



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION

**WASHINGTON STATE HOUSING FINANCE COMMISSION**

June 30, 2020 and 2019



MOSSADAMS

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## **Report of Independent Auditors**

To the Board of Commissioners  
Washington State Housing Finance Commission

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Washington State Housing Finance Commission, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

### ***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 an opinion 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 audits 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 entity'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 entity'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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington State Housing Finance Commission as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 2 to the financial statements, the Washington State Housing Finance Commission adopted a new accounting principle related to conduit debt obligations, which resulted in removing all conduit debt and related activities from the financial statements and a restatement of the prior year information presented. 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 management's discussion and analysis on pages 3 through 10 and the schedules of proportionate share of net pension liability, schedule of contributions, and schedule of proportionate share of OPEB liability on page 48 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.

### *Supplemental Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements. The supplemental schedules of program net position, program revenues, expenses, and changes in program net position, program cash flows and notes and bonds payable on pages 49 through 54 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules of program net position, program revenues, expenses, and changes in program net position, program cash flows and notes and bonds payable are fairly stated in all material respects in relation to the financial statements as a whole.

*Moss Adams LLP*

Seattle, Washington

November 20, 2020

## **Washington State Housing Finance Commission Management's Discussion and Analysis**

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As management of the Washington State Housing Finance Commission (the Commission, we, or our), we offer readers of the Commission's financial statements this narrative overview and analysis of our financial activities for the year ended June 30, 2020. This overview and analysis is required by accounting principles generally accepted in the United States of America for governmental entities.

### **FINANCIAL HIGHLIGHTS**

During the fiscal year ended, or as of June 30, 2020 (FY 2020):

Net position increased \$135.4 million to \$693.3 million primarily due to the \$98.7 million increase in net position of the Program-Related Investments (PRI), as well as an increase in net position in the Bond Fund of \$36.1 million. The increase in the PRI resulted from an excess of revenues over expenses totaling \$71.7 million, mostly from the down payment assistance revenues from Homeownership's Home Advantage daily-priced mortgage program (Home Advantage) coupled with the operating transfer from the General Operating Fund (GOF) of \$27.1 million. The increase in the Bond Fund net position is due to the excess of revenue over expense (\$30.7 million), primarily caused by the increase in the unrealized gain on mortgage-backed securities (MBSs), and the operating transfer of \$5.4 million from GOF.

During the fiscal year, cash, cash equivalents, and investments increased by \$94.4 million due to proceeds from loans related to the multifamily recycling program (\$63.6 million) coupled with PRI mortgage loan repayments and other receipts. MBS's increased by \$65.2 million as new purchases exceeded payments. Mortgage loans increased by \$58.1 million as new loans were issued through PRI. Assets and deferred outflows of resources increased by \$218.2 million, largely due to these factors.

Total bonds payable of \$616.2 million were outstanding, net of premiums and discounts, \$9.4 million above the prior year balance. This increase resulted from the net issuance of bonds (\$81.0 million) and the net payment of principal (\$71.6 million).

PRI and GOF program fees and grant revenue increased by \$26.9 million due primarily to an increase in program fees associated with Home Advantage as loan production grew 33%. Bond program revenues (mortgage interest, unrealized loss on MBSs, investment earnings and other) increased by \$9 million due to a \$6.4 million net increase in the unrealized gain on MBSs and increased interest revenue from greater balance of MBSs.

# Washington State Housing Finance Commission

## Management's Discussion and Analysis

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### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: Management's Discussion and Analysis, the financial statements, and the notes to the financial statements. The basic financial statements include the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows. The financial statements are presented in a manner similar to that of a private business using the economic resources measurement focus and the accrual basis of accounting.

During FY 2020 we adopted GASB Statement No. 91, *Conduit Debt Obligations*, which eliminated the option to recognize conduit bonds and the related activity in financial statements while requiring note disclosure of the year end conduit bond balance outstanding. In accordance with the transition provision of the statement, the Commission has elected to early adopt this statement and the change in accounting principle related to it was applied retrospectively for all prior years presented. Please see Note 2 for additional information.

The financial statements report information for all Commission programs and operations. The statements of net position include all Commission assets, liabilities and deferred inflows and outflows of resources. All revenues and expenses of the Commission are accounted for in the statements of revenues, expenses, and changes in net position. Program financial statements are presented as supplemental schedules. These schedules separate the financial statements into General Operating Fund, Program-Related Investments, and Bond Fund.

### Economic Outlook

During the fiscal year, the 10-year Treasury interest rate, the benchmark often used to price mortgage rates, fell 67% from 2.00% as of June 30, 2019 to 0.66% one year later. The resulting record low mortgage rates encouraged many first-time homebuyers to enter the market. The supply of single-family homes remains tight resulting in a continued increase in house prices.

Loan production in the Homeownership program hit a new record in fiscal year 2020. In the Home Advantage program, which uses traditional, taxable mortgage funding, 9,053 loans were purchased totaling \$2.6 billion. Our House Key Opportunity program, funded by \$80.3 million of tax-exempt bonds, was targeted to first-time homebuyers in lower-income households.

Demand for the 9% Low-Income Housing Tax Credit (LIHTC) for Multifamily housing continues to significantly outstrip supply. Therefore, many developers of affordable housing are using the 4% LIHTC program in conjunction with tax-exempt bonds. That program is constricted by the limited amount of private-activity bond cap available for such projects.

Short-term interest rates represented by 1-month LIBOR, fell precipitously during the year. This index is used to evaluate the cost of variable-rate debt and also correlates to rates earned on short-term investments. That rate fell from 2.22% at the start of the fiscal year, ending at 0.16%, a 93% decrease. The dramatic reductions in interest rates occurred mostly between late February and early June 2020 and were seen as a market reaction to the COVID-19 pandemic.

Based upon indications given by the Federal Reserve Board, we believe interest rates will remain low for the next several years. However, once there is demonstrable progress in addressing the COVID-19 pandemic and the related economic damage is beginning to be mitigated, interest rates may begin to increase slightly. While this would increase the carrying cost of debt, we do not anticipate a significant effect on the Commission's production.

# Washington State Housing Finance Commission Management's Discussion and Analysis

## FINANCIAL ANALYSIS OF THE COMMISSION

### Statements of Net Position

The following table summarizes the changes in assets and deferred outflows of resources, liabilities, deferred inflows of resources, and net position between June 30, 2020 and 2019, as restated, (in millions):

	2020	2019 (as restated)	Change	
<b>Assets</b>				
Cash and cash equivalents	\$ 287.2	\$ 131.8	\$ 155.4	117.9%
Investments	71.3	132.3	(61.0)	(46.1)
Accrued interest receivable	3.6	3.9	(0.3)	(7.7)
Fees receivable, net	6.0	8.7	(2.7)	(31.0)
Other receivables	3.2	0.9	2.3	255.56
Mortgage-backed securities, fair value	681.3	616.1	65.2	10.6
Mortgage loans, net	399.6	341.5	58.1	17.0
Prepaid fees and other	0.5	0.7	(0.2)	(28.6)
<b>Total assets</b>	<b>1,452.7</b>	<b>1,235.9</b>	<b>216.8</b>	<b>17.5</b>
Deferred outflows of resources	4.3	2.9	1.4	48.3
<b>Total assets and deferred outflows of resources</b>	<b>\$ 1,457.0</b>	<b>\$ 1,238.8</b>	<b>\$ 218.2</b>	<b>17.6%</b>
<b>Liabilities</b>				
Accounts payable and other liabilities	\$ 60.2	\$ 59.2	\$ 1.0	1.7%
Accrued interest payable	1.8	1.8	-	-
Unearned revenue and other	8.7	9.1	(0.4)	(4.4)
Derivative instrument - interest rate swap	2.9	1.8	1.1	-
Notes payable	70.7	-	70.7	100.0
Bonds and notes payable, net	616.2	606.8	9.4	1.5
<b>Total liabilities</b>	<b>760.5</b>	<b>678.7</b>	<b>81.8</b>	<b>12.1</b>
Deferred inflows of resources	3.2	2.2	1.0	45.5
<b>Net position</b>				
<b>Restricted</b>				
Bond operations	166.6	130.5	36.1	27.7
Grants and donations to PRI	0.9	1.1	(0.2)	(18.2)
Net investment in capital assets	0.1	0.2	(0.1)	(50.0)
<b>Unrestricted</b>				
General operations	23.2	22.5	0.7	3.1
Housing Washington	0.4	0.4	-	-
Program-related investments	502.1	403.2	98.9	24.5
<b>Total net position</b>	<b>693.3</b>	<b>557.9</b>	<b>135.4</b>	<b>24.3</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 1,457.0</b>	<b>\$ 1,238.8</b>	<b>\$ 218.2</b>	<b>17.6%</b>

# Washington State Housing Finance Commission

## Management's Discussion and Analysis

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### FINANCIAL ANALYSIS OF THE COMMISSION (continued)

Cash, cash equivalents, and investments increased by \$94.4 million, while MBSs and mortgage loans outstanding grew by \$123.3 million over the prior year. These are the primary components of an increase in assets of \$218.2 million. The increase in the bonds and notes payable of \$80.1 million is mostly due to the proceeds of the fully collateralized loan required for the multifamily recycling program.

The net position of the Commission increased \$135.4 from the June 30, 2019 amount. This increase resulted from the net operating income, before contributions and distributions, across all funds.

The net position of the Bond Fund is classified as restricted because trust indentures direct the use of the funds. The Commission has designated its remaining net position to a General Operating Fund and to Program-Related Investments.

The General Operating Fund net position is a reserve to protect the Commission from future uncertainty. With the reserve in place, the Commission is positioned to meet its future, long-term project monitoring commitments and to independently meet unforeseen fiscal or legal challenges.

The Commission has also designated a net position for Program-Related Investments. Investments target strategic, higher-risk programs that support the financing and production of housing for low-income and special populations as well as facilities used to provide community services primarily to low-income persons. These investments complement, supplement, and enhance other Commission programs and have been a catalyst to generate \$35.5 million in investments and donations by partners who wish to support the program purpose. The Commission manages and deploys those funds in addition to its own.

