42,745
Forgiveness of Debt on Tax Credit Exchange Loan	310,605	310,605
Property Management Services	133,428	123,066
Other	343,963	362,727
<b>Total revenues</b>	<b>10,951,699</b>	<b>10,195,839</b>
<b>Expenses</b>		
Administrative	2,956,457	2,823,099
Utilities and Maintenance	2,966,239	2,867,390
Real Estate Taxes and Insurance	1,235,184	1,218,299
Depreciation and Amortization	3,535,830	3,295,718
Interest (including debt issuance cost amortization of \$24,488 in 2018 and \$23,827 in 2017)	894,839	900,721
<b>Total expenses</b>	<b>11,588,549</b>	<b>11,105,227</b>
Loss Before Gain (Loss) of Assets	(636,850)	(909,388)
Gain/Loss on Sale of Assets	26,291	(30,262)
Change in Net Assets Before Noncontrolling Interests	(610,559)	(939,650)
Non Controlling Interest in Partnership Losses	1,847,355	1,264,396
Change in Net Assets Without Donor Restrictions	<u>\$ 1,236,796</u>	<u>\$ 324,746</u>

**Note 1 - Authorizing Legislation**

The Idaho Housing and Finance Association (Association) is created, as an independent public body corporate and politic, by the Idaho Legislature under the provisions of Chapter 62, Title 67 of the Idaho Code, as amended by the Act. The Act empowers the Association, among other things, to issue notes and bonds in furtherance of its purpose of providing safe and sanitary housing for persons and families of limited income residing in Idaho and, in addition, to coordinate and encourage cooperation among private enterprise and State and local governments to sponsor, build and rehabilitate residential housing for such persons; to issue notes and bonds in furtherance of its purpose of financing economic development projects in partnership with private financial institutions and State and local economic development entities; and to issue notes and bonds to finance projects that improve the transportation infrastructure in Idaho.

The enabling legislation, along with bond indentures and bond resolutions adopted by the Association, contains specific provisions pertaining to (a) the use of the proceeds from the sale of notes and bonds, (b) the application of pledged receipts and recoveries of principal from mortgages, and (c) the creation of certain accounts along with the accounting policies of such accounts. Association administrative obligations from bond and other housing programs extend to the year 2042.

**Note 2 - Summary of Significant Accounting Policies****Basis of Accounting**

The accounting and reporting policies of the Association conform to generally accepted accounting principles of the Governmental Accounting Standards Board (GASB) and follow the accrual basis of accounting. The Association is accounted for as an Enterprise Fund.

The accompanying combined financial statements include the accounts of the Enterprise Fund of the Association. All interfund balances and transactions have been eliminated.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Association's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

**Reporting Entity**

Although the State of Idaho considers the Association a component unit for financial reporting purposes in accordance with GASB Statement No. 61, *The Financial Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, and the State's governor appoints the Board of Commissioners of the Association, the Association is legally separate from the State of Idaho, is not a State agency under State law, and uses no State funds or State employees to support its operations.

The Home Partnership Foundation, Inc. (HPF) and The Housing Company (THC) are component units of the Association and the financial statements of each have been incorporated into these financial statements and notes. The degree of control governs the reporting presentation; as such, HPF's presentation has been blended and THC's presentation has been discretely presented.

HPF reports under GASB standards in the same manner as the Association. In prior years, HPF has used a calendar year basis as its fiscal year. However, this year, HPF changed its fiscal year to align with the Association, ending on June 30th. The most recent audited financial statements of HPF have been blended.

THC reports under FASB standards, including FASB ASC 958, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to THC's entity presentation in the Association's financial statements for these differences. THC uses a calendar year basis as its fiscal year and the most recent audited financial statements are presented.

### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in determining the collectability of receivables, determining the recoverability on other real estate owned property, the fair value of interest rate swaps and servicing contracts. It is at least reasonably possible that the significant estimates used will change within the next year.

### **Program Accounting**

Financial activities of the Association are recorded in accounts established under various bond indentures and bond resolutions and in accounts established for the administration of the various programs empowered by the Act.

Business Operations includes the General Operating Account and various custodial accounts established to administer the ongoing responsibilities of programs maintained by the Association. Direct administrative and operational activities, including the operating expenses of various programs, are recorded in this account. Revenues in this account are primarily generated from fees earned for administering federal programs, fees earned for servicing loans, and earnings on investments held to finance future programs.

The Federally Assisted Program area was established to account for activities directly related to the limited-income rental assistance and other related programs funded by the U.S. Department of Housing and Urban Development (HUD). This account is primarily used for housing assistance pass-through funds and for properties owned and utilized in affordable housing programs. The funding of the Association's federal programs activities is dependent on budget appropriations from HUD, as contained in the Federal budget.

The Affordable Housing Investment Trust was established to account for activities intended for affordable housing projects in Idaho. This account consists primarily of investments and loans receivable and the earnings thereon, as well as the residual income generated through Business Operations each year.

The Rating Compliance and Loan Guaranty Trust was established to account for activities intended to meet bond rating agency requirements for asset security and bond debt service liquidity. This account consists primarily of investments and loans receivable and earnings thereon.

Single-Family Mortgage Bonds, established under separate trust indentures, account for the proceeds from the sale of Single-Family Mortgage Bonds and the debt service requirements of these bonds. Activities within these accounts are, in general, limited to the purchase of mortgage loans made by mortgage lenders to qualifying, limited-income persons for single-family, owner-occupied housing in Idaho.

Multifamily Housing Bonds, established under separate trust indentures, account for the proceeds from the sale of Multifamily Mortgage Bonds and the debt service requirements of these bonds. Bond proceeds for multifamily programs are used to finance affordable multifamily developments that house limited-income households throughout Idaho.

Grant and Revenue Anticipation Bonds (GARVEE), established under a separate trust indenture, account for the proceeds from the sale of GARVEE Bonds and the debt service requirements of these bonds. The GARVEE Bonds program allows the Association to advance funds to the State of Idaho for improving and enhancing the State's highway infrastructure. The GARVEE Bonds are carried at cost and the associated premiums or discounts are amortized over 18 years per the terms of the contract. The GARVEE bonds are recorded on the statement of net position as the State of Idaho GARVEE Receivable and Bonds and notes.

Tax-exempt mortgage-backed securities (TEMS), established under a separate trust indenture, account for the pass-through activities associated with TEMS. TEMS are tax-exempt securities which are collateralized by mortgage loan pools. The TEMS are special, limited obligations of the Association and are payable solely from pledged mortgages and their revenues. The TEMS are secured by the mortgages, their related revenues, and the Ginnie Mae mortgage-backed security guarantee. Neither the State of Idaho nor any political subdivision thereof is obligated to pay the TEMS. Nor is the faith and credit, nor the taxing power of the State of Idaho or of any political subdivision thereof pledged for the payment of the principal or interest on the TEMS.

TEMS are collateralized by the mortgage loan pool with the same maturity terms as the TEMS. The payments from the mortgages are used to pay the principal and interest payments of the TEMS. The Association is the servicer for the mortgages. The Ginnie Mae trustee holds the deed of trust and the first lien on the properties that underlie the mortgages in a trust that benefits the Association as mortgage pool owner as well as Ginnie Mae as mortgage pool guarantor. The TEMS are carried at cost and are reported on the statement of net position as Tax Exempt Mortgage Securities.

### **Cash and Cash Equivalents**

Cash and cash equivalents include General Operating Account cash, General Operating Account investments with maturities of less than three months at the date of purchase, Federally Assisted Program cash and Affordable Housing Investment Trust cash are held at Wells Fargo and Key Bank. Cash and cash equivalents deposited at Wells Fargo Bank are collateralized with U.S. Treasury obligations and U.S. Agency obligations and are held by Wells Fargo Bank in the Association's name. Custodial credit risk is the risk that the Association's deposits may not be returned in the event of a bank failure. The Association does not have a formal deposit policy for custodial credit risk. In the opinion of management, the Association is not exposed to this risk at June 30, 2019 and 2018. Restricted cash as of June 30, 2019 consists of \$11,523,000 in Federal Programs, \$119,472,000 in escrow deposits, and \$113,846,000 in General Operating. Restricted cash as of June 30, 2018 consists of \$10,065,000 in Federal Programs, \$83,431,000 in escrow deposits, and \$73,206,000 in General Operating.

**Bond Financing Costs/Bond Financing Cost Expense**

Bond financing costs are expensed in the period incurred.

**Loan Sale Gains, Acquisition Costs, and Servicing Contracts**

GASB Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* establishes criteria for determining the reporting of proceeds from loan sales. This standard provides that net gain or loss on a sale be calculated by subtracting the carrying value of loans from the proceeds. Since the Association's seller/servicing relationships are independent of the loan acquisition process, service release premiums paid are included in the carrying value of loans and are reported as loan acquisition costs and expensed in the current period. Statement No. 48 does not require an analysis of or valuation of servicing contracts created in the sales process.

Loan Servicing Contracts (LSC) is an asset that represents the rights to service mortgage loans for others. The Association recognizes LSC when loans are sold, securitized, or acquired. Since the Association receives or pays no consideration in its seller/servicing relationships for LSC, the Association maintains a zero basis in the fair value of its servicing contracts. The Association has adopted a non-authoritative principle of valuing these servicing contracts determined by FASB ASC 860 *Transfers and Servicing* and reported using GASB Statement No. 72 *Fair Value Measurement and Application* guidance. The Association reports LSC at fair values in the Statement of Net Position and changes in the fair value reported in the Statement of Revenues, Expenses, and Changes in Net Position. The Association uses the services of a reputable, nationally-recognized company to estimate the fair value of LSC. The company calculates the present value of estimated future net servicing income and incorporates inputs and assumptions that market participants use in estimating fair value. LSC is fair valued using a third-party proprietary financial model (Level 3 input).

During the years ended June 30, 2019 and 2018, the Association has LSC fair valued on its statement of net position at \$116,510,000 and \$112,479,000, respectively. During the years ended June 30, 2018 and 2017, the Association has unrealized LSC fair value increases of \$4,031,000 and \$43,904,000, respectively. The Association holds these assets until maturity meaning that the value will ultimately be realized over a long time horizon as loan servicing fees.

Risks considered in determination of LSC fair value include prepayment speeds, market discount rates, delinquency and foreclosure rates, and interest rate change shock rates. Assumptions included prepayment speeds, market interest rates, earnings rates, servicing costs, acquisition costs, ancillary income, and borrower rates. The average discount rate used in this analysis is 10.43%. The range of prepayment speeds used are from 3 to 211 PSA with an average of 150 PSA.

**Federally Assisted Program Advances and Fees**

In accordance with the terms of contracts between the Association and HUD, the Association administers rental assistance programs as HUD's agent in certain areas of Idaho. Under these programs, persons of limited income receive rental subsidies from HUD through the Association. HUD advances funds sufficient to cover the monthly housing assistance payments and the Association's management service fees. These management service fees are recognized as revenue to the Association when earned. Federal Pass-Through Revenues and Expenses on the

Statements of Revenues, Expenses and Changes in Net Position represent housing assistance payments and related federal funding that is passed through the Association to carry out such programs.

### **Property and Equipment**

Property and equipment held by the General Operating and Federally Assisted Program Accounts are recorded at cost and depreciated over the estimated useful lives of the related assets. The Association uses the straight-line method of depreciation with estimated lives of three to seven years for office and computer equipment and 40 years for real property and buildings. Depreciation expense for the years ending June 30, 2019 and 2018 was \$924,000 and \$617,000, respectively. Property and equipment are presented in the Statement of Net Position, net of accumulated depreciation of \$9,747,000 and \$6,460,000 at June 30, 2019 and 2018, respectively.

### **Provisions for Loan Losses**

Periodic evaluation of the loans receivable portfolio is performed in order to determine whether an allowance for loan losses should be established and reflected in current operations. The evaluation of a loan loss provision considers both loans receivable and real estate owned (REO) property, estimated value of the collateral, subsidies, guarantees, mortgage insurance, economic conditions, and historical loss experience for each loan type. The provision's charge against current operations considers holding costs, including accrued interest.

The Association has established an allowance for losses in the General Operating Account on recourse obligations related to FNMA-held, FHLMC-held, and GNMA-secured loan foreclosures. The Association estimates this amount to be \$3,118,000 as of June 30, 2019 and \$700,000 as of June 30, 2018. The Association has established an allowance for loan loss and REO activity in the Loan Guarantee and Compliance Fund for Association-held loan losses not recoverable. As of June 30, 2019 and 2018, the Association estimates this amount to be \$802,000 and \$914,000, respectively. Actual losses are charged against this provision and allocated, via an operating transfer, on a pro-rata basis to bond trusts with current year losses. The Association has established an allowance for loan loss and REO activity in the Affordable Housing Investment Trust for Association down-payment assistance loans not recoverable due to the loss on an Association-held primary loan. The Association estimates that amount to be \$729,000 and \$0 as of June 30, 2019 and 2018, respectively.

Generally, loans in default are reported in Loans until foreclosed. A loan is considered past due when payment is 30 days late. When payment is 90 days late, a 30-day demand to "pay in full or bring the account current" letter is issued. If payment is not made and payment is 120 days late, the loan is then moved to the foreclosure process. Once a loan is foreclosed, it is reclassified from Loans to Other Assets as REO mortgage receivable, pending recovery from the relevant source(s) of security and subject to indemnification limitations of those guarantors and insurance providers.

### **Other real estate owned**

Assets acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at the lower of cost basis in the loan or fair value at the date of foreclosure less estimated costs to sell, establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the asset is carried at the lower of cost or fair value less cost to sell. Expenses from operations are included in other expenses. Revenues, net gains and losses on sales, other disposals of real estate owned, and changes in valuation are included in losses on real estate-owned property.

**Escrow and Project Reserve Deposits**

Escrow and project reserve deposits represent amounts held by the Association for insurance, real estate taxes and as reserves for replacement and operation. The Association invests these funds and allows earnings on multifamily project escrows to accrue to the benefit of the mortgagors of those projects. Earnings on single-family escrow balances accrue to the benefit of the Association. All escrow and project reserve deposits are included in Cash and Cash Equivalents in the Statements of Net Position.

**Investor Remittance Liability**

Investor Remittance Liability is composed of borrower principle and interest payment funds held by the Association pending remittance to the owners of the loans, primarily GNMA, FNMA, and FHLMC. These funds are remitted according to the loan owners' contractual requirements, which vary, but in no case exceed 30 days. Investor Remittance liabilities payable were \$96,276,000 and \$61,015,000 at June 30, 2019 and 2018, respectively.

**Commercial Paper**

The commercial paper facility provides funds to purchase single-family mortgage loans on an interim basis as well as financing for multifamily construction loans. Commercial paper activity is recorded in the General Operating Account. The Association transfers mortgage loans purchased with proceeds from commercial paper to bond accounts or to sell to FNMA or FHLMC or to securitize through GNMA. Mortgage acquisition monies from bond accounts or from FNMA or FHLMC sale proceeds or GNMA securitization proceeds, respectively, reimburse the commercial paper facility. Transfers associated with bond accounts will be made prior to the end of the acquisition period as specified in the applicable bond indentures. As of June 30, 2019, the Association had \$130,000,000 of commercial paper outstanding maturing in 15 to 89 days from date of issue, with weighted average interest rates of 2.712%. As of June 30, 2018, the Association had \$100,000,000 of commercial paper outstanding maturing in 90 to 180 days from date of issue, with weighted average interest rates of 2.2684%.

**Net Position**

Net Position, the amount total assets plus deferred outflows of resources exceeding total liabilities plus deferred inflow of resources, is an aggregation of all Association bond trust and program accounts. Restricted net positions are those required to meet the various covenants as defined in bond indentures or other laws or regulations. Designated net position indicates that position set aside at the discretion of the Association to be used for a specific purpose and not for general operations. Net positions in the amount of \$163,474,000 and \$145,952,000 at June 30, 2019 and 2018, respectively, are restricted by bond indentures and programmatic requirements; approximately \$59,133,000 and \$52,832,000 at June 30, 2019 and 2018, respectively, are designated by the Board for programmatic uses in connection with the Affordable Housing Investment Trust; and the remaining balances of \$165,603,000 and \$155,229,000 held in the General Operating Account at June 30, 2019 and 2018, include \$9,747,000 and \$6,460,000, respectively, net invested in capital assets, and \$155,856,000 and \$148,779,000, respectively, unrestricted and available for general operations of the Association.



**Classification of Revenues**

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) interest on loans and investments and (2) administration and loan servicing fees. Nonoperating revenues include activities that occur outside the normal course of business, such as (1) federal pass-through awards, (2) change in the fair value of investments, and (3) any other revenue sources that the Association may receive that are defined as nonoperating revenues by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

**New Accounting Principles and Restatement of Net Position**

GASB has issued the following standards initially effective for the fiscal years presented:

GASB Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. In the opinion of the management, these standards do not have a material impact on the Association's financial position given current operations and obligations.

GASB has issued the following standard effective for Fiscal Year 2020:

GASB Statement No. 84, *Fiduciary Activities*. GASB Management has not studied fully this standard but is of the opinion that assets and liabilities held on behalf of others will require enhanced reporting and disclosure. Statement No. 90, *Majority Equity Interests*-an amendment of GASB Statements No. 14 and No. 61). Management has not studied fully this standard but is of the opinion that any impact will be minimal or non-existent.

GASB has issued the following standard effective for Fiscal Year 2021:

GASB Statement No. 87, *Leases* and GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* Management has not studied fully these standards but is of the opinion that any impact will be minimal or non-existent.

GASB has issued the following standard effective for Fiscal Year 2022:

GASB Statement No. 91, *Conduit Debt Obligations*. Management has not studied fully this standard but is of the opinion that any impact will be minimal or non-existent.

**Note 3 - Investments**

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application* require certain investments be reported at fair value in the Statement of Net Position. The Association reports all investments at fair value in the Statements of Net Position. The Association has entered into investing agreements with Wells Fargo and KeyBank banks where excess cash balances (classified as Cash and cash equivalents) are invested overnight in money market mutual funds and repurchase agreements. Investments are held in the Association's account in the name of the respective bank. As of June 30, 2019 and 2018, the Association has overnight investments of \$9,000 and \$5,952,000, respectively, in money market funds and \$16,851,000 and \$14,565,000, respectively, in repurchase agreements held by Wells Fargo Bank, respectively. Repurchase agreements are collateralized by U.S. government and agency obligations held in the Association's trustee's name in the Association's account.

GASB Statement No.72 addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value focuses on market price from the perspective of a seller (exit price). The fair value of a financial asset is determined based on real or potential market transactions in the Association's principal market, or in the absence of a principal market, the Association's most advantageous market. The fair value of a nonfinancial asset takes into account the highest and best use of that asset, which normally is presumed its current use. A fair value measurement of a liability assumes that the liability would be transferred to a market participant and not settled with the counterparty (such as certain liabilities related to derivatives). Therefore, the fair value would be the price that would have to be paid for a third party to assume the liability, not the price that would have to be paid to the counterparty to settle the obligation. GASB Statement No.72 explains that the Association may determine the market price of an asset in one of three ways: 1) actual market transactions for identical or similar items (market approach); 2) the current cost to replace the service capacity of an asset (cost approach); or 3) discounting the current value of future cash flows (income approach). It also establishes a three-tier hierarchy of input quality as follows:

- Level 1 inputs---quoted prices in active markets for identical items;
- Level 2 inputs---directly or indirectly observable prices, but not level 1; and
- Level 3 inputs---unobservable inputs such as financial models.

The Association categorizes the combined fair value of \$253,738 million of Investments and Investments held in trust within this hierarchy. Money market funds of \$82.144 million, U.S. Agency obligations of \$51.629 million, U.S. Treasury bonds of \$.253 million, U.S. Government mortgage-backed securities of \$123.067 million, TBA Contracts of (\$2.203 million), and Accrued interest of \$.74 million are valued using quoted market prices (Level 1). Interest rate swaps of (\$1.894) million are valued using a propriety pricing model (Level 2).

Interest Rate Risk: The Association has adopted bond indentures, bond resolutions, and trust resolutions as policy for the determination of investment maturities. These indentures and resolutions provide that investment maturities be based upon the cash requirements of the Association's accounts, as determined by authorized Association investment officers.

Idaho Housing and Finance Association

Notes to Financial Statements

June 30, 2019 and 2018

As of June 30, 2019 and 2018, the Association had the following investments and maturities (in thousands):

2019	Investment Maturities (in Years)								
	Fair Value	Less Than 1	1-5	6-10	11-15	16-20	21-25	26-30	More Than 30
<u>Investment Type</u>									
Money market funds	\$ 82,144	\$ 82,144	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Agency obligations	13,063	-	-	2,100	4,129	6,834	-	-	-
U.S. Agency/Pooled obligations	38,566	-	-	-	-	-	184	38,382	-
U.S. Treasury Bonds	253	-	49	204	-	-	-	-	-
backed securities	123,067	-	123,067	-	-	-	-	-	-
Interest rate swaps	(1,894)	-	(1,894)	-	-	-	-	-	-
TBA Contracts	(2,201)	(2,201)	-	-	-	-	-	-	-
	<u>252,998</u>	<u>\$ 79,943</u>	<u>\$ 121,222</u>	<u>\$ 2,304</u>	<u>\$ 4,129</u>	<u>\$ 6,834</u>	<u>\$ 184</u>	<u>\$ 38,382</u>	<u>\$ -</u>
Accrued interest	<u>740</u>								
All Investments	<u>\$ 253,738</u>								

2018	Investment Maturities (in Years)								
	Fair Value	Less Than 1	1-5	6-10	11-15	16-20	21-25	26-30	More Than 30
<u>Investment Type</u>									
Money market funds	\$ 118,476	\$ 118,476	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
obligations									
U.S. Agency obligations	26,151	-	-	1,813	7,100	17,238	-	-	-
U.S. Agency/Pooled obligations	43,731	-	-	-	84	-	-	43,647	-
U.S. Treasury Bonds	247	-	20	227	-	-	-	-	-
Interest rate swaps	(654)	-	(654)	-	-	-	-	-	-
TBA Contracts	(1,349)	(1,349)	-	-	-	-	-	-	-
Land and townhomes	1,138	1,138	-	-	-	-	-	-	-
	<u>187,740</u>	<u>\$ 118,265</u>	<u>\$ (634)</u>	<u>\$ 2,040</u>	<u>\$ 7,184</u>	<u>\$ 17,238</u>	<u>\$ -</u>	<u>\$ 43,647</u>	<u>\$ -</u>
Accrued interest	<u>645</u>								
All Investments	<u>\$ 188,385</u>								

At June 30, 2019, the Association's had 6 U.S. agency mortgage-backed security pools, which pay monthly principal and interest.

At June 30, 2018, the Association had 7 U.S. agency mortgage-backed security pools, which pay monthly principal and interest.

At June 30, 2019, the Association has \$229,605,000 in notional amount of fixed payer/variable receiver interest rate swap contracts outstanding in connection with its outstanding variable rate demand note mortgage revenue bond issues. The Association pays fixed-rate payments between 0% and 0% and receives variable rate payments based on SIFMA and LIBOR indices. The Association entered the swap contracts in November 2008, which mature between 2019 and 2030. These contracts are not rated.

At June 30, 2018, the Association has \$269,505,000 in notional amount of fixed payer/variable receiver interest rate swap contracts outstanding in connection with its outstanding variable rate demand note mortgage revenue bond issues. The Association pays fixed-rate payments between 0% and 0% and receives variable rate payments based on SIFMA and LIBOR indices. The Association entered the swap contracts in November 2008, which mature between 2018 and 2030. These contracts are not rated.

At June 30, 2019 and 2018, the Association has \$388,000,000 and \$306,000,000, respectively, in forward sales contracts ("To Be Announced" or "TBA" contracts) or GNMA securities in order to lock in the sales price for the securitization of single-family loans. These contracts are considered investment derivatives and are not rated.

Credit Risk: Investments for each bond issue are those permitted by the various bond indentures and bond resolutions adopted by the Association. Program account investments are restricted to those empowered by the Act or by Federal regulations. The Association has adopted resolutions as policy for the Affordable Housing Investment and Loan Guarantee Trusts. The Association has not adopted a formal policy related to the Association's Business Operations investments. As of June 30, 2019, the Association's investments in money market funds, investment agreements, U.S. government obligations, and Government National Mortgage Association obligations are unrated. As of June 30, 2019 and 2018, the Association's remaining investments are rated by Moody's Investor Service as follows (in thousands):

Investment Type	Rating	2019	2018
U.S. Agency Obligations	Aaa	\$ 51,629	\$ 69,882

The Association's U.S. government and U.S. agency obligations are held by the Association's trustee in the Association's name. Corporate and other obligations are held by the Association's trustee in either the Association's account or in the Association's name.

Investment agreements are non-participating investments with financial institutions, are carried at cost, and not rated by rating agencies. Securities are not used as collateral for these Investment agreements. Investment agreements are structured for both short-term and long-term bond proceeds in connection with the Association's single-family mortgage bond programs. Financial institutions providing the agreements have been rated by nationally recognized rating agencies at debt ratings sufficient to rate the Association's mortgage revenue bonds investment grade by those rating agencies.

Concentration of Credit Risk: The Association places no limit on the amount the Association may invest in any one issuer. The Affordable Housing Investment Trust investment policy places limits on the amounts the Association may invest in certain types of investments authorized by the Act.

As of June 30, 2019, the Association had investments of five percent or more in Federal Farm Credit Bank obligations of \$7,408,000, Fannie Mae obligations of \$6,003,000, Ginnie Mae obligations of \$37,921,000, and Deutsch Bank AG obligations of \$123,067,000.

As of June 30, 2018, the Association had investments of five percent or more in Federal Farm Credit Bank obligations of \$16,612,000, and Ginnie Mae obligations of \$42,804,000.

During the years ended June 30, 2019 and 2018, the Association realized net gains of \$2,056,000 and \$865,000 respectively, from sales of investments. The calculation of realized gains is independent of the calculation of the change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in a current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments as June 30, 2019 and 2018, is \$1,445,679 and \$(6,152,000), respectively. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the fiscal year. Included in the amount for the years ending June 30, 2019 and 2018, is (\$1,240,000) and (\$654,000), respectively related to derivative interest rate swap contracts fair market value considered investments. Also, included in the amount for the years ending June 30, 2019 and 2018, is \$852,000 and \$1,979,000, respectively related to TBA contracts.

The unrealized gain/(loss) on investments held at June 30, 2019 and 2018 is \$3,361,000 and \$2,736,000, respectively. The Association matches the duration of its investments with the maturity debt in various bond accounts, and therefore, does not anticipate material unrealized gains or losses to be realized. For the years ending June 30, 2019 and 2018, the Association's financial report uses GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, to report derivative interest rate swap and forward sale contracts.

#### **Note 4 - Loans Held for Investment and Loans Serviced as Agent**

The Association has single-family, multifamily and other loans. The majority of the Association's loan portfolio consists of single-family mortgage loans to persons of limited income residing in Idaho. The Association has obtained various levels of security for loans. All loans are secured by mortgages or deeds of trust on the related properties. Additionally, loans are insured or guaranteed by the federal government, commercial mortgage insurers or by Association self-insurance reserves. In some cases, as required by bond resolutions or bond indentures, master mortgage guaranty insurance (pool insurance) provides a final level of security for certain losses sustained by reason of default, which are in excess of FHA, VA or primary insurance.