## Washington State Housing Finance Commission Management's Discussion and Analysis

### Statements of Revenues, Expenses, and Changes in Net Position

The following table summarizes the changes in revenues and expenses between 2020 and 2019, as restated (in millions):

	2020	2019 (as restated)	Change	
<b>Revenues</b>				
Bond programs mortgage interest	\$ 23.0	\$ 20.5	\$ 2.5	12.2%
Bond programs investments and other income	3.8	2.6	1.2	46.2
Bond program gain on mortgage-backed securities	24.7	18.3	6.4	35.0
Other bond fees	0.4	1.5	(1.1)	(73.3)
Program fees and grants	118.2	91.3	26.9	29.5
General operating fund interest income	3.5	3.9	(0.4)	(10.3)
<b>Total revenues</b>	<b>\$ 173.6</b>	<b>\$ 138.1</b>	<b>\$ 35.5</b>	<b>25.7%</b>
<b>Expenses</b>				
Bond programs interest expense	\$ 19.6	\$ 17.4	\$ 2.2	12.6%
Other bond programs expenses	1.6	2.5	(0.9)	(36.0)
Salaries and wages	9.5	8.7	0.8	9.2
Other general operating fund and program-related investments expenses	7.4	(0.2)	7.6	(3,800.0)
<b>Total expenses</b>	<b>\$ 38.1</b>	<b>\$ 28.4</b>	<b>\$ 9.7</b>	<b>34.2%</b>
Return remaining contribution for closed program	(0.1)	-	(0.1)	NA
<b>Change in net position</b>	<b>\$ 135.4</b>	<b>\$ 109.7</b>	<b>\$ 25.7</b>	<b>23.4%</b>

The primary components of total revenues for the bond fund are mortgage-related interest earnings and the unrealized gain on MBSs. Bond interest expense is the primary component of total expense for the bond fund. Commission revenues in the General Operating and PRI Funds are mostly generated from issuer fees and the premium generated from Home Advantage mortgage-backed security sales. During fiscal year 2020, the Commission's General Operating Fund revenue and expense included \$1.5 million of housing counseling and foreclosure relief funds grants which were passed-through to qualifying counseling agencies.

# Washington State Housing Finance Commission

## Management's Discussion and Analysis

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### DEBT ADMINISTRATION

The Commission has long-term debt obligations of \$616.2 million, net of bond premium and discounts, at June 30, 2020. A trustee or paying agent administers monetary activities and holds all monies in the Commission's Bond Fund. They ensure that bond resolution requirements are met, including payments of debt service and funding of necessary reserves. At June 30, 2020, amounts held by the trustees and paying agents represent full funding of these requirements.

Most of the debt of the Commission is tax-exempt, issued under the Internal Revenue Code and Treasury Regulations. The Federal Tax Reform Act of 1986 imposes an annual cap on the aggregate amount of federally tax-exempt private activity bonds. Our Single-family Homeownership program relies on private activity bonds subject to this volume cap. We may also issue taxable debt to supplement our tax-exempt authority and for lending where program requirements are inconsistent with federal restrictions.

The Commission also issues bonds on behalf of multi-family housing developers and not-for-profit organizations. However, the bonds issued under these programs meet the definition of conduit debt obligations for which we have not extended any additional commitments for debt service payments beyond the collateral and payments received from the underlying mortgages. As of June 30, 2020 such bonds have an aggregate outstanding principal amount payable of \$6.1 billion. Because these bonds are considered conduit bonds, in accordance with accounting standards generally accepted in the United States of America, the Commission does not include the assets, liabilities, and related activities for these obligations. For additional information see Notes 2 and 6.

The Commissioners have adopted policies that govern the process followed to issue debt. We issue bonds in the Single-family Homeownership Program to purchase MBSs backed by Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), or Federal Home Loan Mortgage Corporation (Freddie Mac). These securities carry a credit rating agency rating equal to that of the United States.

The Commission evaluates and uses available debt management techniques to achieve our goals of reducing interest expense and preserving the maximum amount of bonding authority in the Single-family Homeownership Program. In implementing these practices, we often retire higher interest rate debt when opportunities for economic refunding occur.

The Revised Code of Washington Section 43.180.160 limits the Commission's outstanding debt to eight billion dollars. We have no general obligation bonds and do not currently have an issuer credit rating.

Net bonds and notes payable as of June 30, 2020, was \$616.2 million, an increase of about \$9.4 million from 2019. Changes enumerated by program are summarized in the following table (in millions):

	2019 (as restated)	Issued	Redeemed	Changes	2020
Single-family	\$ 540.7	\$ 81.0	\$ 57.4	\$ 23.6	\$ 564.3
Home ownership (NIPB)	66.1	-	14.2	(14.2)	51.9
	<u>\$ 606.8</u>	<u>\$ 81.0</u>	<u>\$ 71.6</u>	<u>\$ 9.4</u>	<u>\$ 616.2</u>

## Washington State Housing Finance Commission Management's Discussion and Analysis

### COMPARISON OF FISCAL YEAR 2019 WITH 2018

#### Statements of Net Position

The following table summarizes the changes in combined adjusted net position between June 30, 2019 and 2018, as restated (in millions):

	2019 (as restated)	2018 (as restated)	Change	
<b>Assets</b>				
Cash and cash equivalents	\$ 131.8	\$ 111.0	\$ 20.8	18.7%
Investments	132.3	147.7	(15.4)	(10.4)
Accrued interest receivable	3.9	2.9	1.0	34.5
Fees receivable, net	8.7	6.1	2.6	42.6
Other receivables	0.9	1.3	(0.4)	(30.8)
Mortgage-backed securities, fair value	616.1	460.6	155.5	33.8
Mortgage loans, net	341.5	268.0	73.5	27.4
Prepaid fees and other	0.7	0.5	0.2	40.0
<b>Total assets</b>	<b>1,235.9</b>	<b>998.1</b>	<b>237.8</b>	<b>23.8</b>
Deferred outflows of resources	2.9	1.0	1.9	190.0
<b>Total assets and deferred outflows of resources</b>	<b>\$ 1,238.8</b>	<b>\$ 999.1</b>	<b>\$ 239.7</b>	<b>24.0%</b>
<b>Liabilities</b>				
Accounts payable and other liabilities	\$ 59.2	\$ 61.1	\$ (1.9)	(3.1%)
Accrued interest payable	1.8	1.5	0.3	20.00
Unearned revenue and other	9.1	8.7	0.4	4.6
Derivative instrument - interest rate swap	1.8	-	1.8	
Bonds and notes payable, net	606.8	478.5	128.3	26.8
<b>Total liabilities</b>	<b>678.7</b>	<b>549.8</b>	<b>128.9</b>	<b>23.4</b>
Deferred inflows of resources	2.2	1.1	1.1	-
<b>Net position</b>				
<b>Restricted</b>				
Bond operations	130.5	104.3	26.2	25.1
Grants and donations to PRI	1.1	1.1	-	-
Net investment in capital assets	0.2	0.2	-	--
<b>Unrestricted</b>				
General operations	22.5	11.8	10.7	90.7
Housing Washington	0.4	0.3	0.1	33.33
Program-related investments	403.2	330.5	72.7	22.0
<b>Total net position</b>	<b>557.9</b>	<b>448.2</b>	<b>109.7</b>	<b>24.5</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 1,238.8</b>	<b>\$ 999.1</b>	<b>\$ 239.7</b>	<b>24.0%</b>

# Washington State Housing Finance Commission

## Management's Discussion and Analysis

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### COMPARISON OF FISCAL YEAR 2019 WITH 2018 (continued)

The following summarizes the changes in revenues and expenses between fiscal years 2019 and 2018, as restated (in millions):

	2019 (as restated)	2018 (as restated)	<u>Change</u>	
<b>Revenues</b>				
Bond programs mortgage interest	\$ 20.5	\$ 18.6	\$ 1.9	10.2%
Bond programs investments and other income	2.6	1.7	0.9	52.9
Bond program gain (loss) on mortgage-backed securities	18.3	(16.4)	34.7	(211.6)
Other bond fees	1.5	0.9	0.6	66.7
Program fees and grants	91.3	75.6	15.7	20.8
General operating fund interest income	<u>3.9</u>	<u>0.8</u>	<u>3.1</u>	<u>387.5</u>
Total revenues	<u>\$ 138.1</u>	<u>\$ 81.2</u>	<u>\$ 56.9</u>	<u>70.1%</u>
<b>Expenses</b>				
Bond programs interest expense	\$ 17.4	\$ 14.5	\$ 2.9	20.0%
Other bond programs expenses	2.5	1.7	0.8	47.1
Salaries and wages	8.7	9.1	(0.4)	(4.4)
Other general operating fund and program-related investments expenses	<u>(0.2)</u>	<u>9.2</u>	<u>(9.4)</u>	<u>(102.2)</u>
Total expenses	<u>\$ 28.4</u>	<u>\$ 34.5</u>	<u>\$ (6.1)</u>	<u>(17.7%)</u>
Change in net position	<u>\$ 109.7</u>	<u>\$ 46.7</u>	<u>\$ 63.0</u>	<u>134.9%</u>

During the fiscal year ended June 30, 2019, the Commission's total assets increased by \$237.8 million largely attributable to an increase in net MBSs and mortgage loans.

The Commission's \$109.7 million increase in net position resulted from the net operating income, before contributions and distributions of PRI, GOF, and the bond fund.

### ADDITIONAL INFORMATION

Please direct questions and inquiries to the Senior Director of Finance or the Senior Controller at Washington State Housing Finance Commission, 1000 2nd Avenue, Suite 2700, Seattle, Washington 98104, or by telephone at 206-464-7139.