# Idaho Housing and Finance Association

Notes to Financial Statements

June 30, 2019 and 2018

A summary of loans held for investment as of June 30, 2019 and 2018 is as follows (in thousands):

	Non-Pool Insured	Pool Insured	Total
2019			
FHA Insurance	\$ 98,744	\$ -	\$ 98,744
VA Guaranteed	8,926	-	8,926
Commercially Insured	45,693	7,458	53,151
USDA Rural Development Insurance	25,940	-	25,940
Association Insured	21,372	-	21,372
	\$ 200,675	\$ 7,458	208,133
Other			
Multifamily Bond Financed			7,791
Single Family IHFA Capital Pool			1,526
Multifamily IHFA Capital Pool			2,639
Social Service and Development IHFA Capital Pool			50,996
Construction			9,011
State Small Business Credit Initiative			18,497
Loan Loss Provision			(1,531)
Interest Receivable on Loans			1,626
Total Loans held for investment, net			\$ 298,688
2018			
FHA Insurance	\$ 119,420	\$ -	\$ 119,420
VA Guaranteed	11,072	-	11,072
Commercially Insured	57,175	9,678	66,853
USDA Rural Development Insurance	30,751	-	30,751
Association Insured	23,960	-	23,960
	\$ 242,378	\$ 9,678	252,056
Other			
Multifamily Bond Financed			7,790
Single Family IHFA Capital Pool			118
Multifamily IHFA Capital Pool			2,774
Social Service and Development IHFA Capital Pool			42,387
Construction			9,776
State Small Business Credit Initiative			18,626
Loan Loss Provision			(914)
Interest Receivable on Loans			1,619
Total Loans held for investment, net			\$ 334,232

As of June 30, 2019 and 2018, the loans receivable includes \$3,773,000 and \$6,362,000, respectively, in notes receivable from The Housing Company (THC), which require repayment within 23 and 24 years, respectively. The notes are secured by various multifamily housing projects and accrue interest at between 3.00 and 4.50 percent.

Construction, bridge and permanent financing, and multifamily projects, throughout Idaho are included as "Other". In addition to holding a first lien on the majority of these loans, performance bonds are in place to ensure completion of the projects under construction.

Interest charged on loans ranged from approximately 0 to 9.13 percent during fiscal years 2019 and 2018. Loan interest rates are fixed over the loan term at levels exceeding yields on corresponding debt issued to purchase the loans. Federal tax law limits such excess yields. Loan terms range from less than one year to 40 years.

Each mortgage loan for all single-family financing programs is serviced pursuant to a Mortgage Loan Servicing Agreement as designated by the bond indenture or bond resolution. Beginning with the 1983 Series B Single-Family Mortgage purchase program, a master servicing arrangement was implemented. The mortgage servicer may, but need not, be a lending institution and a program participant.

Loan servicing fees depicted in the Statements of Revenues, Expenses and Changes in Net Position relate to an internally assessed charge of between thirty-three and eighty-three one hundredths of one percent per annum of the outstanding mortgage balance for Association-held loans. The Association records the loan servicing fee income by reducing interest income within each of the related bond funds. In addition to the internal reclassification of interest income to loan servicing income, the General Operating Account charges the bond funds sixteen-hundredths of one percent per annum of the outstanding mortgage balance for actual Association servicing costs. The fee paid to the General Operating Account is eliminated in the financial statements. Loans held by non-Association typically generate between twenty-five and seventy-five one hundredths of one percent per annum of the outstanding mortgage balance. The Association records the loan service by reducing interest income, collecting the fees in the General Operating Account, and remitting principal and remaining interest to the loan owner or its trustee.

Mortgage loans to be serviced externally or by the Association are purchased at par or a discount of one to two percent of the outstanding principal balance as of the date of purchase. For loans serviced, but not owned, by the Association, loans are purchased at a premium of up to 3%, at par, or a discount of 1% or 2% of the outstanding principal balance is paid to the originating lender as of the date of purchase as consideration for the assignment of the servicing rights.

Loans are valued at their carrying amounts, which approximate par value. Due to the structured financing characteristics of the Association's bond issues and restrictions under various trust indentures, the Association is restricted from selling loans at a value that would impair its ability to service the bonds to which those loans are specifically pledged. The loans are specifically identified with a particular bond issue and pledged under the applicable trust indenture. Any changes in market interest rates subsequent to bond issuance and loan origination would be expected to approximate an equal impact on the fair value of the bonds and the related mortgages. Mortgage rates on loans originated from bond proceeds are based directly upon the bond rates established at the time of issuance. The Association establishes the yield spread between the interest rate on the mortgages and related bonds to approximate 1.125 percent, the maximum allowed by Section 143 of the Internal Revenue Code.

Loans originated and intended for sale to FNMA or FHLMC, or securitized through GNMA are carried at the lower of aggregate cost or fair value, as determined by hedge coverage and the difference in the loan yield and the 60-day commitment rate yield offered by FNMA, FHLMC or GNMA MBS rate on June 30. All loans were carried at cost as of June 30, 2019 and 2018, respectively. IHFA services loans sold to FNMA or FHLMC or secured by GNMA. Gains or losses are recognized based on the difference between the selling price and the carrying value of the related mortgage loan sold. Net unrealized losses are charged to Operating Expenses in the Statement of Revenues, Expenses and Changes in Net Position. Loans available for sale to FNMA or FHLMC or secured by GNMA have different characteristics and fewer restrictions than loans financed by the issuance of debt and owned and serviced in the Association's loan portfolio.

Loans available for sale are determined as a function of the Association's liquidity preference, customer preference, contractual requirements, and regulatory requirements. For the fiscal years ending June 30, 2019 and 2018, the Association realized \$38,128,000 and \$22,107,000, respectively, in gains on the sale of loans to FNMA FHMLC, and GNMA. As of June 30, 2019 and 2018, the Association had commitments to sell or secure \$122,216,000 and \$85,074,000 of single-family mortgages to FNMA and FHMLC or through GNMA. As of June 30, 2019 and 2018, the Association had commitments to sell or secure \$44,629,000 and \$46,627,000, respectively, of single-family mortgages on behalf of Connecticut Housing Finance Authority. As of June 30, 2019 and 2018, the Association had commitments to sell or secure \$51,735,000 and \$42,881,000, respectively, of single-family mortgages on behalf of South Dakota Housing Development Authority. As June 30, 2019 and 2018, the Association had commitments to sell or secure \$23,231,000 and \$15,151,000, respectively, of single-family mortgages on behalf of Iowa Finance Authority. As of June 30, 2019 and 2018, the Association had commitments to sell or secure \$27,670,000 and \$33,125,000 on behalf of New Mexico Mortgage Finance Authority. As of June 30, 2019 and 2018 the Association had commitments to sell or secure \$153,584,000 and \$70,314,000 on behalf of Texas Department of Housing and Community Affairs. As June 30, 2019 and 2018, the Association had commitments to sell or secure 100,227,000 and \$77,073,000 on behalf of Washington State Housing Finance Commission.

As of June 30, 2019 and 2018, the Association estimates \$68,840,000 and \$67,030,000, respectively, of loans receivable as current. Estimates consider loan principal due during the next twelve months plus anticipated prepayments made on outstanding principal balances. The Association had commitments to purchase \$1,160,393,000 and \$833,078,000, respectively, of single-family mortgages, which had not yet been funded.



# Idaho Housing and Finance Association

Notes to Financial Statements

June 30, 2019 and 2018

As of June 30, 2019 and 2018, the Association was an agent for the following loans (in thousands):

	2019	2018
Federal Home Loan Mortgage Corporation	\$ 668,277	\$ 322,360
Federal National Mortgage Association	5,907,049	3,964,599
Government National Mortgage Association	7,788,921	5,842,558
Iowa Finance Authority	23,240	15,152
Connecticut Housing Finance Authority	49,134	46,977
South Dakota Housing Development Authority	56,129	42,886
New Mexico Mortgage Finance Authority	22,859	29,877
Texas Department of Housing and Community Affairs	236,107	117,334
Washington State Housing Finance Commission	120,614	55,605
Idaho Community Reinvestment Corporation	14,030	16,549
Neighborhood Housing Services	3,567	3,182
Boise Valley Habitat	826	1,189
HOME Loan Balances	77,897	74,301
Neighborhood Stabilization Program	10,730	9,123
Housing Trust Fund Loan Balances	5,009	-
Tax Credit Assistance Program	10,051	10,051
TCEP Loan Program	13,820	15,514
Other	632	740
	\$ 15,008,892	\$ 10,567,997
Total loans serviced as agent		

Idaho Housing and Finance Association

Notes to Financial Statements

June 30, 2019 and 2018

**Note 5 - Bonds**

(in thousands)

<u>Description and Due Date</u>	<u>Average Bond Yield</u>	<u>2019</u>	<u>(Restated) 2018</u>
<b>Single-Family Mortgage Bonds</b>			
2000 Indenture			
Variable Rate Class 1	2.352%	\$ 28,505	\$ 37,990
	2.352%	28,505	37,990
2003 Indenture			
Class I Bonds	3.440%	46,015	56,590
Variable Rate Class I	1.659%	48,765	58,080
Variable Rate Class II	2.275%	10,940	18,530
	2.491%	105,720	133,200
2006 Indenture			
Variable Rate Class I	2.551%	87,445	136,050
	2.551%	87,445	136,050
2009 Indenture			
Class I Bonds	4.109%	1,665	3,210
Class II Bonds	4.593%	1,780	2,755
Class III Bonds	4.204%	745	1,950
	4.323%	4,190	7,915
<b>Total Single-Family Mortgage Bonds</b>		<b>225,860</b>	<b>315,155</b>
Direct Placement Note Payable	4.120%	26,676	31,676
FHA Insured Housing Revenue Bonds			
2007 Series	5.900%	7,839	7,927
		7,839	7,927
Grant and Revenue Anticipation Bonds			
2008 Series A	4.125%	7,815	15,720
2009 Series A	4.878%	15,875	23,260
2010 Series A	6.225%	69,785	71,840
2011 Series A	4.880%	63,765	65,210
2012 Series A	4.078%	25,795	27,445
2014 Series A	4.946%	60,685	63,945
2015 Series A	5.000%	155,895	164,645
2017 Series A	5.000%	91,265	91,265
2019 Series A	5.000%	114,090	-
	5.086%	604,970	523,330
<b>Total Bonds</b>		<b>865,345</b>	<b>878,088</b>
Tax-Exempt Mortgage-back Securities (TEMS, see note 12)		597,571	518,203
Interest Payable		15,295	15,765
Net Unamortized (Discount)/Premium		57,836	37,267
<b>Total Bonds and Notes</b>		<b>\$ 1,536,047</b>	<b>\$ 1,449,323</b>

The Association periodically issues bonds to finance various multifamily housing developments in Idaho. As part of these bond financings, the Association acts as mortgagee in the creation of a mortgage loan that is pledged to the bond Trustee to secure repayment of the outstanding bonds. The bonds are limited obligations of the Association, and are secured by the respective mortgages on each development as well as a lien on all revenues as defined in each respective bond indenture. The Association does not have a financial stake in these bond transactions, other than the collection of fees related to its service as bond issuer, and does not guarantee the repayment of principal and interest on the outstanding bonds.

Premiums and discounts on bonds are amortized using the bonds outstanding method over the life of the bonds to which they relate.

The outstanding note payable with the balance of \$26,676,000 and \$31,676,287 as of June 30, 2019 and 2018, respectively, has a maturity date of July 21, 2021. The note has a variable interest rate at 1 month LIBOR plus a spread and matures at a rate of approximately \$5,000,000 per year with the balance due on the maturity date.

The bonds are either special or general obligations of the Association and do not constitute a debt of the State of Idaho or any political subdivision thereof. Each bond issue is secured by the pledge of repayments of mortgage loans purchased with the bond proceeds and of all revenue earned relating to those bonds.

Serial bonds and term bonds are subject to redemption at the option of the Association and subject to the terms of the respective bond indenture or bond resolution, in whole or in part, on various dates at prescribed redemption prices ranging from 100 to 103 percent. The bonds are also subject to special redemption from (i) unexpended proceeds of the bonds not committed to purchase mortgage loans, (ii) forfeited commitment fees, and (iii) early recoveries of principal and pledged receipts at any time.

The Association has issued debt in a variable rate mode. The bulk of the variable rate debt is re-marketed on a weekly basis by a Remarketing Agent, retained by the Association, to periodically re-market the debt at the prevailing interest rates.

On July 1, 2019, the Association issued the 2019AB Single Family Mortgage Bonds to currently refund the 2009C and a portion of 2013A Single Family Mortgage Bonds. The 2019AB Bond is intended as a restructuring to provide an adequate asset base and meet indenture parity requirements to maintain the investment grade quality of IHFA's Single Family Mortgage Bond Program. No economic gains or losses are intended to be achieved by this restructuring. The 2019 Series AB Bonds (2019 Indenture) was used to refund all of the 2009C issue for \$1,665,000, and a portion of the 2013A issue for \$11,035,000. Additionally, \$30,075,000 in proceeds were used to purchase new mortgage-backed securities. In connection with such refunding, the Issuer and Barclays Bank PLC (the "Interest Rate Contract Provider") have agreed to allocate and transfer the interest rate contracts related to such refunded variable rate bonds to the 2019 Series AB Bonds. Bond are intended as a restructuring to provide a better match of loan prepayment speeds and swap contract fixed rates and maturation dates.

In July 2017, the Association issued the 2017 Series A Single Family Mortgage Bonds Proceeds of the 2017 Series A Bonds are used to pay and redeem the following bonds previously issued by the Issuer: the 2012 Series A Bonds (2006 Indenture) in part in a principal amount equal to \$34,655,000, the 2013 Series A-1 Bonds (2006 Indenture) in part in a principal amount equal to \$39,955,000, the 2013 Series A-2 Bonds (2006 Indenture) in part in a principal amount equal to \$3,630,000, the 2009 Series C Bonds (2009 Indenture) in part in a principal amount equal to \$6,020,000, and the 2009 Series 1-A Bonds (2009 Indenture) in part in a principal amount equal to \$8,420,000. In connection with such refunding, the Issuer and Barclays Bank PLC (the "Interest Rate Contract Provider") have agreed to allocate and transfer the interest rate contracts related to such refunded variable rate bonds to the 2017 Series A Bonds. Bond are intended as a restructuring to provide a better match of loan prepayment speeds and swap contract fixed rates and maturation dates. No economic gains or losses are intended to be achieved by this restructuring.

Idaho Housing and Finance Association  
Notes to Financial Statements  
June 30, 2019 and 2018

The scheduled principal debt service, including July 1, 2019 special redemptions, for the periods subsequent to, and as of, June 30, 2019, is as follows (in thousands):

	2020	2021	2022	2023	2024	2025 2029	2030 2034	2035 2039	2040 2049	TOTAL
<b>Single-Family Mortgage Bonds</b>										
2000 Indenture	\$ 4,510	\$ 3,907	\$ 3,948	\$ 3,974	\$ 4,012	\$ 8,154	\$ -	\$ -	\$ -	\$ 28,505
2003 Indenture	7,805	1,765	2,125	3,045	5,610	23,000	37,480	24,890	-	105,720
2006 Indenture	18,280	1,200	7,655	5,360	3,545	5,715	20,315	24,440	935	87,445
2009 Indenture	2,065	105	165	185	215	935	520	-	-	4,190
<b>Direct Placement Term Note:</b>										
<b>Rating Compliance and Loan</b>										
Guarantee	5,000	5,000	16,676	-	-	-	-	-	-	26,676
<b>Multi-Family Mortgage Bonds</b>										
	-	-	-	-	-	-	-	-	7,839	7,839
	<u>37,660</u>	<u>11,977</u>	<u>30,569</u>	<u>12,564</u>	<u>13,382</u>	<u>37,804</u>	<u>58,315</u>	<u>49,330</u>	<u>8,774</u>	<u>260,375</u>
<b>Grant Revenue and Revenue Anticipation Bonds</b>										
2008 Series A	7,815	-	-	-	-	-	-	-	-	7,815
2009 Series A	7,745	8,130	-	-	-	-	-	-	-	15,875
2010 Series A	2,165	2,285	2,410	2,545	-	60,380	-	-	-	69,785
2011 Series A	1,480	1,515	1,545	1,575	1,600	56,050	-	-	-	63,765
2012 Series A	1,720	1,790	1,860	1,940	2,010	11,300	5,175	-	-	25,795
2014 Series A	3,405	3,575	3,760	3,955	4,155	30,365	11,470	-	-	60,685
2015 Series A	9,660	10,640	19,060	19,680	20,765	76,090	-	-	-	155,895
2017 Series A	-	6,680	7,705	8,455	8,810	59,615	-	-	-	91,265
2019 Series A	-	-	-	-	-	-	43,300	70,790	-	114,090
Total GARVEE										604,970
TEMS									597,571	597,571
Variable rate principal	34,095	11,672	29,989	11,119	9,562	25,784	37,030	42,145	935	202,331
Total Principal	<u>\$ 71,650</u>	<u>\$ 46,592</u>	<u>\$ 66,909</u>	<u>\$ 50,714</u>	<u>\$ 50,722</u>	<u>\$ 331,604</u>	<u>\$ 118,260</u>	<u>\$ 120,120</u>	<u>\$ 8,774</u>	<u>\$ 1,462,916</u>
<b>Interest:</b>										
Fixed	29,248	30,288	28,505	26,625	24,667	88,859	31,726	9,908	693	270,519
Variable	4,414	4,071	3,616	2,812	2,572	10,251	7,479	2,018	20	37,253
Total Interest	<u>\$ 33,662</u>	<u>\$ 34,359</u>	<u>\$ 32,121</u>	<u>\$ 29,437</u>	<u>\$ 27,239</u>	<u>\$ 99,110</u>	<u>\$ 39,205</u>	<u>\$ 11,926</u>	<u>\$ 713</u>	<u>\$ 307,772</u>

## Idaho Housing and Finance Association

Notes to Financial Statements

June 30, 2019 and 2018

Long-term bond liability and short-term commercial paper activity for the years ended June 30, 2019 and 2018 was as follows (in thousands):

June 30, 2019	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One year
Par Bonds Payable	\$ 846,413	\$ 114,090	\$ (121,834)	\$ 838,669	\$ 66,650
Note Payable	31,676	-	(5,000)	26,676	5,000
TEMS	518,203	156,517	(77,149)	597,571	-
Interest Payable	15,764	33,742	(34,211)	15,295	15,295
Net Unamortized (Discount)/Premium	37,267	24,821	(4,252)	57,836	6,149
	<u>\$ 1,449,323</u>	<u>\$ 329,170</u>	<u>\$ (242,446)</u>	<u>\$ 1,536,047</u>	<u>\$ 93,094</u>
June 30, 2018 (Restated)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One year
Par Bonds Payable	\$ 1,075,621	\$ 183,945	\$ (413,153)	\$ 846,413	\$ 82,885
Note Payable	43,676	-	(12,000)	31,676	5,000
TEMS	426,324	144,831	(52,952)	518,203	-
Interest Payable	17,846	35,199	(37,281)	15,764	15,764
Net Unamortized (Discount)/Premium	28,980	12,017	(3,730)	37,267	4,080
	<u>\$ 1,592,447</u>	<u>\$ 375,992</u>	<u>\$ (519,116)</u>	<u>\$ 1,449,323</u>	<u>\$ 107,729</u>
Commercial Paper at June 30,2019	\$ 100,000	\$ 448,455	\$ (418,455)	\$ 130,000	\$ 130,000
Commercial Paper at June 30,2018	\$ 50,000	\$ 555,225	\$ (505,225)	\$ 100,000	\$ 100,000

**Note 6 - Redemption of Bonds**

Special redemptions were made in the following bond issues as follows (in thousands):

<u>Bond Series Redeemed</u>	<u>Par Value of Bonds Redeemed</u>		
	<u>July 1, 2019</u>	<u>For the Year Ended June 30, 2019</u>	<u>For the Year Ended June 30, 2018</u>
Single-Family Mortgage Bonds			
Prior			
2000 Indenture	\$ 540	\$ 4,955	\$ 4,830
2003 Indenture	4,740	25,070	55,165
2006 Indenture	13,095	38,305	184,970
2009 Indenture	1,930	3,155	21,095
Special Redemptions All Bonds	<u>\$ 20,305</u>	<u>\$ 71,485</u>	<u>\$ 266,060</u>

**Note 7 - Derivatives**

The Association has entered into multiple interest rate swap agreements to reduce the Association's overall cost of borrowing long-term capital and protect against the risk of rising interest rates. To do this, the Association issued variable rate debt in connection with the same Single Family Mortgage Bond issues. The swap agreements, when combined with the associated variable rate debt, create a synthetic fixed rate debt obligation. From 2000 through 2008, the Association's use of these instruments allowed it to competitively price and acquire single-family loans while reducing interest rate risk.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* defines derivative instruments and requires that they be reported at fair value in the Statements of Net Position. The swap agreements the Association has entered into are characterized as derivatives. Offsetting changes in fair value are carried on the Statements of Net Position as either a deferred inflow or outflow or recognized in earnings of the current period as a change in investments fair value. Changes in fair value are reported depending on whether the derivative instrument is considered an effective hedge. Effective hedge fair value changes are reported as deferred inflows or outflows while non-effective hedge fair value changes are recognized in earnings in the current period. Statement No. 53 provides several methods for determining effectiveness.

The fair values of swap agreements were estimated as the approximate amount the Association's would pay a market participant to terminate the contractual positions as of June 30, 2019 and 2018.

While key assumptions and methods used in deriving fair value are proprietary; in general, the fair values are determined as the difference between the present value of the fixed-rate payments made to the counterparty and the variable-rate (based on interest rates as of June 30, 2019 and 2018) payments paid to the Association. A positive fair value represents the amount due the Association by the counterparty upon termination of the swap while a negative fair value represents the amount payable by the Association and is recorded as a level 2 measurement. Due to historically low interest rates, all of the Association's interest rate swaps had negative value as of June 30, 2019 and 2018. The fair value is reported in the Statements of Net Position of \$24.38 million and \$26.66 million, respectively.

The Association has determined that a substantial portion of its interest rate swaps effectively hedge against changes in variable interest rates. As such, changes in fair value for hedge swaps are reported as a deferred outflow of resources in the Statements of Net Position of \$36.05 million and \$38.48 million as of June 30, 2019 and 2018, respectively, and as a deferred inflow of resources of \$.26 million and \$4.36 million as of June 30, 2019 and 2018, respectively. A portion of the interest rate swaps are considered non-effective for hedging purposes and are reported in the Statements of Net Position in Investments at June 30, 2019 and 2018 \$(1.89) million and \$(.65) million, respectively. This portion represents the notional amount of interest rate swaps that exceeds the notional amount of underlying variable debt.

The Association engaged an independent third party to calculate the fair values of contracts as of June 30, 2019 and 2018. The results of the calculation correlate materially with the fair values provided by the Association's counterparties.

**Credit risk:** As of June 30, 2019 and 2018, the Association is not exposed to credit risk on any outstanding swaps due to their negative fair values. If interest rates rise such that the variable rate the Association receives exceeds the fixed rate the Association pays, the Association will post a positive fair value. The Association would be exposed to credit risk to the extent of the positive fair value. The Association's counterparty has a current rating of A (Fitch), A2 (Moody's), and A (S&P).

**Basis risk:** All but nineteen of the Association's swaps have a dual basis: Securities Industry and Financial Markets Association (SIFMA) index plus 20 basis points when the one-month London Interbank Offered Rate (LIBOR) is less than either 3.5% or 4.0% (depending on the bond series) and 68% of LIBOR when LIBOR is 3.5% or greater. Four non-dual basis swaps have a basis of SIFMA plus 20 basis points, ten have a basis of LIBOR plus 80 basis points, four have a basis of LIBOR plus 76 basis points, and one LIBOR plus 71 basis points. The Association is exposed to basis risk on dual basis swaps when variable payments received are based on LIBOR and do not offset the variable rate paid on bonds, which is based on SIFMA. On June 30, 2019, SIFMA is 1.90 percent and one-month LIBOR is 2.398 percent.

**Rollover risk:** Rollover risk relates to a mismatch in the amortization of the swaps with the amortization of the variable rate bonds. The Association has structured its debt such that not all variable debt is matched by interest rate swaps and calls certain variable rate bonds independent of the expiration of the associated interest rate swap. This exposes the Association to the risk of incurring a higher interest expense than it might otherwise incur. Swap notional amounts no longer associated with variable rate debt are reported as investment derivatives.



Termination risk: The Association or Barclays Capital may terminate an interest rate swap if the other party fails to perform under the terms of the contract. If any of the swaps are terminated, the associated variable rate bonds would no longer carry synthetic fixed interest rates and the Association would be exposed to changing interest rates and incurring interest rate risk. A termination event also results in the loss of hedge accounting, requiring all fair value deferrals to be recognized immediately. The economic risk also includes requiring making payments to the counter party to the extent of any negative fair value amounts. The risk may be offset by identifying a suitable counter party willing to enter into identical swap contracts at the termination date.

During FY2018, the Association redeemed and reissued bonds that created deemed terminations. Though the terms of the swap contracts were not modified, the redemption and reissue did create a deemed terminating event of the swap contracts, which requires that the value of the Deferred Outflow of Resources at the date of reissuance be amortized to interest expense. In FY2018, the Association modified certain interest swaps by reducing fixed pay/variable received. There was no change in the present value of the swap contracts based solely on this modification.

The accounting treatment also provides that if deemed borrowings are created, as the result of higher off-market fixed rates being paid over the market requirements at the time of modification, these borrowings are amortized and credited to interest expense over the life the of the swap contracts.

The requirements of the accounting standard result in a dual presentation of the Deferred Outflow resources at both amortized and fair values and the presentation in the Deferred Inflow of Resources of an amount that reflect the change in the fair value of the modified contracts during the fiscal years. Interest rate swap contracts fair value defers the fair value of effectively hedged swap contracts at June 30, 2019 and 2018. The fair value of effectively hedged swap positions are fully matched and deferred with this offsetting position.

Interest rate swap contracts amortized value defers the amortizing value of an implicit borrowing position created upon the refunding of variable rate debt associated with swap contracts. At the time of refunding, the swap contracts' fair value became the historical cost basis, which is amortized over the life of the swap contracts. The amortized borrowing value is fully matched and deferred with this offsetting position.

Since the current fair value of the swap contracts differs from the amortized value of the borrowing at June 30, 2019 and 2018, the Association has elected to report the swap contracts' current fair value to demonstrate the full economic liability to its counterparty. The difference between current fair and amortized value is reported as a gain or loss in the non-operating revenues and expense section of the Statement of Revenues, Expenses, and Changes in Net Position. This effectively results in an historical cost position being reported at current fair value. The Association matches the duration of its swap contracts with the variable debt maturity, and therefore, does not anticipate this difference ever to be realized as a loss or a gain.