## Washington State Housing Finance Commission

### Statements of Net Position

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#### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	June 30,	
	<u>2020</u>	<u>2019 (as restated)</u>
CASH AND CASH EQUIVALENTS	\$ 287,158,987	\$ 131,751,318
INVESTMENTS		
U.S. government and agencies securities	-	45,623,884
Investment agreements	<u>71,347,495</u>	<u>86,712,894</u>
	<u>71,347,495</u>	<u>132,336,778</u>
ACCRUED INTEREST RECEIVABLE	3,606,393	3,938,081
FEES RECEIVABLE, net	5,998,868	8,688,496
OTHER RECEIVABLES	3,186,571	937,519
MORTGAGE-BACKED SECURITIES, cost	637,513,468	597,157,092
Cumulative unrealized gain on mortgage-backed securities	<u>43,765,579</u>	<u>19,000,700</u>
MORTGAGE-BACKED SECURITIES, fair value	<u>681,279,047</u>	<u>616,157,792</u>
MORTGAGE LOANS, net	399,552,110	341,435,774
PREPAID FEES AND OTHER	<u>514,236</u>	<u>667,976</u>
TOTAL ASSETS	1,452,643,707	1,235,913,734
DEFERRED OUTFLOWS OF RESOURCES	<u>4,294,417</u>	<u>2,898,498</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,456,938,124</u>	<u>\$ 1,238,812,232</u>

**Washington State Housing Finance Commission**  
**Statements of Net Position (continued)**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

	June 30,	
	2020	2019 (as restated)
ACCOUNTS PAYABLE AND OTHER LIABILITIES	\$ 60,174,149	\$ 59,275,732
ACCRUED INTEREST PAYABLE	1,781,701	1,794,388
UNEARNED REVENUE AND OTHER	8,668,576	9,076,653
DERIVATIVE INSTRUMENT - INTEREST RATE SWAP	2,897,121	1,786,293
NOTES PAYABLE	70,675,039	-
BONDS PAYABLE		
Current interest bonds	541,995,000	525,735,000
Taxable bonds	64,794,841	72,390,338
Unamortized bond premium	9,437,581	8,643,358
	616,227,422	606,768,696
TOTAL LIABILITIES	760,424,008	678,701,762
DEFERRED INFLOWS OF RESOURCES	3,251,067	2,228,082
NET POSITION		
Restricted		
Bond operations	166,555,877	130,486,215
Grants and donations to program-related investments	984,384	1,082,696
Net investment in capital assets	139,887	222,705
Unrestricted		
General operations	23,150,561	22,495,274
Housing Washington	373,946	371,885
Program-related investments	502,058,394	403,223,613
	693,263,049	557,882,388
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 1,456,938,124	\$ 1,238,812,232

**Washington State Housing Finance Commission**  
**Statements of Revenues, Expenses, and Changes in Net Position**

	Years Ended June 30,	
	2020	2019 (as restated)
<b>REVENUES</b>		
Interest earned on mortgage loans and mortgage-backed securities	\$ 22,961,823	\$ 20,478,664
Other interest and investment income	7,293,346	6,531,310
Unrealized gain on mortgage-backed securities	24,764,879	18,243,250
Other fee income	117,113,953	90,822,775
Nonoperating revenues - grants	1,473,316	1,967,139
	<u>173,607,317</u>	<u>138,043,138</u>
<b>EXPENSES</b>		
Interest on debt	19,619,289	17,414,194
Amortization of bond premium	(767,005)	(944,003)
Bond issuance costs	950,812	1,926,230
Servicing and commission fees	1,262,909	1,338,856
Salaries and wages	9,505,963	8,743,860
Communication and office expense	2,292,180	2,032,623
Professional fees	1,318,047	1,574,609
Trustee and paying agent fees	96,030	91,100
Other	2,376,803	(5,732,682)
Nonoperating expenses - grants	1,473,316	1,967,139
	<u>38,128,344</u>	<u>28,411,926</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	135,478,973	109,631,212
<b>RETURN REMAINING CONTRIBUTION FOR CLOSED PROGRAM</b>	<u>(98,312)</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	135,380,661	109,631,212
<b>NET POSITION</b>		
Balance, beginning of year, as restated	<u>557,882,388</u>	<u>448,251,176</u>
Balance, end of year	<u>\$ 693,263,049</u>	<u>\$ 557,882,388</u>

## Washington State Housing Finance Commission Statements of Cash Flows

	Years Ended June 30,	
	2020	2019 (as restated)
<b>OPERATING ACTIVITIES</b>		
Receipts for interest on mortgages	\$ 22,701,308	\$ 19,798,009
Receipts for other fee income	118,056,344	92,484,403
Receipts for loans and mortgage prepayments	131,733,288	90,585,086
Payments for acquisition of loans and mortgages	(231,807,198)	(294,715,751)
Payments for bond program expenses	(2,780,241)	(2,855,646)
Payments to employees and suppliers	(13,763,186)	(16,540,428)
Net cash from (used for) operating activities	<u>24,140,315</u>	<u>(111,244,327)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(823,689,618)	(879,509,296)
Sale of investments	884,678,901	894,887,595
Interest received on investments	7,952,252	7,999,702
Net cash from (used for) investing activities	<u>68,941,535</u>	<u>23,378,001</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Return contribution for program closed	(98,312)	-
Proceeds from sale of bonds and notes	82,993,249	142,489,197
Proceeds from short-term loan	155,953,988	35,000,000
Repayments of collateralized loans	(85,278,949)	-
Interest paid on debt	(19,608,660)	(17,060,138)
Short-term loans funded	-	(35,000,000)
Debt repayments	(71,635,497)	(16,860,196)
Net cash from (used for) capital financing activities	<u>62,325,819</u>	<u>108,568,863</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	155,407,669	20,702,537
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>131,751,318</u>	<u>111,048,781</u>
End of year	<u>\$ 287,158,987</u>	<u>\$ 131,751,318</u>

**Washington State Housing Finance Commission**  
**Statements of Cash Flows (continued)**

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	Years Ended June 30,	
	<u>2020</u>	<u>2019 (as restated)</u>
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH USED FOR OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 135,478,973	\$ 109,631,212
Adjustments to reconcile excess of revenues over expenses to net cash from operating activities:		
Amortization of mortgage discount	(203,463)	(240,532)
Amortization of mortgage premium	36	34
Amortization of bond premium	(767,005)	(944,003)
Acquisition of mortgage loans	(231,807,198)	(294,715,751)
Repayments of mortgage loans	131,733,288	90,585,086
Unrealized (gain) loss on securities	(24,764,879)	(17,939,354)
Cash from changes in operating assets and liabilities:		
Interest and other receivables	(2,023,620)	(17,669,896)
Interest and other payables	16,494,183	20,048,877
Net cash from (used for) operating activities	<u>\$ 24,140,315</u>	<u>\$ (111,244,327)</u>

# Washington State Housing Finance Commission

## Notes to Financial Statements

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### Note 1 – Description of Business

**Organization** – The Washington State Housing Finance Commission (the Commission, WSHFC, we, or our) was created in 1983 by the legislature of the State of Washington (the State) to “act as a financial conduit which, without using public funds or lending the credit of the state or local government, can issue nonrecourse revenue bonds and participate in federal, state, and local housing programs thereby making additional funds available at affordable rates to help provide housing throughout the state.” The state legislature later authorized the Commission to issue bonds to finance or refinance nursing homes and capital facilities owned and operated by nonprofit corporations, beginning farmers/ranchers, sustainable energy and energy efficiency retrofit programs. Our debt limit is eight billion dollars.

The Commission has eleven voting members. Two commissioners, the state treasurer and the director of the Department of Commerce, serve *ex officio*. The chair of the Commission is appointed by and serves at the pleasure of the governor. The governor appoints the remaining eight members to four-year terms, subject to confirmation by the Washington State Senate.

The Commission is legally separate from the State and does not impose a financial burden on, nor accrue any financial benefit to, the State. Legal restrictions on the Washington State legislature’s ability to impose its will on the Commission and the inability of the governor to remove the majority of the voting members of the Commission prevent the State from being considered to be financially accountable for the Commission. However, in the State’s Comprehensive Annual Financial Report (CAFR), the Commission is presented as a discrete component unit of the State.

**Program funds** – The Commission summarizes its financial activities in the General Operating Fund, Program-Related Investments, and Bond Fund.

*General Operating Fund* – The General Operating Fund accounts for the fiscal activities related to the administration of our ongoing program responsibilities. Revenues are derived primarily from fees earned on bond issues, homeownership daily pricing program, housing tax credit allocations, and compliance monitoring, as well as interest income on General Operating Fund and Program-Related Investments. Except for certain pass-through grants and loans, all funds we receive are generated by our activities and are not direct appropriations from the State.

The Commission adopted a General Operating Fund Reserve Policy (“Reserve Policy”) in 1989. General reserves provide income to fund current operations, help to ensure a sufficient, long-term revenue stream so we can remain independent of State funds and safeguard our ability to meet future legal and program obligations. Earnings above the reserve requirements are generally transferred to Program-Related Investments at the direction of the Commissioners, except for a portion of earnings on the homeownership daily pricing program which are transferred to the Single-Family Indenture.

Effective June 30, 2019, our Reserve Policy requires that we maintain general reserves of \$30 million based upon capital adequacy analyses, net of the impact of any deferred pension liability as required by Governmental Accounting Standards Board (GASB) No. 68 and, effective July 1, 2017, any deferred other postemployment benefit (OPEB) liability as required by GASB No. 75. Therefore, the reserves reflect \$23.3 million and \$22.7 million, respectively, for the years ending June 30, 2020 and 2019.

# Washington State Housing Finance Commission

## Notes to Financial Statements

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### Note 1 – Description of Business (continued)

*Program-Related Investments* – The Reserve Policy dedicates the use of reserves above those needed in the General Operating Fund for Program-Related Investments (the PRI). We strategically invest the PRI in programs that support our activities such as the financing and production of low-income and special needs housing and facilities that provide community services. Investments also include resources provided by other funders for use in established down payment assistance and other programs in which our missions align. Revenues include interest on these investments and down payment assistance fees associated with the homeownership daily pricing program.

*Bond Fund* – A Trust, Funding Agreement, or Financing Agreement dictates the terms of each bond transaction. We record these activities in the Bond Fund and further separate them by program type as follows:

*Single-Family Homeownership Program* – Transactions in this program are from the sale of Single-family Homeownership Program mortgage revenue bonds, the purchase of mortgage-backed securities (MBSs) of our pooled loans and the related debt service transactions on the bonds. There are three program indentures, each of which contains multiple series indentures: the General (Single-family) Indenture; the Homeownership Bond Program (NIBP) Indenture; and the Special Single Family Program Indenture. Each indenture is a special obligation of the Commission, payable solely from the bond funds established pursuant to the indenture. Debt service comes from payments received on the MBS pools and from any other money held in the trust estate by the bond trustee. Assets of the indentures are pledged as collateral for the debt and are \$730.7 million and \$668.8 million as of June 30, 2020 and 2019, respectively. We loan proceeds of this program to first-time homebuyers whose income does not exceed established limits. Mortgage rates for these programs range from 2.00% to 7.45%.