Interest Rate Swap Agreements

(in thousands)

2019

Parity Indenture	Series	Outstanding Notional Amount		Fair Values		Change in Fair Values	
		Hedging	Investment	Hedging	Investment	Hedging	Investment
2014A	2000 Series G	\$ 2,745	\$ -	\$ (51)	\$ -	\$ 230	\$ -
2014A	2001 Series A	560	-	(2)	-	56	-
2014A	2001 Series B	965	-	(7)	-	82	-
2014A	2001 Series C	835	-	(5)	-	74	-
2014A	2001 Series D	2,890	-	(64)	-	210	-
2014A	2001 Series E	2,890	-	(60)	-	197	-
2014A	2001 Series F	1,260	-	(13)	-	95	-
2014A	2002 Series A	1,425	-	(19)	-	117	-
2014A	2002 Series B	1,435	-	(19)	-	115	-
2014A	2002 Series C	1,395	-	(17)	-	111	-
2014A	2002 Series D	2,930	-	(64)	-	213	-
2014A	2002 Series E	1,505	-	(20)	-	103	-
2014A	2002 Series F	2,285	-	(54)	-	115	-
2014A	2002 Series G	2,285	-	(145)	-	52	-
2003A	2003 Series A	3,975	-	(329)	-	145	-
2003B	2003 Series B	3,300	-	(149)	-	132	-
2003C	2003 Series C	-	2,075	(93)	(15)	112	(54)
2003D	2003 Series D	3,685	-	(305)	-	165	-
2003E	2003 Series E	-	3,685	(301)	27	262	(117)
2004A	2004 Series A	3,755	-	(244)	-	109	-
2004B	2004 Series B	-	4,290	(404)	37	280	(153)
2004C	2004 Series C	-	3,870	(301)	28	261	(124)
2004D	2004 Series D	5,385	-	(462)	-	66	-
2005A	2005 Series A	5,765	-	(529)	-	63	-
2005B	2005 Series B	-	5,580	111	(675)	114	(87)
2005C	2005 Series C	-	5,660	106	(623)	108	(101)
2005D	2005 Series D	5,775	-	(518)	-	62	-
2005E	2005 Series E	5,905	-	(555)	-	55	-
2009A	2005 Series F	6,165	-	(686)	-	24	-
2009A	2006 Series A	6,195	-	(697)	-	21	-
2009A	2006 Series B	3,695	-	(283)	-	99	-
2009A	2006 Series C	3,580	-	(263)	-	101	-
2009A	2006 Series D	4,175	-	(321)	-	135	-
2012A	2007 Series D	7,100	-	(576)	-	4	-
2012A	2007 Series G	17,355	-	(2,229)	-	(263)	-

Idaho Housing and Finance Association  
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Interest Rate Swap Agreements

Parity Indenture	Series	2019		Interest Rate Contract Provider	Interest Rate Contract Provider	Credit Rating	Scheduled Termination Date	Inception Date
		Fixed Rate	Variable Rate					
		Paid by IHFA	Received by IHFA from Interest Rate Contract Provider					
2014A	2000 Series G	5.2500%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2021	11/6/2008	
2014A	2001 Series A	4.7600%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2020	11/6/2008	
2014A	2001 Series B	4.8660%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2020	11/6/2008	
2014A	2001 Series C	4.8600%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2020	11/6/2008	
2014A	2001 Series D	4.7300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2022	11/6/2008	
2014A	2001 Series E	4.5300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2022	11/6/2008	
2014A	2001 Series F	4.7000%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008	
2014A	2002 Series A	5.0200%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008	
2014A	2002 Series B	4.9500%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008	
2014A	2002 Series C	4.8900%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008	
2014A	2002 Series D	4.7100%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2022	11/6/2008	
2014A	2002 Series E	4.4800%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2021	11/6/2008	
2014A	2002 Series F	3.7900%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2024	11/6/2008	
2014A	2002 Series G	4.1400%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2024	11/6/2008	
2015A	2003 Series A	4.5190%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2026	11/6/2008	
2015A	2003 Series B	4.0360%	SIFMA+.20%	Barclays Capital	A/A2	7/1/2024	11/6/2008	
2015A	2003 Series C	3.7800%	SIFMA+.20%	Barclays Capital	A/A2	7/1/2025	11/6/2008	
2015A	2003 Series D	4.8400%	SIFMA+.20%	Barclays Capital	A/A2	7/1/2025	11/6/2008	
2016A	2003 Series E	4.5300%	SIFMA+.20%	Barclays Capital	A/A2	7/1/2025	7/6/2016	
2016A	2004 Series A	4.0290%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2026	7/6/2016	
2016A	2004 Series B	4.3700%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2027	7/6/2016	
2016A	2004 Series C	4.3300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2025	7/6/2016	
2016A	2004 Series D	3.8500%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2028	7/6/2016	
2016A	2005 Series A	3.9000%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	7/6/2016	
2009A	2005 Series B	3.9850%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2028	11/7/2008	
2009A	2005 Series C	3.7300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2028	11/7/2008	
2016A	2005 Series D	3.8650%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	7/1/2028	7/6/2016	
2016A	2005 Series E	3.9300%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	7/6/2016	
2009A	2005 Series F	4.0950%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008	
2009A	2006 Series A	4.1000%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008	
2009A	2006 Series B	4.3500%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	7/1/2025	11/7/2008	
2009A	2006 Series C	4.3600%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2025	11/7/2008	
2009A	2006 Series D	4.4500%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2025	11/7/2008	
2012A	2007 Series D	4.8930%	LIBOR+.71%	Barclays Capital	A/A2	1/1/2026	7/1/2016	
2012A	2007 Series G	4.6910%	LIBOR+.76%	Barclays Capital	A/A2	7/1/2028	12/20/2012	

# Idaho Housing and Finance Association

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## Interest Rate Swap Agreements

(in thousands)

2019

Parity Indenture	Series	Outstanding Notional Amount		Fair Values		Change in Fair Values	
		Hedging	Investment	Hedging	Investment	Hedging	Investment
2012A	2007 Series H	22,490	-	(3,630)	-	(1,010)	-
2012A	2007 Series J	18,075	-	(2,194)	-	(375)	-
2012A	2007 Series K	16,040	-	(2,113)	-	(544)	-
2013A	2006 Series E	4,970	-	(389)	-	144	-
2013A	2006 Series F	5,070	-	(364)	-	128	-
2013A	2006 Series G	4,950	-	(337)	-	116	-
2013A	2007 Series A	5,595	-	(464)	-	106	-
2013A	2007 Series B	6,310	-	(501)	-	104	-
2013A	2007 Series C	6,715	-	(570)	-	110	-
2013A	2008 Series A	16,040	-	(2,786)	-	(1,075)	-
2013A	2008 Series B	-	13,795	(664)	(673)	558	(604)
2013A	2008 Series C	8,825	-	(604)	-	145	-
2013A	2008 Series D	3,310	-	(199)	-	41	-
		\$ 229,605	\$ 38,955	\$ (24,381)	\$ (1,894)	\$ 2,275	\$ (1,240)

## Interest Rate Swap Agreements

2019

Parity Indenture	Series	Fixed Rate		Variable Rate		Credit Rating	Scheduled Termination Date	Inception Date
		Paid by IHFA	Received by IHFA from Interest Rate Contract Provider	Interest Rate	Received by IHFA from Interest Rate Contract Provider			
2012A	2007 Series H	5.1980%	LIBOR+.76%	Barclays Capital	A/A2	7/1/2030	7/1/2016	
2012A	2007 Series J	4.4150%	LIBOR+.76%	Barclays Capital	A/A2	7/1/2028	7/1/2017	
2012A	2007 Series K	4.2310%	LIBOR+.76%	Barclays Capital	A/A2	7/1/2030	7/1/2017	
2013A	2006 Series E	5.5180%	One-month LIBOR + .80%	Barclays Capital	A/A2	1/1/2026	7/1/2017	
2013A	2006 Series F	5.2900%	One-month LIBOR + .80%	Barclays Capital	A/A2	1/1/2026	7/1/2017	
2013A	2006 Series G	5.1670%	One-month LIBOR + .80%	Barclays Capital	A/A2	1/1/2026	7/1/2017	
2013A	2007 Series A	5.0310%	One-month LIBOR + .80%	Barclays Capital	A/A2	7/1/2026	7/1/2017	
2013A	2007 Series B	4.8820%	One-month LIBOR + .80%	Barclays Capital	A/A2	1/1/2027	7/1/2017	
2013A	2007 Series C	4.9720%	One-month LIBOR + .80%	Barclays Capital	A/A2	1/1/2027	7/1/2017	
2013A	2008 Series A	4.3820%	One-month LIBOR + .80%	Barclays Capital	A/A2	7/1/2030	7/1/2017	
2013A	2008 Series B	4.2350%	One-month LIBOR + .80%	Barclays Capital	A/A2	7/1/2029	7/1/2017	
2013A	2008 Series C	4.7190%	One-month LIBOR + .80%	Barclays Capital	A/A2	7/1/2026	7/1/2017	
2013A	2008 Series D	4.4370%	One-month LIBOR + .80%	Barclays Capital	A/A2	7/1/2026	7/1/2017	

Idaho Housing and Finance Association  
Notes to Financial Statements  
June 30, 2019 and 2018

Interest Rate Swap Agreements

(in thousands)

2018

Parity Indenture	Series	Outstanding Notional Amount		Fair Values		Change in Fair Values	
		Hedging	Investment	Hedging	Investment	Hedging	Investment
2014A	2000 Series F	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ -
2014A	2000 Series G	3,790	-	(281)	-	212	-
2014A	2001 Series A	1,375	-	(58)	-	80	-
2014A	2001 Series B	1,780	-	(89)	-	99	-
2014A	2001 Series C	1,645	-	(79)	-	93	-
2014A	2001 Series D	3,765	-	(274)	-	188	-
2014A	2001 Series E	3,765	-	(257)	-	179	-
2014A	2001 Series F	2,015	-	(108)	-	105	-
2014A	2002 Series A	2,185	-	(136)	-	121	-
2014A	2002 Series B	2,205	-	(134)	-	121	-
2014A	2002 Series C	2,180	-	(128)	-	118	-
2014A	2002 Series D	3,855	-	(277)	-	193	-
2014A	2002 Series E	2,240	-	(123)	-	110	-
2014A	2002 Series F	2,810	-	(169)	-	111	-
2014A	2002 Series G	2,810	-	(197)	-	122	-
2015A	2003 Series A	4,635	-	(474)	-	229	-
2015A	2003 Series B	4,105	-	(281)	-	176	-
2015A	2003 Series C	-	2,470	(205)	39	61	(39)
2015A	2003 Series D	4,315	-	(470)	-	225	-
2016A	2003 Series E	-	4,315	(563)	144	66	(144)
2016A	2004 Series A	4,400	-	(353)	-	190	-
2016A	2004 Series B	-	4,940	(684)	190	45	(190)
2016A	2004 Series C	-	4,550	(562)	152	59	(152)
2016A	2004 Series D	6,080	-	(528)	-	257	-
2016A	2005 Series A	6,495	-	(592)	-	280	-
2009A	2005 Series B	-	6,305	(3)	(588)	865	588
2009A	2005 Series C	-	6,390	(2)	(522)	785	522
2016A	2005 Series D	6,515	-	(580)	-	278	-
2016A	2005 Series E	6,635	-	(610)	-	298	-
2009A	2005 Series F	6,915	-	(710)	-	314	-
2009A	2006 Series A	6,955	-	(718)	-	318	-
2009A	2006 Series B	4,455	-	(382)	-	208	-
2009A	2006 Series C	4,335	-	(364)	-	203	-
2009A	2006 Series D	5,055	-	(456)	-	241	-
2012A	2007 Series D	8,360	-	(580)	-	451	-
2012A	2007 Series G	19,600	-	(1,966)	-	1,287	-
2012A	2007 Series H	24,950	-	(2,620)	-	1,575	-
2012A	2007 Series J	20,370	-	(1,819)	-	1,265	-
2012A	2007 Series K	17,855	-	(1,569)	-	1,117	-

# Idaho Housing and Finance Association

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June 30, 2019 and 2018

### Interest Rate Swap Agreements

Parity Indenture	Series	2018		Interest Rate Contract Provider	Credit Rating	Scheduled Termination Date	Inception Date
		Fixed Rate	Variable Rate				
		Paid by IHFA	Received by IHFA from Interest Rate Contract Provider				
2014A	2000 Series F	5.25%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2021	11/6/2008
2014A	2000 Series G	4.87%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2020	11/6/2008
2014A	2001 Series A	4.73%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2022	11/6/2008
2014A	2001 Series B	4.53%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2022	11/6/2008
2014A	2001 Series C	4.70%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008
2014A	2001 Series D	5.02%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008
2014A	2001 Series E	4.95%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008
2014A	2001 Series F	4.89%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008
2014A	2002 Series A	4.71%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2022	11/6/2008
2014A	2002 Series B	4.48%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2021	11/6/2008
2014A	2002 Series C	3.79%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2024	11/6/2008
2014A	2002 Series D	5.30%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2018	11/6/2008
2014A	2002 Series E	4.14%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2024	11/6/2008
2014A	2002 Series F	4.76%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2020	11/6/2008
2014A	2002 Series G	4.86%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2020	11/6/2008
2015A	2003 Series A	4.52%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2026	11/6/2008
2015A	2003 Series B	4.04%	SIFMA+.20%	Barclays Capital	A/A2	7/1/2024	11/6/2008
2015A	2003 Series C	3.78%	SIFMA+.20%	Barclays Capital	A/A2	1/1/2025	11/6/2008
2015A	2003 Series D	4.84%	SIFMA+.20%	Barclays Capital	A/A2	7/1/2025	11/6/2008
2016A	2003 Series E	4.53%	SIFMA+.20%	Barclays Capital	A/A2	7/1/2025	11/6/2008
2016A	2004 Series A	4.03%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2026	11/7/2008
2016A	2004 Series B	4.37%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2027	11/7/2008
2016A	2004 Series C	4.33%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2025	11/7/2008
2016A	2004 Series D	3.85%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2028	11/7/2008
2016A	2005 Series A	3.90%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008
2009A	2005 Series B	3.99%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2028	11/7/2008
2009A	2005 Series C	3.73%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2028	11/7/2008
2016A	2005 Series D	3.87%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	7/1/2028	11/7/2008
2016A	2005 Series E	3.93%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008
2009A	2005 Series F	4.10%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008
2009A	2006 Series A	4.10%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008
2009A	2006 Series B	4.35%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	7/1/2025	11/7/2008
2009A	2006 Series C	4.36%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2025	11/7/2008
2009A	2006 Series D	4.45%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2025	11/7/2008
2012A	2007 Series D	4.89%	LIBOR+.71%	Barclays Capital	A/A2	1/1/2026	12/20/2012
2012A	2007 Series G	5.39%	LIBOR+.76%	Barclays Capital	A/A2	7/1/2028	12/20/2012
2012A	2007 Series H	5.20%	LIBOR+.76%	Barclays Capital	A/A2	7/1/2030	12/20/2012
2012A	2007 Series J	5.10%	LIBOR+.76%	Barclays Capital	A/A2	7/1/2028	12/20/2012
2012A	2007 Series K	4.93%	LIBOR+.76%	Barclays Capital	A/A2	7/1/2030	12/20/2012

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(in thousands)

2018

	Series	Outstanding Notional Amount		Fair Values		Change in Fair Values	
		Hedging	Investment	Hedging	Investment	Hedging	Investment
2013A	2006 Series E	5,835	-	(533)	-	354	-
2013A	2006 Series F	5,955	-	(492)	-	345	-
2013A	2006 Series G	5,830	-	(453)	-	330	-
2013A	2007 Series A	6,480	-	(570)	-	391	-
2013A	2007 Series B	7,340	-	(605)	-	431	-
2013A	2007 Series C	7,795	-	(680)	-	470	-
2013A	2008 Series A	17,855	-	(1,711)	-	1,153	-
2013A	2008 Series B	-	15,400	(1,222)	(69)	1,018	69
2013A	2008 Series C	10,155	-	(749)	-	569	-
2013A	2008 Series D	3,810	-	(240)	-	201	-
		\$ 269,505	\$ 44,370	\$ (26,656)	\$ (654)	\$ 17,924	\$ 654

Interest Rate Swap Agreements

2018

Parity Indenture	Series	Fixed Rate Paid by IHFA	Variable Rate		Interest Rate Contract Provider	Credit Rating	Scheduled Termination Date	Inception Date
			Received by IHFA from Interest Rate Contract Provider					
2013A	2006 Series E	5.55%	One-month LIBOR + .80%		Barclays Capital	A/A2	1/1/2026	11/22/2013
2013A	2006 Series F	5.32%	One-month LIBOR + .80%		Barclays Capital	A/A2	1/1/2026	11/22/2013
2013A	2006 Series G	5.20%	One-month LIBOR + .80%		Barclays Capital	A/A2	7/1/2026	11/22/2013
2013A	2007 Series A	5.37%	One-month LIBOR + .80%		Barclays Capital	A/A2	7/1/2026	11/22/2013
2013A	2007 Series B	5.22%	One-month LIBOR + .80%		Barclays Capital	A/A2	1/1/2027	11/22/2013
2013A	2007 Series C	5.31%	One-month LIBOR + .80%		Barclays Capital	A/A2	1/1/2027	11/22/2013
2013A	2008 Series A	5.12%	One-month LIBOR + .80%		Barclays Capital	A/A2	7/1/2030	11/22/2013
2013A	2008 Series B	4.98%	One-month LIBOR + .80%		Barclays Capital	A/A2	7/1/2029	11/22/2013
2013A	2008 Series C	5.05%	One-month LIBOR + .80%		Barclays Capital	A/A2	7/1/2026	11/22/2013
2013A	2008 Series D	4.77%	One-month LIBOR + .80%		Barclays Capital	A/A2	7/1/2026	11/22/2013

At June 30, 2019 and 2018, the Association has \$388,000,000 and \$305,697,027, respectively, in forward sales contracts (“To Be Announced” or “TBA” contracts) to issue GNMA securities in order to lock in the sales price for the securitization of single-family loans. These securities represent pools of qualified first mortgage loans originated by Association-approved lenders and brokers. Under this program, the Association periodically enters into forward contracts to sell GNMA Mortgage Backed Securities to investors before the securities are ready for delivery. The Association enters into TBA mortgage-backed security Contracts to hedge the interest rate risk for loan commitments made to originating mortgage lenders. These contracts are considered investment derivatives and are not rated.

# Idaho Housing and Finance Association

Notes to Financial Statements

June 30, 2019 and 2018

<u>TBA Forward Contracts</u>				
<u>Contract</u>	<u>Coupon rate</u>	2019		<u>Counterparty Credit Rating</u>
		<u>Outstanding Notional Amount</u>	<u>Fair Values</u>	
7/1/2019	3.50%	\$ 4,000,000	\$ (63,125)	AAA/Aaa
7/1/2019	3.50%	8,000,000	(138,750)	AAA/Aaa
7/1/2019	3.50%	5,000,000	(82,813)	AAA/Aaa
7/1/2019	3.50%	4,000,000	(67,500)	AAA/Aaa
7/1/2019	3.50%	4,000,000	(61,250)	AAA/Aaa
7/1/2019	3.50%	8,000,000	(116,250)	AAA/Aaa
7/1/2019	3.50%	14,000,000	(168,984)	AAA/Aaa
7/1/2019	4.00%	5,000,000	(34,375)	AAA/Aaa
7/1/2019	4.00%	24,000,000	(180,000)	AAA/Aaa
7/1/2019	4.00%	8,000,000	(8,750)	AAA/Aaa
7/1/2019	4.00%	7,000,000	(29,531)	AAA/Aaa
7/1/2019	3.50%	13,500,000	(148,711)	AAA/Aaa
7/1/2019	3.50%	4,000,000	(72,500)	AAA/Aaa
7/1/2019	3.50%	8,000,000	(97,500)	AAA/Aaa
7/1/2019	4.00%	5,000,000	(46,094)	AAA/Aaa
7/1/2019	4.00%	8,000,000	(71,250)	AAA/Aaa
7/1/2019	4.00%	5,500,000	(6,875)	AAA/Aaa
7/1/2019	4.00%	5,000,000	(24,219)	AAA/Aaa
7/1/2019	4.50%	32,000,000	(125,000)	AAA/Aaa
8/1/2019	3.50%	10,000,000	(105,469)	AAA/Aaa
8/1/2019	3.50%	14,000,000	(112,656)	AAA/Aaa
8/1/2019	3.50%	8,000,000	(18,750)	AAA/Aaa
8/1/2019	3.50%	6,500,000	(25,391)	AAA/Aaa
8/1/2019	3.50%	7,000,000	(51,406)	AAA/Aaa
8/1/2019	3.50%	25,000,000	(54,688)	AAA/Aaa
8/1/2019	3.50%	15,000,000	(37,500)	AAA/Aaa
8/1/2019	3.50%	7,000,000	(13,125)	AAA/Aaa
8/1/2019	4.00%	11,000,000	(13,750)	AAA/Aaa
8/1/2019	3.50%	13,000,000	(36,563)	AAA/Aaa
8/1/2019	3.50%	8,000,000	(42,188)	AAA/Aaa
8/1/2019	3.50%	1,250,000	(5,859)	AAA/Aaa
8/1/2019	3.50%	15,000,000	(62,109)	AAA/Aaa
8/1/2019	3.50%	5,000,000	(28,125)	AAA/Aaa
8/1/2019	4.00%	12,000,000	(31,875)	AAA/Aaa
8/1/2019	4.00%	3,250,000	(10,156)	AAA/Aaa
9/1/2019	3.00%	12,000,000	8,437	AAA/Aaa
9/1/2019	3.00%	10,000,000	(21,875)	AAA/Aaa
9/1/2019	3.50%	10,000,000	(21,094)	AAA/Aaa
9/1/2019	3.50%	8,000,000	(11,250)	AAA/Aaa
9/1/2019	3.00%	5,000,000	19,531	AAA/Aaa
9/1/2019	3.50%	10,000,000	15,625	AAA/Aaa
		<u>\$ 388,000,000</u>	<u>\$ (2,203,713)</u>	



# Idaho Housing and Finance Association

Notes to Financial Statements

June 30, 2019 and 2018

<u>TBA Forward Contracts</u>				
2018				
<u>Contract</u>	<u>Coupon rate</u>	<u>Outstanding Notional Amount</u>	<u>Fair Values</u>	<u>Counterparty Credit Rating</u>
April 2018	4.00%	\$ 4,000,000	\$ (19,380)	AAA/Aaa
April 2018	4.00%	7,000,000	(31,728)	AAA/Aaa
April 2018	4.00%	1,000,000	(6,251)	AAA/Aaa
April 2018	4.00%	7,000,000	(8,759)	AAA/Aaa
April 2018	4.00%	6,000,000	(17,820)	AAA/Aaa
May 2018	4.00%	10,000,000	(70,325)	AAA/Aaa
May 2018	4.00%	19,000,000	(133,618)	AAA/Aaa
May 2018	4.00%	24,000,000	(176,280)	AAA/Aaa
May 2018	4.00%	10,000,000	(73,450)	AAA/Aaa
May 2018	4.00%	6,000,000	(20,633)	AAA/Aaa
May 2018	4.00%	4,000,000	(38,130)	AAA/Aaa
May 2018	4.00%	5,000,000	(18,756)	AAA/Aaa
May 2018	4.00%	10,000,000	(65,638)	AAA/Aaa
May 2018	4.00%	7,500,000	(77,353)	AAA/Aaa
May 2018	4.00%	5,000,000	(24,225)	AAA/Aaa
May 2018	4.00%	5,000,000	(26,569)	AAA/Aaa
May 2018	4.00%	5,000,000	(26,569)	AAA/Aaa
May 2018	4.50%	7,000,000	(48,108)	AAA/Aaa
May 2018	4.50%	10,000,000	(18,800)	AAA/Aaa
May 2018	4.50%	7,000,000	(65,660)	AAA/Aaa
May 2018	4.00%	5,000,000	(25,781)	AAA/Aaa
May 2018	4.00%	5,000,000	(5,859)	AAA/Aaa
May 2018	4.00%	5,000,000	3,125	AAA/Aaa
June 2018	3.50%	179,027	(7)	AAA/Aaa
June 2018	4.00%	10,000,000	(29,700)	AAA/Aaa
June 2018	4.00%	6,000,000	(21,819)	AAA/Aaa
June 2018	4.00%	25,000,000	(102,633)	AAA/Aaa
June 2018	4.00%	4,000,000	(16,421)	AAA/Aaa
June 2018	4.00%	14,000,000	(59,115)	AAA/Aaa
June 2018	4.00%	6,000,000	(6,563)	AAA/Aaa
June 2018	4.00%	8,000,000	(11,875)	AAA/Aaa
June 2018	4.00%	7,000,000	(18,594)	AAA/Aaa
June 2018	4.00%	5,000,000	(14,063)	AAA/Aaa
June 2018	4.50%	10,000,000	(23,413)	AAA/Aaa
June 2018	4.00%	7,000,000	(14,219)	AAA/Aaa
June 2018	4.00%	10,000,000	(25,000)	AAA/Aaa
June 2018	4.00%	5,000,000	(13,281)	AAA/Aaa
June 2018	4.00%	7,000,000	1,094	AAA/Aaa
June 2018	4.00%	7,000,000	3,281	AAA/Aaa
		<u>\$ 305,679,027</u>	<u>\$ (1,348,891)</u>	

**Note 8 - Retirement Plans**

The Idaho Housing and Finance Association Defined Contribution Retirement Plan covers substantially all Association employees. The Association contributes eight percent of annual compensation for each eligible permanent employee to a segregated account held in trust by Wells Fargo Bank. Employees are eligible to participate in the retirement plan after completion of 1,040 hours of continuous employment, and 100 percent vesting is achieved ratably over a period of five years. Plan provisions and contribution requirements are established, and may be amended, by the Association. The Association's retirement plan expense for the years ending June 30, 2019 and 2018 were \$923,000 and \$861,000, respectively. Employees do not contribute to this Plan.

The Association also offers a deferred compensation plan qualified under Section 457 of the Internal Revenue Code. All employees who have completed 30 days of continuous employment with the Association are eligible to participate. The plan permits employees to defer up to 100 percent per year (or a maximum of \$16,500 for those under 50 and \$22,000 for those 50 and older), of salary before taxes. The Association will match up to two percent of the employee's deferral to be deposited into the employee's account and immediately vested. The Association's deferred compensation plan expense for the years ending June 30, 2019 and 2018 was \$193,000 and \$179,000, respectively. Investment choices for all contributions are employee-directed. The assets for these retirement plans are not included in the Association's financial statements as they are substantially the property of employees and are held in segregated trust accounts

**Note 9 - Conduit Debt Obligations**

Interpretation No. 2 of the GASB requires disclosure of conduit debt obligations. Conduit debt obligations are certain limited obligation debt instruments issued for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. From time to time, the Association has issued bonds to provide financial assistance to entities for the construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying investments. Upon repayment of the bonds, ownership of the constructed facilities transfers to the entity served by the bond issuance. The Association is not obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2019 and 2018, there were forty-three and forty, respectively, series of bonds outstanding that meet the description of conduit debt obligations not included in the Association's financial statements. They had aggregate principal amounts payable of \$363,276,000 and \$310,113,000, respectively.

The Association services conduit debt obligations for housing and transportation-related bond issuances. The Association is not obligated in any manner for repayment of these housing and transportation related conduit debt obligations. The Association has determined that this series of bonds outstanding meet the description of conduit debt obligations not included in the Association's financial statements. The total outstanding indebtedness and accrued interest as of June 30, 2019 and 2018 is \$682,011,000 and \$523,330,000, respectively.