The supplemental schedules of program net position, results of program revenues, expenses, and changes in program net position, and program cash flows combines the results of the General (Single-family) and the Special Single Family Program.

*Conduit Financing Programs* – all other bonds that we issue, are conduit debt, i.e., limited-obligation bonds issued for the express purpose of providing financing for a specific third party that is not a part of the financial reporting entity. Bonds are issued for Multifamily Housing, Beginning Farmers/Ranchers, Energy Efficiency and Non profit Housing and Facilities. Financing proceeds for the Conduit Financing Programs are used to purchase qualified mortgages or MBSs from mortgage lenders. The issuer of the MBSs, the mortgagor, the letter of credit provider or the lender will pay the bond trustee principal and interest in amounts calculated to meet periodic debt service payments on the bonds.

Conduit debt securities bear the name of the Commission. However, we have no obligation for payment of such debt beyond the resources provided by the loan with the third-party beneficiary.

Underwriters sell bonds in the capital market, or we privately place them with a sophisticated investor such as a financial institution. However, as of fiscal years ending June 30, 2020 and 2019, all bonds under these programs meet the accounting standard definition of conduit bonds and, as such, are not included in our financial statements. Additional information regarding the conduit bonds is included in Note 6.

# Washington State Housing Finance Commission

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. We have applied all applicable GASB pronouncements. The remainder of this note describes our more significant accounting policies.

**Measurement focus and basis of accounting** – We use the flow of economic resources measurement as the focus of our accounting of transactions. With this measurement focus, the statement of net position reflects all assets, deferred inflows and outflows of resources and all liabilities associated with our operations. The statement of revenues, expenses, and changes in net position for all funds present increases (e.g., revenues) and decreases (e.g., expenses) in our net total position. We use the accrual basis of accounting, recording revenue when earned and expenses when we incur the liability.

**Unclassified statement of net position** – Our business cycle is greater than one year. As such, all assets and liabilities on the statement of net position are shown as unclassified.

**Cash and cash equivalents** – The Commission considers all highly liquid, interest-bearing instruments purchased with an original maturity of three months or less to be cash and cash equivalents. While the cash deposits in the Multifamily Recycling program are held exclusively in the Local Government Investment Pool, other cash deposits held in the Bond Fund are held in the corporate trust departments of commercial banks in the bond issue's name. As of June 30, 2020 and 2019, they held \$143.1 million and \$103.0 million, respectively, in uncollateralized or uninsured cash equivalents in the bond fund, primarily in government money market funds. Cash deposits of the General Operating Fund are covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

**Investments** – We categorize investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy uses valuation inputs to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments are reported at fair value, unless they meet an exception as outlined under accounting standards generally accepted in the United States of America.

An asset management company manages some of our investments in the General Operating and Program-Related Investment Funds. Our investments include marketable securities issued or guaranteed by the U.S. government. We determine and record fair value based on quoted market prices as of June 30, 2020 and 2019.

Investments in the Bond Fund at June 30, 2020, and June 30, 2019 were short term repurchase agreements. For additional information regarding investments, see Note 3.

# Washington State Housing Finance Commission

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

**Mortgage-backed securities** – Mortgage-backed securities are presented at their fair value based on quoted market prices as of June 30, 2020 and 2019.

**Mortgage loans** – Mortgage loans are stated at their unpaid principal balance.

**Provision for loan losses** – The provision for loan losses is estimated for each fund.

*General Operating Fund* – Most fees in the General Operating Fund are billed and collected in advance, so no provision for loss is deemed to be necessary.

*Program-Related Investments* – We estimate losses on our loans in Program-Related Investments based on its past loan loss experience, known and inherent risks in the portfolio and current economic conditions. The allowance for loan losses is increased by charges to expense and decreased by charge-offs (net of recoveries). The loan loss reserve was \$12,902,133 and \$11,097,508 as of June 30, 2020 and 2019, respectively. No provision for loss is made on loan balances funded by partner investments because the Commission does not guarantee return of those investments.

*Bond Fund* – We purchase MBSs with the proceeds of non-recourse revenue bonds payable solely from the assets specifically pledged under the trust indenture for the bonds. No assets of the Commission, other than those assets held under such trust indentures, are pledged to the payment of the bonds. We do not reserve for loan loss provisions because the assets held by all the outstanding Single-family Homeownership Program indentures are MBSs guaranteed by Fannie Mae, Ginnie Mae, or Freddie Mac.

**Other assets** – Furniture, fixtures, equipment and leasehold improvements are accounted for in the General Operating Fund and are stated at cost, less accumulated depreciation and amortization. Our policy is to capitalize assets with a cost of \$5,000 or more. Depreciation and amortization are charged to current operations on the straight-line method over the estimated useful lives of the assets, generally between three and ten years. See Note 5 for additional information concerning furniture, fixtures and equipment.

**Unearned revenue** – Unearned revenue represents the unearned portion of the Commission's bond fees, tax credit reservation fees, and compliance monitoring fees that are received in advance. We record these fees when earned as other fee income on the statement of revenues, expenses and changes in net position.

## Washington State Housing Finance Commission

### Notes to Financial Statements

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#### Note 2 – Summary of Significant Accounting Policies (continued)

**Interfund transfers and balances for single-family program liquidity management** – Interfund transfers may be completed for short-term program purposes and are considered loans to and from the impacted funds. At fiscal year-end, we record any balance as an interfund loan in the corresponding fund.

During the fiscal years ending June 30, 2020, and June 30, 2019, the Commission supported its Home Advantage program’s Master Servicer by purchasing and holding certain loans for a short time until pooled into MBSs. Resources used from the Single-Family Program fund and the PRI were in excess of those needed for program purposes. Balances remaining outstanding are as follows:

At June 30, 2020	Single-family Bond Program	Program-related Investments	Total
Interfund loans receivable (payable)	\$ (55,000,000)	\$ 55,000,000	\$ -
At June 30, 2019	Single-family Bond Program	Program-related Investments	Total
Interfund loans receivable (payable)	\$ (55,000,000)	\$ 55,000,000	\$ -

**Deferred outflow and inflow of resources** – Deferred outflows of resources represent consumption of resources that are applicable to future reporting periods and deferred inflows of resources represent acquisition of resources that are applicable to future reporting periods. Deferred outflow of resources represents the year-end estimated fair value of the Commission’s derivative instruments as of June 30 and the value of pension and OPEB contributions made during the fiscal year, which is after the liability measurement date. The difference between actuarial projected and actual earnings on pension plan assets are represented as deferred outflows (inflows) of resources. For additional information regarding the derivative, see Note 6 and regarding pension liability, OPEB and the related deferred outflows and inflows of resources, see Note 8.

**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, and information about the fiduciary net position of the Public Employees’ Retirement System (PERS) of the State of Washington and additions to or deductions from PERS’s fiduciary net position have been determined on the same basis as PERS reports them.

**Other postemployment benefits** – For purposes of measuring the OPEB Liability, deferred outflows of resources and deferred inflows of resources, and expense related to OPEB, and information about any changes in the liability have been determined on the same basis as reported by the Office of Financial Management (OFM) of the State of Washington.

# Washington State Housing Finance Commission

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

**Conduit bonds** – Conduit bonds are defined as debt instruments where:

1. The Commission, as the issuer, is joined by an unrelated third-party obligor, and a debt holder or trustee.
2. The debt obligation is neither a parity bond of the Commission nor is it cross collateralized with other debt of the Commission.
3. Debt proceeds are intended and received by a party other than the Commission or the third-party obligor; and
4. The Commission is not primarily obligated for the debt service payments.

Prior to bond issuance the Commission determines if the bond meets this definition. Bonds issued that meet the definition of a conduit bond are reportable in note disclosure (see Note 6).

The assets, liabilities and related activities of all other bonds are included in our financial statements.

**Bonds payable** – Current interest serial and term bonds are stated at their principal amounts outstanding, net of unamortized bond premium and discount, if any. Certain bonds are variable rate bonds remarketed on a periodic basis and are subject to market rate fluctuation.

**Unamortized bond premium and unamortized bond discount** – Unamortized bond premium and unamortized bond discounts are amortized using the bonds outstanding method.

**Bond issuance costs** – Bond issuance costs, including underwriter's fees, are expensed at issuance.

**Compensated absences** – Permanent employees of the Commission earn annual leave, sick leave and may earn compensatory leave or exchange time. Annual leave is earned based on length of service, and an employee may accumulate a maximum of 240 hours. An employee receives compensation for their unused annual leave upon termination. Employees earn eight hours of sick leave per month. Employees receive 25% of the value of accrued sick leave upon retirement or death. Non-exempt work period employees earn compensatory time at the rate of time-and-one-half for more than 40 hours worked in a week, with a maximum accrual of 240 hours. Employees classified as exempt work period employees may earn exchange time for actual time worked beyond their work schedule, up to a maximum of 174 hours. Upon separation or transfer to another agency, the employee may use accumulated, authorized compensatory time to postpone his/her cessation of employment. In consideration of these factors, the Commission accrues all costs associated with compensated absences and 25% of sick leave, including an allowance for payroll taxes.

**Net position** – We classify net position into three components:

*Restricted net position* has constraints placed on use by external parties such as creditors, grants, laws or regulations.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation. We do not hold any debt related to capital assets.

*Unrestricted net position* consists of the remaining assets and liabilities.

## Washington State Housing Finance Commission

### Notes to Financial Statements

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#### Note 2 – Summary of Significant Accounting Policies (continued)

**Revenue recognition** – We recognize revenue on an accrual basis. The primary source of our revenue is fee income generated on our program activities. We earn fees on bond issues, compliance monitoring, and the sale of MBSs originated in the Home Advantage Program. We record these as fee income on the statement of revenues, expenses and changes in net position and allocate them to the Bond Fund, General Operating Fund, and Program-Related Investments. Fee income by category for the years ended June 30:

	2020	2019 (as restated)
Commission fees	\$ 15,392,115	\$ 12,378,825
HomeOwnership Program fees	91,747,766	67,707,594
Other program fees	7,961,007	8,944,246
Other income	2,013,065	1,792,110
	\$ 117,113,953	\$ 90,822,775

In addition, we earn interest on mortgage loans outstanding, MBSs and other investments.