Since conduit debt by definition does not create net position to the Association, those issuances included within the financial statements with a net position have their net position re-classed to either an asset or a liability depending on the initial net position. To facilitate this re-class, a reporting classification titled "Multifamily trusts' pledged revenues" appears on the Statements of Revenues, Expenses, and Changes in Net Position. These amounts represent changes in net claims/(advance receipt(s)) to/(of) revenue sufficient to cover obligations and expenses of the issuance. Asset and liability amounts are reported in Other Assets and Other Liabilities in the Statements of Net Position, the Supplemental Financial Information Section (Bondholder Trusts, combined and detailed), and Footnote 11 (Multifamily bonds pledged revenues adjustment). Asset balances represent claims to future receipts sufficient to cover a shortfall between total receipts and total current obligations; liability balances represent receipt of total revenues that exceed what is sufficient and required for total current obligations.

### Note 10 - Capital Assets (in thousands)

A summary of activity in the Capital Assets is as follows:

(in thousands)	Balance at June 30,2018	Additions	Reclass	Retirements	Balance at June 30,2019
<b>Capital assets</b>					
Land	\$ 811	\$ 1,310	\$ -	\$ (56)	\$ 2,065
Buildings and improvements	6,806	1,732	(142)	(694)	7,702
Furniture and equipment	4,648	885	142	(254)	5,421
Leasehold improvements	754	90	-	-	844
Computer software	2,200	359	-	-	2,559
Total capital assets	<u>15,219</u>	<u>4,376</u>	<u>-</u>	<u>(1,004)</u>	<u>18,591</u>
<b>Less accumulated depreciation for</b>					
Land					
Buildings and improvements	(3,630)	(169)	-	586	(3,213)
Furniture and equipment	(3,103)	(463)	-	252	(3,314)
Leasehold improvements	(205)	(32)	-	-	(237)
Computer software	(1,821)	(260)	-	1	(2,080)
Total accumulated depreciation	<u>(8,759)</u>	<u>(924)</u>	<u>-</u>	<u>839</u>	<u>(8,844)</u>
Total capital assets, net	<u>\$ 6,460</u>	<u>\$ 3,452</u>	<u>\$ -</u>	<u>\$ (165)</u>	<u>\$ 9,747</u>

Idaho Housing and Finance Association

Notes to Financial Statements

June 30, 2019 and 2018

(in thousands)	Balance at June 30,2017	Additions	Reclass	Retirements	Balance at June 30,2018
<b>Capital assets</b>					
Land	\$ 820	\$ 12	\$ -	\$ (21)	\$ 811
Buildings and improvements	6,746	284	(48)	(176)	6,806
Furniture and equipment	3,501	1,117	48	(18)	4,648
Leasehold improvements	528	226	-	-	754
Computer software	1,875	325	-	-	2,200
	<u>13,470</u>	<u>1,964</u>	<u>-</u>	<u>(215)</u>	<u>15,219</u>
<b>Less accumulated depreciation for</b>					
Land					
Buildings and improvements	(3,610)	(178)	-	158	(3,630)
Furniture and equipment	(2,833)	(287)	-	17	(3,103)
Leasehold improvements	(177)	(28)	-	-	(205)
Computer software	(1,697)	(124)	-	-	(1,821)
	<u>(8,317)</u>	<u>(617)</u>	<u>-</u>	<u>175</u>	<u>(8,759)</u>
Total accumulated depreciation	<u>(8,317)</u>	<u>(617)</u>	<u>-</u>	<u>175</u>	<u>(8,759)</u>
Total capital assets, net	<u>\$ 5,153</u>	<u>\$ 1,347</u>	<u>\$ -</u>	<u>\$ (40)</u>	<u>\$ 6,460</u>

**Note 11 - Other Assets and Liabilities**

Other Assets and Other Liabilities as of June 30, 2019 and 2018 are composed of the Accounts and Balances as follows (in thousands):

	2019	2018
<b>Other Assets</b>		
Accounts receivable	\$ 27,036	\$ 15,582
Multifamily trusts' pledged revenues receivable	49	49
Prepaid expenses	119	139
Insurance receivable	15,397	550
Loans pending foreclosure	984	2,483
Nonconforming loans-Held for sale	3,628	2,139
REO mortgages receivable	2,664	6,453
	<u>\$ 49,877</u>	<u>\$ 27,395</u>

Idaho Housing and Finance Association

Notes to Financial Statements

June 30, 2019 and 2018

	2019	2018
Other Liabilities		
Accounts payable	\$ 806	\$ 368
Accrued vacation and other payroll related liabilities	1,304	885
Federal programs advances and unapplied program income	8,568	8,004
Security deposits	-	2
Unapplied payments	13,885	5,821
Reserve on loans serviced	3,118	700
Other accrued liability	5,538	1,906
	\$ 33,219	\$ 17,686

**Note 12 - Tax-Exempt Mortgage-Backed Securities**

Tax-exempt mortgage-backed securities (TEMS) are tax-exempt securities which are collateralized by mortgage loan pools. The TEMS are special, limited obligations of the Association and are payable solely from pledged mortgages and their revenues. The TEMS are secured by the mortgages, their related revenues, and the Ginnie Mae mortgage-backed security guarantee. Neither the State of Idaho nor any political subdivision thereof is obligated to pay the TEMS. Nor is the faith and credit, nor the taxing power of the State of Idaho or of any political subdivision thereof pledged for the payment of the principal or interest on the TEMS.

TEMS are collateralized by the mortgage loan pool with the same maturity terms as the TEMS. The payments from the mortgages are used to pay the principal and interest payments of the TEMS. The Association is the servicer for the mortgages. The Ginnie Mae trustee holds the deed of trust and the first lien on the properties that underlie the mortgages in a trust that benefits the Association as mortgage pool owner as well as Ginnie Mae as mortgage pool guarantor.

Idaho Housing and Finance Association

Notes to Financial Statements

June 30, 2019 and 2018

Series	Maturity Date	2019	2018
HOMES	May 2044	\$ 8,309,576	\$ 10,067,771
HOMES	August 2044	7,881,995	10,008,467
HOMES	December 2044	4,373,753	5,178,029
HOMES	April 2045	5,533,441	6,939,512
HOMES	May 2045	10,069,426	12,579,521
HOMES	July 2045	16,966,682	19,438,738
IHFA TEMS 2015A Revenue Account	October 2045	17,728,151	22,456,374
IHFA TEMS 2015B Revenue Account	November 2045	10,197,420	11,876,410
IHFA TEMS 2015C Revenue Account	December 2045	14,840,271	18,420,155
IHFA TEMS 2016A Revenue Account	February 2046	30,541,881	38,298,090
IHFA TEMS 2016B Revenue Account	March 2046	10,637,143	12,732,299
IHFA TEMS 2016C Revenue Account	April 2046	12,350,245	14,879,340
IHFA TEMS 2016D Revenue Account	May 2046	17,573,716	21,036,224
IHFA TEMS 2016E Revenue Account	June 2046	15,929,225	19,931,953
IHFA TEMS 2016F Revenue Account	July 2046	16,459,641	20,186,503
IHFA TEMS 2016G Revenue Account	August 2046	24,027,192	28,978,417
IHFA TEMS 2016H Revenue Account	September 2046	10,996,449	13,782,931
IHFA TEMS 2016I Revenue Account	December 2046	10,475,406	12,831,977
IHFA TEMS 2017A Revenue Account	January 2047	16,410,204	19,419,401
IHFA TEMS 2017B Revenue Account	February 2047	11,759,461	13,537,635
IHFA TEMS 2017C Revenue Account	April 2047	18,690,788	21,404,023
IHFA TEMS 2017D Revenue Account	May 2047	17,719,491	19,387,753
IHFA TEMS 2017E Revenue Account	July 2047	10,024,539	12,686,849
IHFA TEMS 2017F Revenue Account	August 2048	20,364,995	23,279,125
IHFA TEMS 2017G Revenue Account	September 2047	13,652,551	14,976,358
IHFA TEMS 2017H Revenue Account	October 2047	17,963,139	19,685,752
IHFA TEMS 2017I Revenue Account	November 2047	16,317,670	17,340,664
IHFA TEMS 2017J Revenue Account	December 2047	24,516,374	25,831,517
IHFA TEMS 2018A Revenue Account	January 2048	14,692,581	15,950,848
IHFA TEMS 2018B Revenue Account	April 2048	14,050,016	15,080,060
IHFA TEMS 2018C Revenue Account	July 2048	12,322,425	-
IHFA TEMS 2018D Revenue Account	August 2048	16,288,049	-
IHFA TEMS 2018E Revenue Account	October 2048	27,376,909	-
IHFA TEMS 2018F Revenue Account	December 2048	27,391,324	-
IHFA TEMS 2019A Revenue Account	January 2049	23,035,887	-
IHFA TEMS 2019B Revenue Account	April 2049	28,569,583	-
IHFA TEMS 2019C Revenue Account	June 2049	21,533,069	-
Total Tax-Exempt Mortgage-back Securities (TEMS)		<u>\$ 597,570,666</u>	<u>\$ 518,202,696</u>

**Note 13 - Risk Management**

The Association maintains commercial insurance coverage for officer errors and omissions, tort claims, and property loss and other casualties. The State Fund of Idaho, a competitive state fund, writes the Association's worker compensation coverage. The Association's premiums and loss experience modifications are based on the loss experience of the Association.

**Note 14 - Component Units**

The Housing Company (THC), The Home Partnership Foundation, Inc. (HPF), and Idaho Community Investment Holdings, LLC, and are legally separate 501(c)3 component units of the Association.

THC was formed to develop, acquire and operate real estate for the benefit of elderly, disadvantaged, limited-income or otherwise needy persons throughout the state of Idaho. As of December 31, 2018, THC had acquired and was operating fifteen multifamily housing complexes; had constructed and was operating fifteen multifamily housing complexes; had constructed two additional phases of housing to existing developments; had completed renovation of a hotel and turned it into a new multifamily complex; had built a single family home known as The Cottage with HOME funds; had purchased land in Montpelier for the purpose of developing and selling workforce housing units; had purchased a single family home in Canyon County with federal NSP funds and turned it into special needs housing as intended by the program; had purchased three duplexes in Canyon County with federal NSP funds to rent as affordable housing; and had constructed and sold three homes in Nez Perce with HOME funds; and had completed construction on three duplexes in Kuna with HOME and Housing Trust Fund moneys. Started the renovation of a hotel to turn into a new multifamily complex in Idaho Falls. Certain personnel of the Association provide services to THC and an equal number of Association Commissioners serve on THC's Board. As of December 31, 2018, three Association Commissioners and the Association's President serve on THC's Board of Directors. THC pays all expenses associated with THC operations. As of June 30, 2019 and 2018 THC paid the Association \$1,129,000 and \$985,000, respectively. THC owed \$187,000 and \$189,000 as of June 30, 2019 and 2018, respectively. Complete financial statements for THC can be obtained from THC at P.O. Box 7899, Boise, ID 83707.

THC processes and pays vendor invoices for a townhome project, Valley Centre Townhomes, owned by the Association and 10 IHFA owned REO rental properties. The Association reimburses THC for amounts paid on a quarterly basis.

HPF helps people build a strong foundation for their lives through stable, safe, and affordable housing by making available financial resources they would not be able to obtain elsewhere. The Foundation supports shelters and shelter services for Idaho's homeless and most disadvantaged, encourages financial independence by educating individuals and families, invests in workforce housing, and facilitates tax-advantaged land donations for housing development. HPF's Board of Directors, consists primarily of Association Commissioners plus one non-Association Commission member. Certain general, administrative and fundraising expenses of the Foundation are paid by the Association. The Association also provides occupancy, accounting, gift receipting and cash management services to the Foundation. The value of these services is not reflected in the accompanying financial statements since they are not susceptible to objective measurement or valuation. Complete financial statements for HPF can be obtained from HPF at P.O. Box 7899, Boise, ID 83707.

**Note 15 - Restatement**

During fiscal year 2019, the Association identified misstatements within the 2018 financial statements related to disclosures and amounts related to its tax-exempt mortgage-backed securities (TEMS). The Association restated its previous financial statements to appropriately reflect the June 30, 2018 balances and activities. The chart below shows the financial statement line affected by the restatement.

The restatement had no impact on net position as of June 30, 2018.

As of June 30,	<u>2018</u>	<u>Restatement</u>	<u>2018</u>
Tax Exempt Mortgage Securities Asset	\$ -	\$ 518,203	\$ 518,203
Tax Exempt Mortgage Securities Liability	-	518,203	518,203
Interest Revenue	46,338	15,503	61,841
Interest Expense	45,255	15,503	60,758

In addition to the financial statement lines shown in the chart above, the restatement increased the receipts from customers, loan interest, and other fees on the Statement of Cash Flows by \$15.503 million and increased the interest paid on the Statements of Cash Flows by \$15.503 million for the year ended June 30, 2018. The restatement had no impact on the net cash provided by operating activities or ending cash and cash equivalents for the period ended June 30, 2018.