**Income taxes** – The Commission, as an instrumentality of the state of Washington, is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

**Arbitrage rebate** – We utilize an independent valuation specialist to calculate arbitrage earnings. We accrue any liability and make required payments to the United States Department of the Treasury.

**Use of estimates** – The preparation of the statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. We use estimates in determining the allowance for doubtful accounts, valuation of certain investments, valuation of interest rate swap, arbitrage rebate liability, loan loss provisions, accrued sick leave and other contingencies. Actual results may differ from those estimates.

**Risks and uncertainties** – We are authorized to invest in securities and loans that are exposed to interest rate, market, credit and/or other risks. It is possible that changes in the values of these assets will occur in the near term, and those changes could subsequently affect the amounts reported in the statement of net position.

**Adoption of a new accounting pronouncement** – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The statement defines conduit debt obligations and establishes standards for the reporting and disclosure for issuers. The statement is intended to improve financial reporting by standardizing presentation of conduit debt by issuers and limits reporting on conduit debt obligations to note disclosure except where the issuer has made an additional commitment to support debt service payments and it is more likely than not that the issuer will actually provide any such support. The impact of this statement requires removal of the Commission’s conduit debt and related activities from the financial statements, limiting such reporting to note disclosure. Because the Single Family and Homeownership Bond Programs do not meet the definition of conduit bonds, the debt and related activities of these programs continue to be included in the financial statements.

# Washington State Housing Finance Commission

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

The statement is effective for financial statements of periods beginning after December 15, 2020 with the effects of the accounting change to be applied retroactively by restating the financial statements. The Commission has adopted this new pronouncement in the current year and, accordingly, has restated amounts of effected items within the financial statements as of and for the year ended June 30, 2019:

	As Previously Reported	Change	As Restated
<b>Statement of Net Position</b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 285,324,268	\$ (153,572,950)	\$ 131,751,318
Investments			
U.S. government and agencies securities	195,977,269	(150,353,385)	45,623,884
Investment agreements	123,000,964	(36,288,070)	86,712,894
Accrued interest receivable	20,781,399	(16,843,318)	3,938,081
Loans receivable (net of premiums and discounts)	4,843,757,876	(4,502,322,102)	341,435,774
<b>Liabilities and Net Position</b>			
Accounts payable and other liabilities	143,941,467	(84,665,735)	59,275,732
Accrued interest payable	42,051,299	(40,256,911)	1,794,388
Project equity held for borrower	2,845,042	(2,845,042)	-
Bonds payable (net of premiums and discounts)	5,338,380,833	(4,731,612,137)	606,768,696
Impact of change to net position		\$ -	
<b>Statement of Revenues, Expenses, and Changes in Net Position</b>			
<b>Revenues</b>			
Interest earned on loans and mortgage-backed securities	\$ 196,517,752	\$ (176,039,088)	\$ 20,478,664
Other Interest and Investment Income	7,417,079	(885,769)	6,531,310
Other fee income	96,294,214	(5,471,439)	90,822,775
<b>Expenses</b>			
Interest on debt	195,951,082	(178,536,888)	17,414,194
Amortization of bond discount	17,268	(17,268)	-
Amortization of bond premium	(2,573,302)	1,629,299	(944,003)
Bond issuance costs	7,374,875	(5,448,645)	1,926,230
Amortization of bond insurance premium	22,794	(22,794)	-
Impact of change to net position		\$ -	

# Washington State Housing Finance Commission

## Notes to Financial Statements

### Note 2 – Summary of Significant Accounting Policies (continued)

	As Previously Reported	Change	As Restated
<b><u>Statement of Cash Flows</u></b>			
<b><u>Operating Activities</u></b>			
Receipts for interest on mortgages	\$ 200,993,028	\$ (181,195,019)	\$ 19,798,009
Receipts for loans and mortgage prepayments	440,706,539	(350,121,453)	90,585,086
Payments for acquisition of loans and mortgages	(1,035,600,751)	740,885,000	(294,715,751)
Payments for bond program expenses	(8,326,791)	5,471,145	(2,855,646)
Net cash from (used for) operating activities		215,039,673	
<b><u>Investing Activities</u></b>			
Purchase of investments	(1,075,828,952)	196,319,656	(879,509,296)
Sale of investments	1,027,413,087	(132,525,492)	894,887,595
Interest received on investments	7,043,358	956,344	7,999,702
Net cash from (used for) investing activities		64,750,508	
<b><u>Noncapital Financing Activities</u></b>			
Project equity used, net	598,654	(598,654)	-
Proceeds from sale of bonds and notes	869,456,297	(726,967,100)	142,489,197
Interest paid on debt	(189,143,976)	172,083,838	(17,060,138)
Debt repayments	(366,981,649)	350,121,453	(16,860,196)
Net cash from (used for) noncapital financing activities		(205,360,463)	
Net Increase (Decrease) In Cash and Cash Equivalents	(53,727,181)	74,429,718	20,702,537
Cash And Cash Equivalents			
Beginning of the Year	339,051,449	(228,002,668)	111,048,781
End of the Year	285,324,268	\$ (153,572,950)	131,751,318
Reconciliation Of Excess (Deficit) Of Revenues over Expense			
To Net Cash From Operating Activities			
Adjustments to reconcile			
Amortization of mortgage discount	\$ (257,800)	\$ 17,268	\$ (240,532)
Amortization of mortgage premium	1,629,333	(1,629,299)	34
Amortization of bond insurance premium	(22,794)	22,794	-
Amortization of bond premium	(2,573,302)	1,629,299	(944,003)
Amortization of bond discount	17,268	(17,268)	-
Amortization of unearned fee income	22,794	(22,794)	-
Acquisition of mortgage loans	(1,043,133,982)	748,418,231	(294,715,751)
Repayments of mortgage loans	440,706,539	(350,121,453)	90,585,086
Unrealized (gain) loss on securities	(17,939,354)	-	(17,939,354)
Cash from changes in operating assets and liabilities		-	-
Interest and other receivables	(20,437,616)	2,767,720	(17,669,896)
Interest and other payables	206,073,702	(186,024,825)	20,048,877
Net cash from (used for) operating activities	(326,284,000)	\$ 215,039,673	(111,244,327)

# Washington State Housing Finance Commission

## Notes to Financial Statements

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### Note 3 – Cash, Cash Equivalents, and Investments

#### General operating and program-related investment funds

**Cash and cash equivalents** – External entities hold our deposits, exposing them to custodial credit risk, meaning that if an institution fails, we might lose the funds. We minimize this risk by limiting deposits to those entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). As of June 30, 2020 and 2019, cash deposits held by the General Operating Fund met these requirements.

We hold most of our deposits in money market funds or in the Local Government Investment Pool operated by the State Treasurer pursuant to RCW 43.250 in which we are a voluntary participant. We report amortized cost on these funds.

Cash and cash equivalents by institution at June 30:

	2020		2019	
JP Morgan Chase	\$ 2,465,873	3.07%	\$ 2,270,981	7.98%
Local Government Investment Pool	76,903,840	95.86%	25,722,305	90.33%
All others	860,755	1.07%	482,860	1.69%
	<u>\$ 80,230,468</u>	<u>100%</u>	<u>\$ 28,476,146</u>	<u>100%</u>

#### Investments

While RCW 43.180.080(5) grants us the authority to invest our funds, it provides no investment guidelines or restrictions. The State law limits the type and character of investment of “public funds.” Considering our authorizing legislation, Washington State court decisions, and the sources of our dedicated funds, we find that the investment limitations on public funds do not apply to us. However, as a matter of policy, we currently invest our dedicated funds in a manner generally consistent with the investment limitations on public funds. To minimize our exposure to credit risk, we have adopted an investment policy that limits investments, summarized as follows.

## Washington State Housing Finance Commission

### Notes to Financial Statements

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#### **Note 3 – Cash, Cash Equivalents, and Investments (continued)**

The Commission may invest in non-governmental investments, including certificates of deposit, banker's acceptances, and repurchase agreements. In addition, the following governmental investments are eligible:

1. Treasury bills, notes, and other obligations issued by the United States Department of the Treasury and backed by the full faith and credit of the U.S. government.
2. Federal Home Loan Bank notes and bonds.
3. Federal Land Bank bonds.
4. Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.
5. The obligations of certain government-sponsored entities whose obligations are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System.
6. Shares of mutual funds with portfolios consisting of only U.S. government bonds or U.S. government guaranteed bonds issued by federal agencies with average maturities of less than four years.

Investments are managed to this policy through an agreement with Nuveen Asset Management.

Custodial credit risk is the risk that we could not recover the value of our investments or collateral security if a depository institution or counterparty fails. We manage this risk by prequalifying institutions that we use to place investments. As of June 30, 2020 and 2019, investment securities were registered and held in our custodian agent's name.

**Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. We manage this risk by limiting investments to those permitted in our investment policies, diversifying the investment portfolio, and prequalifying the institutions where we place the investments.

# Washington State Housing Finance Commission

## Notes to Financial Statements

### Note 3 – Cash, Cash Equivalents, and Investments (continued)

**Concentration of credit risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of our investment in a single issuer. Our policy limits the investment in any single institution (except for United States Government Securities) to no more than 20% of the portfolio.

As of June 30, 2020	Classification/Provider	Total Investment	Fair Value Measurements Using Quoted Prices in		
			Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>US Government and Agency Obligations</u>				
	US Treasury Notes	\$ 15,526,461	\$ 15,526,461	\$ -	\$ -
	US Agencies	19,165,289	-	19,165,289	-
	Other Municipal Agencies	2,411,511	-	2,411,511	-
	<b>Total General and PRI Fund Investments</b>	<b>\$ 37,103,261</b>	<b>\$ 15,526,461</b>	<b>\$ 21,576,800</b>	<b>\$ -</b>

As of June 30, 2019	Classification/Provider	Total Investment	Fair Value Measurements Using Quoted Prices in		
			Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>US Government and Agency Obligations</u>				
	US Treasury Notes	\$ 13,559,598	\$ 13,559,598	\$ -	\$ -
	US Agencies	29,978,756	-	29,978,756	-
	Other Municipal Agencies	2,085,530	-	2,085,530	-
	<b>Total General and PRI Fund Investments</b>	<b>\$ 45,623,884</b>	<b>\$ 13,559,598</b>	<b>\$ 32,064,286</b>	<b>\$ -</b>

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Examining the maturities of our investment securities, listed in the following table, can reveal information about interest rate risk.