Supplementary Information  
June 30, 2019

# Idaho Housing and Finance Association

Idaho Housing and Finance Association  
 Combined Statement of Net Position – Association Accounts  
 June 30, 2019

(in thousands)

	Business Operations			Rating			Inter- Foundation Eliminations	All The Home Partnership Unit	All Reporting Entity		
	General	Federally	Affordable	Compliance	Combined Bondholder Trusts (1)						
	Operating and	Assisted	Housing	and Loan							
	Custodial	Program	Investment	Guarantee							
Accounts	Combined	Trust	Trust	Eliminations	Accounts	Accounts					
Statement of Net Position											
Assets and Deferred Outflows of Resources											
All Cash and Cash Equivalents	\$ 236,394	\$ 11,523	\$ 247,917	\$ 1	\$ 15,000	\$ -	\$ -	\$ 262,918	\$ 1,507	\$ -	\$ 264,425
All Investments, fair value	12,453	-	12,453	118	25,540	215,125	-	253,236	502	-	253,738
Loans Held for Investment, net	29,343	231	29,574	57,607	3,145	208,361	-	298,687	1	-	298,688
State of Idaho GARVEE Receivable	-	-	-	-	-	537,242	-	537,242	-	-	537,242
Loans available for sale	163,006	-	163,006	-	-	-	-	163,006	-	-	163,006
Tax Exempt Mortgage Securities Asset	597,571	-	597,571	-	-	-	-	597,571	-	-	597,571
Loans Pending Modification	6,029	-	6,029	-	-	-	-	6,029	-	-	6,029
Loan servicing contracts	116,510	-	116,510	-	-	-	-	116,510	-	-	116,510
Property and Equipment	9,704	-	9,704	43	-	-	-	9,747	-	-	9,747
Other Assets	68,245	1,645	69,890	1,626	87,142	3,568	(112,464)	49,762	115	-	49,877
Deferred Outflow---Interest Rate Swap Contracts	-	-	-	-	-	36,048	-	36,048	-	-	36,048
	<u>\$ 1,239,255</u>	<u>\$ 13,399</u>	<u>\$ 1,252,654</u>	<u>\$ 59,395</u>	<u>\$ 130,827</u>	<u>\$ 1,000,344</u>	<u>\$ (112,464)</u>	<u>\$ 2,330,756</u>	<u>\$ 2,125</u>	<u>\$ -</u>	<u>\$ 2,332,881</u>
Liabilities, Deferred Inflows of Resources, and Net Position											
Bonds	\$ -	\$ -	\$ -	\$ -	\$ 26,766	\$ 911,710	\$ -	\$ 938,476	\$ -	\$ -	\$ 938,476
Commercial Paper	130,000	-	130,000	-	-	-	-	130,000	-	-	130,000
Tax Exempt Mortgage Securities Liability	597,571	-	597,571	-	-	-	-	597,571	-	-	597,571
Swap Contract Fair Value Liability	-	-	-	-	-	24,381	-	24,381	-	-	24,381
Interest Payable-Swap Contract	-	-	-	-	-	6,078	-	6,078	-	-	6,078
Escrow and Project Reserve Deposits	118,079	332	118,411	-	-	-	-	118,411	-	-	118,411
Investor Remittance Liability	96,276	-	96,276	-	-	-	-	96,276	-	-	96,276
Other Liabilities	133,518	11,151	144,669	219	127	551	(112,464)	33,102	117	-	33,219
Deferred Inflow--Interest Rate Swap Contracts	-	-	-	-	-	259	-	259	-	-	259
Net Position	<u>163,811</u>	<u>1,916</u>	<u>165,727</u>	<u>59,176</u>	<u>103,934</u>	<u>57,365</u>	<u>-</u>	<u>386,202</u>	<u>2,008</u>	<u>-</u>	<u>388,210</u>
	<u>\$ 1,239,255</u>	<u>\$ 13,399</u>	<u>\$ 1,252,654</u>	<u>\$ 59,395</u>	<u>\$ 130,827</u>	<u>\$ 1,000,344</u>	<u>\$ (112,464)</u>	<u>\$ 2,330,756</u>	<u>\$ 2,125</u>	<u>\$ -</u>	<u>\$ 2,332,881</u>

Idaho Housing and Finance Association  
 Combined Statement of Revenues, Expenses, and Changes in Net Position – Association Accounts  
 Year Ended June 30, 2019

(in thousands)

	Business Operations			Affordable Housing Investment Trust	Rating Compliance and Loan Guarantee Trust	Combined Bondholder Trusts (1)	Interfund Eliminations	All Association Accounts	The Home Partnership Foundation	Inter-Component Unit Eliminations	All Reporting Entity Accounts
	General Operating and Custodial Accounts	Federally Assisted Program	Combined								
Statement of Revenues, Expenses and Changes in Net Position											
Operating Revenues											
Interest on Loans	\$ 23,638	\$ -	\$ 23,638	\$ 2,861	\$ 354	\$ 34,409	\$ -	\$ 61,262	\$ -	\$ -	\$ 61,262
Interest on Investments	1,149	2	1,151	19	519	5,169	-	6,858	13	-	6,871
Contract and Grant Administration Fees	12,459	-	12,459	-	-	-	(129)	12,330	720	(1,086)	11,964
Gains on Loan Sales	38,128	-	38,128	-	-	-	-	38,128	-	-	38,128
Loan Servicing Fees	36,828	-	36,828	163	6	915	(899)	37,013	-	-	37,013
Other	1,381	965	2,346	194	-	53	-	2,593	610	-	3,203
Total operating revenues	113,583	967	114,550	3,237	879	40,546	(1,028)	158,184	1,343	(1,086)	158,441
Operating Expenses											
Interest	21,900	-	21,900	-	1,238	36,418	-	59,556	-	-	59,556
Salaries and Benefits	17,724	121	17,845	-	-	-	-	17,845	136	-	17,981
Loan acquisition costs	35,101	-	35,101	776	-	-	-	35,877	-	-	35,877
General Operating	10,362	929	11,291	188	22	1,012	(1,028)	11,485	88	-	11,573
Bond financing costs	-	-	-	-	-	588	-	588	-	-	588
Grants to Others	-	-	-	1,086	-	-	-	1,086	1,035	(1,086)	1,035
Loss on Real Estate Owned Properties	2,441	-	2,441	759	-	-	-	3,200	-	-	3,200
Other	826	52	878	-	-	92	-	970	885	-	1,855
Total operating expenses	88,354	1,102	89,456	2,809	1,260	38,110	(1,028)	130,607	2,144	(1,086)	131,665
Operating Income (Loss)	25,229	(135)	25,094	428	(381)	2,436	-	27,577	(801)	-	26,776
Nonoperating Revenues and Expenses											
Net Increase (Decrease) in Fair Value of Investments	(853)	-	(853)	(1)	-	648	-	(206)	-	-	(206)
Net Increase (Decrease) in Fair Value of Servicing contracts	4,031	-	4,031	-	-	-	-	4,031	-	-	4,031
Derivative instruments, interest rate swap	-	-	-	-	-	3,465	-	3,465	-	-	3,465
Federal Pass-Through Revenues	-	45,903	45,903	-	-	-	-	45,903	-	-	45,903
Federal Pass-Through Expenses	-	(45,782)	(45,782)	-	-	-	-	(45,782)	-	-	(45,782)
Total nonoperating revenues and expenses	3,178	121	3,299	(1)	-	4,113	-	7,411	-	-	7,411
Change in Net Position	28,407	(14)	28,393	427	(381)	6,549	-	34,988	(801)	-	34,187
Net Position, Beginning of Period	154,012	1,106	155,118	52,875	89,152	54,069	-	351,214	2,809	-	354,023
Transfers	(18,608)	824	(17,784)	5,874	15,163	(3,253)	-	-	-	-	-
Net Position, End of Period	\$ 163,811	\$ 1,916	\$ 165,727	\$ 59,176	\$ 103,934	\$ 57,365	\$ -	\$ 386,202	\$ 2,008	\$ -	\$ 388,210

(1) The detail of the Combined Bondholder Trusts is presented on pages 57-58.

Idaho Housing and Finance Association  
 Combined Statement of Net Position – Combined Bondholder Trusts  
 June 30, 2019

(in thousands)

						Falls Creek											Combined Bonds	
	2000	2003	2006	2009	2019	Variable Rat Demand Housing Revenue	2006 Grant and Revenue	2008A Grant and Revenue	2009A Grant and Revenue	2010A Grant and Revenue	2011 Grant and Revenue	2012A Grant and Revenue	2014A Grant and Revenue	2015A Grant and Revenue	2017A Grant and Revenue	2019A Grant and Revenue		
	Indenture	Indenture	Indenture	Indenture	Indenture	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	
<b>Assets and Deferred Outflows of Resources</b>																		
Cash and Cash Equivalents held in trust																		-
Investments, fair value held in trust	\$ 6,465	\$ 53,720	\$ 16,823	\$ 1,061	\$ -	\$ 111	\$ -	\$ 599	\$ 600	\$ 1,746	\$ 233	\$ 181	\$ 379	\$ 987	\$ 180	\$ 132,040	\$ 215,125	
Loans Held for Investment, net	27,631	62,951	101,012	8,977	-	7,790	-	-	-	-	-	-	-	-	-	-	-	208,361
Deferred Bond Financing Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State of Idaho GARVEE Payable	-	-	-	-	-	-	1,532	10,007	18,533	70,374	66,413	28,335	65,925	165,488	103,206	7,429	537,242	
Other Assets	241	725	2,474	79	-	49	-	-	-	-	-	-	-	-	-	-	-	3,568
Deferred Outflow--Interest Rate Swap Contracts	1,130	8,275	26,643	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,048
	<u>\$ 35,467</u>	<u>\$ 125,671</u>	<u>\$ 146,952</u>	<u>\$ 10,117</u>	<u>\$ -</u>	<u>\$ 7,950</u>	<u>\$ 1,532</u>	<u>\$ 10,606</u>	<u>\$ 19,133</u>	<u>\$ 72,120</u>	<u>\$ 66,646</u>	<u>\$ 28,516</u>	<u>\$ 66,304</u>	<u>\$ 166,475</u>	<u>\$ 103,386</u>	<u>\$ 139,469</u>	<u>\$ 1,000,344</u>	
<b>Liabilities, Deferred Outflows of Resources, and Net Position</b>																		
Bonds	\$ 28,848	\$ 107,950	\$ 88,620	\$ 4,281	\$ -	\$ 7,877	\$ 1,532	\$ 10,606	\$ 19,133	\$ 72,120	\$ 66,646	\$ 28,516	\$ 66,304	\$ 166,475	\$ 103,333	\$ 139,469	\$ 911,710	
Swap Contract Fair Value Liability	537	6,224	17,620	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,381
Interest Payable-Swap Contract	596	1,792	3,690	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,078
Other Liabilities	6	74	313	32	-	73	-	-	-	-	-	-	-	-	53	-	-	551
Deferred Inflow--Interest Rate Swap Contracts	-	259	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	259
Net Position	5,480	9,372	36,709	5,804	-	-	-	-	-	-	-	-	-	-	-	-	-	57,365
	<u>\$ 35,467</u>	<u>\$ 125,671</u>	<u>\$ 146,952</u>	<u>\$ 10,117</u>	<u>\$ -</u>	<u>\$ 7,950</u>	<u>\$ 1,532</u>	<u>\$ 10,606</u>	<u>\$ 19,133</u>	<u>\$ 72,120</u>	<u>\$ 66,646</u>	<u>\$ 28,516</u>	<u>\$ 66,304</u>	<u>\$ 166,475</u>	<u>\$ 103,386</u>	<u>\$ 139,469</u>	<u>\$ 1,000,344</u>	

Idaho Housing and Finance Association  
 Combined Statements of Revenues, Expenses, and Changes in Net Position – Combined Bondholder Trusts  
 Year Ended June 30, 2019

(in thousands)

	2000	2003	2006	2009	2019	Falls Creek											Combined
						Variable Rat	2006	2008A	2009A	2010A	2011	2012A	2014A	2015A	2017A	2019A	
						Demand Housing Revenue	Grant and Revenue	Grant and Revenue	Grant and Revenue	Grant and Revenue	Grant and Revenue	Grant and Revenue	Grant and Revenue	Grant and Revenue	Grant and Revenue	Grant and Revenue	
Indenture	Indenture	Indenture	Indenture	Indenture	Revenue	Anticipation	Anticipation	Anticipation	Anticipation	Anticipation	Anticipation	Anticipation	Anticipation	Anticipation	Anticipation	Bonds	
Operating Revenues																	
Interest on Loans	\$ 1,781	\$ 3,685	\$ 5,787	\$ 391	\$ -	\$ 567	\$ -	\$ -	\$ 403	\$ 4,309	\$ 2,981	\$ 861	\$ 2,642	\$ 6,850	\$ 3,379	\$ 773	\$ 34,409
Interest on Investments	192	2,437	1,855	63	-	3	-	9	9	20	5	3	6	17	4	546	5,169
Loan Servicing Fees	102	246	532	35	-	-	-	-	-	-	-	-	-	-	-	-	915
Other	-	-	53	-	-	-	-	-	-	-	-	-	-	-	-	-	53
Total operating revenues	2,075	6,368	8,227	489	-	570	-	9	412	4,329	2,986	864	2,648	6,867	3,383	1,319	40,546
Operating Expenses																	
Interest	1,545	5,224	6,853	231	-	465	-	4	406	4,309	2,970	856	2,631	6,831	3,362	731	36,418
General Operating	131	270	469	-	-	13	-	5	6	20	16	8	17	36	21	-	1,012
Bond Financing Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	588	588
Other	-	-	-	-	-	92	-	-	-	-	-	-	-	-	-	-	92
Total operating expenses	1,676	5,494	7,322	231	-	570	-	9	412	4,329	2,986	864	2,648	6,867	3,383	1,319	38,110
Operating Income (Loss)	399	874	905	258	-	-	-	-	-	-	-	-	-	-	-	-	2,436
Nonoperating Revenues and Expenses																	
Net Increase (Decrease) in Fair Value of Investments	48	1,282	(665)	(17)	-	-	-	-	-	-	-	-	-	-	-	-	648
Derivative instruments, interest rate swap	1,507	2,101	(143)	-	-	-	-	-	-	-	-	-	-	-	-	-	3,465
Total nonoperating revenues and expenses	1,555	3,383	(808)	(17)	-	-	-	-	-	-	-	-	-	-	-	-	4,113
Change in Net Position	1,954	4,257	97	241	-	-	-	-	-	-	-	-	-	-	-	-	6,549
Net Position, Beginning of Period	1,709	15,304	38,192	(1,136)	-	-	-	-	-	-	-	-	-	-	-	-	54,069
Transfers	1,817	(10,189)	(1,580)	6,699	-	-	-	-	-	-	-	-	-	-	-	-	(3,253)
Net Position, End of Period	\$ 5,480	\$ 9,372	\$ 36,709	\$ 5,804	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,365

(2) The combined totals for Bondholder Trusts are presented on page 55-56.