Investments as of June 30, 2020

Type	Total	Maturities (In Years)		
		Less than 1	1-5	>5
US Treasury Notes	\$ 15,526,461	\$ 564,809	\$ 14,961,652	\$ -
US Agencies	19,165,289	6,951,418	12,017,401	196,470
Other government securities	2,411,511	154,538	2,256,973	-
<b>Total General and PRI Fund Investments</b>	<b>\$ 37,103,261</b>	<b>\$ 7,670,765</b>	<b>\$ 29,236,026</b>	<b>\$ 196,470</b>

Investments as of June 30, 2019

Type	Total	Maturities (In Years)		
		Less than 1	1-5	>5
US Treasury Notes	\$ 13,559,598	\$ -	\$ 13,559,598	\$ -
US Agencies	29,978,756	10,058,003	18,976,836	943,917
Other government securities	2,085,530	325,400	1,760,130	-
<b>Total General and PRI Fund Investments</b>	<b>\$ 45,623,884</b>	<b>\$ 10,383,403</b>	<b>\$ 34,296,564</b>	<b>\$ 943,917</b>

## Washington State Housing Finance Commission

### Notes to Financial Statements

#### Note 3 – Cash, Cash Equivalents, and Investments (continued)

##### Investment securities – bond funds

**Single-Family Homeownership Program** – The Single-family program indentures require that investments be made with proper regard for the preservation of principal and with maturities that provide sufficient liquidity to meet obligations. During the fiscal years ending June 30, 2020 and 2019, investments held in the Single-family program indentures included non-purpose MBSs and short-term repurchase agreements.

**US agencies** – During the year, the Commission invests available Single-Family bond fund reserves by purchasing MBSs originated through its Single-Family Homeownership programs in advance of issuing bonds. These investments are recorded at fair market value, however no Non-Purpose MBSs were held at June 30, 2020 or June 30, 2019.

**Short-term repurchase agreements** – In December 2017, the Commission entered into a Mortgage Loan purchase and sale agreement (ML Liquidity Repurchase Agreement) with our Master Servicer, Idaho Housing & Finance Association (IHFA), to provide funds to the Master Servicer to purchase approved mortgage loans originated under our Home Advantage program. The purpose of this agreement is to promote the continued success of the program by assuring timely purchase of qualified mortgage loans. We intend to hold such loans less than 90 days.

Classification/Provider	Total Investment	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Single Family Bond Program Investments as of June 30, 2020				
Repurchase Agreements				
Idaho Housing Finance Agency	\$ 34,244,234	\$ -	\$ -	\$ 34,244,234
<b>Total Single Family Bond Program Investments</b>	<b>\$ 34,244,234</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,244,234</b>

Classification/Provider	Total Investment	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Single Family Bond Program Investments as of June 30, 2019				
Repurchase Agreements				
Idaho Housing Finance Agency	\$ 86,712,894	\$ -	\$ -	\$ 86,712,894
<b>Total Single Family Bond Program Investments</b>	<b>\$ 86,712,894</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 86,712,894</b>

**Multifamily Housing Program** – Cash and Cash equivalents of \$63.6 million held at June 30, 2020 consist of funds representing collateral for a line of credit supporting our Multifamily Recycling program. This collateral is directed by the line of credit agreement to be held in an account within the Local Government Investment Pool operated by the State Treasurer pursuant to RCW 43.250. There were no asset balances in the Multifamily Housing Program fund at June 30, 2019.

# Washington State Housing Finance Commission

## Notes to Financial Statements

### Note 4 – Mortgage-Backed Securities

The Commission uses the proceeds of its Single-family Homeownership Program bonds to purchase mortgage-backed securities. Ginnie Mae, Fannie Mae or Freddie Mac, backed by the full faith and credit of the U.S. government, guarantee the payment of principal and interest on the MBSs.

For the fiscal year ended June 30, 2020, the net increase in fair market value from that of the prior year-end based upon quoted market prices was \$24,764,879 and for the fiscal year ended June 30, 2019, the net increase in fair market value from that of the prior year-end based upon quoted market prices was \$18,243,250. The following table shows the sources of the gains and losses on MBSs on the statements of revenue, expenses, and changes in net position for 2020 and 2019 by program.

	2020			2019 (as restated)		
	Single Family Program Bonds	Homeownership Program Bonds	Total	Single Family Program Bonds	Homeownership Program Bonds	Total
MBS, at fair value	\$ 23,500,455	\$ 1,264,424	\$ 24,764,879	\$ 17,939,354	\$ 303,896	\$ 18,243,250

Cumulative unrealized gains at June 30, 2020 and 2019, were \$43,765,579 and \$19,000,700, respectively, and are included in the balance of MBSs on the statement of net position.

### Note 5 – Furniture, Fixtures and Equipment

Furniture, fixtures and equipment as shown below at June 30, 2020 and 2019, are included in prepaid fees and other on the statements of net position.

	Useful Life	July 1, 2019	Increase	Decrease	June 30, 2020
Furniture, fixtures and equipment	3 to 10 years	\$ 2,004,413	\$ 75,938	\$ -	\$ 2,080,351
Leasehold improvements	4 to 5 years	176,058	-	-	176,058
Total assets		2,180,471	75,938	-	2,256,409
Less accumulated depreciation		(1,957,766)	(158,756)	-	(2,116,522)
Net book value		\$ 222,705	\$ (82,818)	\$ -	\$ 139,887
	Useful Life	July 1, 2018	Increase	Decrease	June 30, 2019
Furniture, fixtures and equipment	3 to 10 years	\$ 1,886,419	\$ 117,994	\$ -	\$ 2,004,413
Leasehold improvements	4 to 5 years	176,058	-	-	176,058
Total assets		2,062,477	117,994	-	2,180,471
Less accumulated depreciation		(1,828,147)	(129,619)	-	(1,957,766)
Net book value		\$ 234,330	\$ (11,625)	\$ -	\$ 222,705

# Washington State Housing Finance Commission

## Notes to Financial Statements

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### Note 6 – Bonds and Notes Payable

Single-family mortgage revenue bonds issued by the Commission are limited obligations payable solely from and secured by a pledge of the MBSs (including any insurance payments made with respect thereto), restricted investments, undisbursed bond proceeds and the earnings thereon held under the indenture or financing agreement authorizing the bonds.

Default on our single-family mortgage revenue bonds, including failure to provide punctual payment of the principal amount or any interest installment due, could result in the principal and accrued interest of the outstanding bonds becoming due in full, providing the Trustee receives written consent of at least 25% of the bond owners prior to so declaring.

As of June 30, 2020, we had outstanding bonds of \$606.8 million bearing interest varying in rates as listed below:

	FYE 2020	
	Low	High
Single-family Program	0.15%	4.00%
Homeownership Program	2.45%	5.30%

In addition to the Single-family mortgage revenue bonds the Commission has issued bonds that meet the definition of conduit debt obligations. The proceeds are used by private sector borrowers for the acquisition, construction and rehabilitation of affordable multifamily housing and nonprofit facilities. We have not extended any additional commitments for the debt service payments of the bonds beyond the collateral and the payments on the underlying mortgage or promissory notes and maintenance of the tax-exempt status of the conduit debt obligations. As of June 30, 2020, and June 30, 2019, the conduit bonds have an aggregate outstanding principal amount payable of \$6.1 billion and \$4.7 billion, respectively, none of which was recognized as a liability by the Commission.

### Derivative instruments – interest rate swaps

*Single-Family Homeownership Program* – The Commission has entered into interest rate swap agreements (“swaps”) in connection with issuing variable rate mortgage revenue bonds. The swaps are intended to create debt with synthetic interest rates lower than would have been attainable from long-term fixed rate bonds to achieve our goal of lending to low- and moderate-income first-time homebuyers at below market, fixed interest rates. The swaps are hedging derivative instruments. Additional information, including the fair market value of each swap, is listed below.

# Washington State Housing Finance Commission

## Notes to Financial Statements

### Note 6 – Bonds and Notes Payable (continued)

Using rates as of June 30, 2020, debt service requirements of the outstanding variable rate debt and associated net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates change, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Principal	Interest	Interest Rate Swap, Net	Total
2021	\$ 23,772,500	\$ 167,839	\$ 572,508	\$ 24,512,847
2022	22,810,000	153,434	583,138	23,546,572
2023	22,500,000	153,000	587,401	23,240,401
2024	22,500,000	38,250	146,850	22,685,100

The terms and counterparty credit ratings of the outstanding swaps as of June 30, 2020, are shown below. The notional amounts of the swaps match principal amounts of the associated debt as of June 30, 2020. The notional amounts are expected to approximately follow scheduled or anticipated reductions in the principal amounts of the associated debt.

Associated Bond Series	Current Notional Amount	Current Principal Amount	Effective Date	Fixed Rate Paid	Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
2016 VR-1N	\$ 1,050,000	\$ 1,050,000	July 22, 2008	3.629%	SIFMA plus 10bps	\$ (33,815)	December 1, 2021	Aaa
2016VR-1N	575,000	575,000	September 25, 2008	3.249%	SIFMA plus 5 bps	(12,717)	June 1, 2021	Aaa
2018 1N-MM	22,500,000	22,500,000	November 28, 2018	2.730%	SIFMA	(2,850,589)	December 1, 2048	Aa2
	<u>\$ 24,125,000</u>	<u>\$ 24,125,000</u>				<u>\$ (2,897,121)</u>		

Our swap advisor estimated the fair values presented in the preceding table. They approximate the termination payments that would have been due had we terminated them as of June 30, 2020. A negative fair value represents the estimated amount payable by the Commission had we terminated the swaps on June 30, 2020. The interest rate swaps do not have an observable market; therefore, the fair value classification is a Level 3 input.

The variable debt maturity for the 2016 VR-1N issue exceeds that of the swaps by a range of 25 to 25.5 years. After the swaps terminate, we may not obtain subsequent interest rate agreements that limit interest at or below these levels.

The International Swap Dealers Association Master Agreement is the model for our swap agreements. They include standard termination events by either party if the other party fails to perform under the terms of the contract. Upon termination, a payment is due to one party irrespective of causality based upon the market value of the swap. We have termination risk if we become liable for termination payments to the counterparty or if we cannot find a replacement to the swaps under favorable financial terms. Our swap contracts reduce this risk by limiting the counterparty's ability to terminate due to the following Commission actions or events: payment defaults, other defaults that remain uncured for 30 days after notice, bankruptcy, and insolvency.

## Washington State Housing Finance Commission

### Notes to Financial Statements

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#### **Note 6 – Bonds and Notes Payable (continued)**

The terms of the swaps expose us to credit risk with the counterparties on a termination event. The swap agreements contain collateral requirements based upon counterparty credit ratings and the fair value of the swaps. These bi-lateral requirements are established to mitigate potential credit risk exposure. There are no collateral requirements as of June 30, 2020 and 2019.

The Commission may incur amortization risk because we may receive prepayments from the mortgage loans portfolio that cannot be used to call other bonds of the same Series or to cross-call into other Series. The flexibility of our operating policy and other series of bonds, as well as the use of Planned Amortization Class (PAC) Bonds for restricted principal payments, minimizes this risk. Additionally, we may terminate the swaps at market value at any time.

The Commission bears basis risk, the risk that the variable interest payments on our bonds will not equal the variable interest receipts from our swaps. Basis risk exists because we pay a variable rate on its bonds based on a weekly remarketing rate or indexed rate provided by the calculation agent, while we receive a variable rate based upon the weekly SIFMA rate, plus a spread, where applicable, as shown in the preceding table. Basis risk will vary over time due to inter-market conditions. As of June 30, 2020, the interest rate on our variable rate debt with swaps was 0.14% (2016 VR-1N) and 0.68% (2018 1N-MM) per annum while the variable interest rate on the corresponding swaps was 0.13% per annum (SIFMA at June 30, 2020). We considered the risk when structuring the related bonds and determined it was within acceptable tolerance levels.

A change in the tax code could fundamentally alter the long-term historical relationship between taxable and tax-exempt short-term interest rates, changing the Commission's receipts under its swap contracts. We determined that it was not economically feasible to transfer this tax risk to the swap counterparties.

# Washington State Housing Finance Commission

## Notes to Financial Statements

### Note 6 – Bonds and Notes Payable (continued)

#### Bond refunding

The Commission refunds bonds on a current basis. Current refundings result from redemption of the prior bonds within 90 days of the issuance of the new, refunding bonds. During the fiscal year ended June 30 2020, we refunded two series of bonds reducing debt service by \$10.3 million and resulting in an economic gain of \$5.7 million as shown in the following table:

Fiscal Year	Date of Issue	Bond Series	Amount	REFUNDING ISSUE		Bond Series	Amount	Reduction in Debt Service	Economic Gain (Loss)								
				Premium and Other	Effective Rate												
2020	11/26/2019	Single Family Series 2019 2A/2N	21,234,039		2.690%	Series 2010 1A-R/1N-R	\$ 2,130,757	\$ 4,717,409	\$ 2,574,099								
						Series 2013 1A-R/1N-R	807,353										
						Series 2014 1A-R/1N-R	662,028										
						Series 2014 2A-R 2N 2N-R	378,953										
						Series 2015 1A-R/1N	4,222,628										
						Series 2016 1A-R 1N	1,137,639										
						Series 2016 2A-R 2N	1,546,061										
						Series 2017 1A-R 1N	6,798,190										
						Series 2017 2A-R/2N	616,305										
						Series 2017 3N/3N-R/3A-R	729,125										
						Series 2018 1N	1,595,000										
						Series 2019 1N	610,000										
						2020	5/28/2020			Single Family Series 2020 1A/1N	21,369,233	-	2.360%	Series 2010 1A-R/1N-R	\$ 3,082,616	\$ 5,596,140	\$ 3,133,021
														Series 2013 1A-R/1N-R	1,028,480		
Series 2014 2A-R 2N 2N-F	745,914																
Series 2015 1A-R/1N	804,766																
Series 2016 1A-R 1N	991,647																
Series 2016 2A-R 2N	1,425,132																
Series 2017 1A-R 1N	6,404,210																
Series 2017 2A-R/2N	999,403																
Series 2017 3N/3N-R/3A-R	1,344,722																
Series 2018 1N	3,200,000																
Series 2019 1N	1,215,000																
Series 2019 2A/2N	127,343																

There were no refundings during the prior year ended June 30, 2019.

## Washington State Housing Finance Commission

### Notes to Financial Statements

#### Note 6 – Bonds and Notes Payable (continued)

**Future principal and interest payments and bonds outstanding** – Bonds mature in varying amounts through 2050 based on their scheduled terms. However, some may be refinanced or redeemed early. As of June 30, 2020, future principal and interest requirements are as follows:

Fiscal Year June 30,	Total Principal Redemptions	Total Interest Payments	Total Debt Service	Direct Placements		All Other Bonds	
				Total Principal Redemptions	Total Interest Payments	Total Principal Redemptions	Total Interest Payments
2021	\$ 19,145,000	\$ 18,371,677	\$ 37,516,677	\$ -	\$ 238,491	\$ 19,145,000	\$ 18,133,186
2022	19,605,000	17,952,100	37,557,100	-	238,491	19,605,000	17,713,609
2023	16,835,000	17,528,885	34,363,885	-	238,491	16,835,000	17,290,394
2024	17,770,000	17,138,663	34,908,663	-	238,491	17,770,000	16,900,172
2025	17,950,000	16,704,070	34,654,070	-	238,491	17,950,000	16,465,579
2025-2030	101,805,000	75,377,616	177,182,616	-	1,192,455	101,805,000	74,185,161
2030-2035	109,865,000	58,657,063	168,522,063	-	1,192,455	109,865,000	57,464,608
2035-2040	99,790,791	41,764,509	141,555,300	4,865,791	1,162,652	94,925,000	40,601,857
2040-2045	133,919,050	21,908,416	155,827,466	5,444,050	278,318	128,475,000	21,630,098
2045-2050	70,105,000	5,057,411	75,162,411	-	-	70,105,000	5,057,411
	<u>\$ 606,789,841</u>	<u>\$ 290,460,410</u>	<u>\$ 897,250,251</u>	<u>\$ 10,309,841</u>	<u>\$ 5,018,335</u>	<u>\$ 596,480,000</u>	<u>\$ 285,442,075</u>

Changes in bonds outstanding during the fiscal year ended June 30, 2020, are summarized in the following table:

	June 30, 2019 (as restated)	Issued	Redeemed	June 30, 2020
Direct placement	\$ 13,130,338	\$ -	\$ 2,820,497	\$ 10,309,841
All other bonds and notes	584,995,000	80,300,000	68,815,000	596,480,000
	<u>\$ 598,125,338</u>	<u>\$ 80,300,000</u>	<u>\$ 71,635,497</u>	<u>\$ 606,789,841</u>

#### Warehouse facility

During the fiscal year ending June 30, 2019, we entered into a repurchase agreement with PlainsCapital Bank to purchase a 100% interest in eligible mortgage loans held by the Commission. This agreement allows us to access short term funds of up to \$40 million, to meet the liquidity needs in support of our temporary investments in Home Advantage mortgage loans, held in the Single Family program bond fund. This credit agreement is collateralized by the underlying mortgage loans. Failure of the Commission to make required payments timely could result in immediate demand for payment, our loss of ownership of the underlying collateral and suspension of the agreement. Activity and balances for the fiscal years ending June 30, 2020 and 2019 are summarized in the following table:

	<u>FYE 2020</u>	<u>FYE 2019</u>
Beginning Balance	\$ -	\$ -
Draws	92,340,184	40,900,247
Principal Repayments	<u>(85,198,949)</u>	<u>(40,900,247)</u>
Ending Balance	<u>\$ 7,141,235</u>	<u>\$ -</u>

# Washington State Housing Finance Commission

## Notes to Financial Statements

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### Note 6 – Bonds and Notes Payable (continued)

#### Line of Credit facility

During the fiscal year ending June 30, 2020, the Commission entered into a revolving loan and security agreement ("Line of Credit") with a private lender. Draws on the line are used to make qualified bond redemptions and are fully collateralized by bond prepayments received and deposited into a Local Government Investment Pool account established for this purpose. The line is repaid with proceeds from new bonds issued in conduit programs using recycled volume cap. An equal amount of monies on deposit are provided to the new bond borrower. Failure of the Commission to make required payments timely could result in immediate demand for payment, our loss of ownership of the collateral, loss of the recyclable volume cap preserved, and suspension of the agreement. Draws made during the year totaled \$63,613,804 while repayments were \$80,000, leaving a balance outstanding as of June 30, 2020 of \$63,533,804.

### Note 7 – Commitments

**Mortgage loans** – The Commission has committed to purchase mortgage loans to the extent qualified loans are available under our Single Family programs currently in the acquisition phase. Our commitments as of June 30, 2020, totaled \$15,369,870.

**Operating lease** – The Commission has a lease commitment for office space on a long-term basis. Lease expense for the office space for the fiscal years ended June 30, 2020 and 2019, was \$743,880 and \$656,947, respectively. Our lease ends on June 30, 2021, with a minimum lease payment due of \$754,406.

**Lines of credit** – On April 22, 2013, the Commission agreed to provide Impact Capital, a Community Development Financial Institution, a revolving liquidity loan, with an amount not to exceed \$2 million. We renewed the agreement in October 2017 increasing the maximum to \$5 million. The balance outstanding as of June 30, 2020 was \$1,000,000. No balance was outstanding as of June 30, 2019.

### Note 8 – Employee Benefit Plans

**Deferred compensation plan** – The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits our employees to defer a portion of their salaries until future years. The State pays the deferred compensation to employees upon termination, retirement, death, or unforeseeable emergency. We record the funds as salary expense when paid to the State; therefore, neither an asset nor liability is recorded on our financial statements.

## Washington State Housing Finance Commission

### Notes to Financial Statements

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#### Note 8 – Employee Benefit Plans (continued)

**Retirement (pension) plan** – The Commission's employees participate in the Public Employees' Retirement System (PERS) of the State. PERS, established by the legislature in 1947, is a cost-sharing multiple-employer retirement system. Membership in the system includes elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of legislative committees; community colleges, college and university employees not in national higher education retirement programs such as TIAA/CREF; judges of district and municipal courts; noncertified employees of school districts, and employees of local government. Approximately 50.5% of PERS salaries are from State employment. Our employees are eligible to participate in Plans 2 and 3. Plan 2 is a defined benefit plan. Plan 3 includes defined benefit and defined contribution components. Each employee is responsible for their plan selection.

Commission employees may retire at the age of 65 with five years of service or at age 55 with 20 years of service. The employee's retirement benefit is the product of three factors, the PERS plan percentage (Plan 2, 2%, Plan 3, 1%), average final compensation (the greatest compensation during any consecutive 60-month period) and years of service. Retirement benefits taken before age 65 are actuarially reduced. A cost-of-living allowance on the benefit is added, based on the Seattle Consumer Price Index, capped at 3% annually. PERS Plans 2 and 3 benefits include duty and non-duty disability payments and a one-time duty-related death benefit.

A combination of investment earnings and employer and employee contributions finance PERS retirement. Employee contributions accrue interest at a rate specified by the Department of Retirement Services (DRS). The DRS-established rate of interest on employee contributions was 5.5%, compounded quarterly. Retirement benefit provisions are established in State statutes and may be amended only by the State legislature. An employee can withdraw their total contributions and interest earnings upon their termination. PERS defined benefits are vested after an employee completes five years of eligible service for Plan 2 participants. For PERS plan 3 participants, defined benefits are vested after ten years of eligible service or after five years if twelve months of that service are earned after age 44.

Each biennium the legislature establishes employer and employee contribution rates. The Office of the State Actuary determines the contribution requirements to fully fund the plan in accordance with chapters RCW 41.40 and 41.45. All employers are required to contribute at the level established by the legislature. PERS Plan 1 accepts no new enrollments, and no Commission employees participate in the plan. However, the employer rate for participants in Plans 2 and 3 includes a component to address the PERS Plan 1 unfunded, actuarial accrued liability.

# Washington State Housing Finance Commission

## Notes to Financial Statements

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### Note 8 – Employee Benefit Plans (continued)

The Commission and employee required contribution rates and amounts to the pension plan for the fiscal years 2020 and 2019 are:

	2020		2019	
	Rate	Amount	Rate	Amount
Employer contributions				
Plan 1 component	4.76%	\$ 341,550	5.11%	\$ 333,507
Plan 2 and 3 component	8.10%	568,293	7.69%	490,407
	<u>12.86%</u>	<u>\$ 909,843</u>	<u>12.80%</u>	<u>\$ 823,914</u>
Employee Contributions				
Plan 2	<u>7.90%</u>	<u>\$ 487,715</u>	<u>7.40%</u>	<u>\$ 418,603</u>

Detailed information about the pension plan's fiduciary net position is available in the separately issued DRS financial statements, which are available from:

Washington State Department of Retirement Systems  
 PO Box 48380  
 Olympia, WA 98504-8380  
[www.drs.wa.gov](http://www.drs.wa.gov)

The DRS retirement plans are accounted for in pension trust funds using the flow of economic-resources-measurement focus and the accrual basis of accounting. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. DRS reports investments held by the plans at fair value. As of the most recent period available, fiscal year ended June 30, 2019, DRS reports a total net pension liability for Plan 1 of \$3.8 billion, and a total net pension liability for Plan 2 and 3 of \$971 million.

At June 30, 2020, the Commission recognized its proportionate share of the net pension liabilities of Plan 1 and Plans 2 and 3 of \$1,790,818 and \$604,966 respectively and included them in accounts payable and other liabilities within the General Operating Fund. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019. Plan liabilities were rolled forward using each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments. The Commission's proportion of net pension liability was based upon its contributions in relation to all other employer and non-employer contributions to the plan. The Commission's proportions used for measurement of its obligations as of June 30, 2020 and 2019, were:

	2020	2019	Change
Plan 1	0.0465%	0.0462%	0.00030%
Plans 2 and 3	0.0600%	0.0594%	0.00060%

The change in Commission proportions was determined to be immaterial, therefore a deferral of the impact of the change was not recognized.

## Washington State Housing Finance Commission

### Notes to Financial Statements

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#### Note 8 – Employee Benefit Plans (continued)

For the years ended June 30, 2020 and 2019, the Commission recognized pension expense of \$321,290 and \$184,102, respectively. For those years, we recognized deferred outflows and inflows of resources related to pension obligations from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
As of June 30, 2020		
Net difference between projected and actual earnings on pension plan investments:		
Plan 1	\$ -	\$ 119,565
Plans 2 and 3	-	845,167
Net difference due to change in assumptions Plans 2 and 3	-	227,136
Net difference between expected and actual experience Plans 2 and 3	41,495	-
Contributions subsequent to the measurement date Plans 2 and 3	893,759	-
Total	\$ 935,254	\$ 1,191,868
As of June 30, 2019		
Net difference between projected and actual earnings on pension plan investments:		
Plan 1	\$ -	\$ 86,032
Plans 2 and 3	-	639,962
Net difference due to change in assumptions Plans 2 and 3	-	277,201
Net difference between expected and actual experience Plans 2 and 3	-	55,218
Contributions subsequent to the measurement date Plans 2 and 3	813,252	-
Total	\$ 813,252	\$ 1,058,413

The \$893,759 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

## Washington State Housing Finance Commission

### Notes to Financial Statements

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#### Note 8 – Employee Benefit Plans (continued)

Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows for years ending June 30:

2021	\$	291,361
2022		490,120
2023		214,144
2024		111,456
2025		47,393
2026		(2,458)
2027		(1,643)
		<u>1,150,373</u>
	\$	<u>1,150,373</u>

The total pension liability in the June 30, 2018, actuarial valuation which was rolled forward to June 30, 2019, was determined using the following actuarial assumptions.

Inflation		
Economic		2.75%
Salary		3.50%
Investment rate of return		7.40%
Discount rate		7.40%

Mortality rates were based on the RP-2000 report's combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The Office of State Actuary applied offsets to the table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year through his or her lifetime.

The long-term expected rate of return on pension plan investments was determined using a building-block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). WSIB uses the CMAs and their target asset allocations to simulate future investment returns at various future times. The long-term expected rate of return of 7.4% approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or dampen any short-term changes to WSIB's CMAs that aren't expected over the entire 50-year measurement period.

## Washington State Housing Finance Commission

### Notes to Financial Statements

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#### Note 8 – Employee Benefit Plans (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class (as of PERS year-end June 30, 2019), including an inflation component of 2.20%, are summarized in the following table:

Asset Class	Target Allocation	% Long-Term Expected Rate of Return
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<u>100%</u>	

The discount rate used to measure the total pension liability was 7.40%. The rate was determined by completing an asset sufficiency test on whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Consistent with current law, the asset sufficiency test included an assumed 7.50% long-term discount rate to determine funding liabilities for calculation of future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on investment assets was assumed for the test. Contributions from plan members and employers are assumed to continue at contractually required rates. Based upon those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total liability.

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.40% as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate:

	Discount Rate Sensitivity		
	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
Plan 1	\$ 2,239,258	\$ 1,790,818	\$ 1,396,642
Plan 2 and 3	\$ 4,469,875	\$ 604,966	\$ (2,606,795)

# Washington State Housing Finance Commission

## Notes to Financial Statements

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### Note 8 – Employee Benefit Plans (continued)

#### Other postemployment benefit plan

Commission employees are eligible to participate in the single employer defined benefit other postemployment benefit (OPEB) plan administered by the State Health Care Authority (HCA). The plan, as authorized through RCW 41.05.065, is designed by the Public Employee Benefits Board (PEBB), created within HCA, and determines the terms and conditions of employee and retired employee participation and coverage, including eligibility criteria. The PEBB OPEB plan benefits are provided in accordance with a substantive plan rather than a formalized contract or plan document and, as such, rely on communication of the plan terms by HCA with employers and plan members as well as the historical practice of plan cost sharing by employers.

The PEBB OPEB plan is funded by monthly contributions with amounts established by the Legislature as a part of the biennium budget process. For the 2019 and 2018 fiscal years this monthly amount was \$168 and \$150 per employee, respectively. There are no plan assets, rather the monthly contributions are used to pay for current benefits provided. The plan does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees eligible for retirement electing to continue coverage and pay the administratively established health insurance premiums at the time they retire under the provisions of the retirement plan to which they belong.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in this risk pool receive an implicit subsidy because the retired members pay a premium based on the claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy from the reduced premiums. The explicit subsidy is established through an annual recommendation by the HCA administrator which is included in the Governor's budget with the final amount approved by the state Legislature. In calendar year 2020, the explicit subsidy was up to \$183 per enrollee member per month. The subsidy will remain at \$183 per enrollee member per month in calendar year 2021.

OPEB implicit and explicit subsidies as well as administrative costs are funded by the required contributions participating employers make. The Commission is required to make monthly contributions on behalf of all active, health care eligible employees (headcount), regardless of enrollment status. The allocation method used by the state to determine our proportionate share of the OPEB related liabilities, deferred inflows, deferred outflows, and expense is the percentage of our headcount as a percentage of the state's total headcount.

## Washington State Housing Finance Commission

### Notes to Financial Statements

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#### Note 8 – Employee Benefit Plans (continued)

This same method is used to determine the transactions subsequent to the measurement date, specifically the retiree portion of premium payments made by agencies on behalf of active, health care eligible employees between the measurement date of June 30, 2019, and the reporting date of June 30, 2020. The portion of health care premiums attributed to retirees for both explicit and implicit subsidies is taken from the Fiscal Year 2019 3rd Quarter Update in the PEBB Financial Projection Model (PFPM) from the State Health Care Authority.

Additional information will be included in the Washington State 2020 Comprehensive Annual Financial Report on OFM's website ([www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report](http://www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report)). Additional information on health care trend rates and other actuarial data is available on the Office of the State Actuary's website ([leg.wa.gov/osa](http://leg.wa.gov/osa)).

For fiscal years ending June 30, 2020 and June 30, 2019, HCA reports total OPEB liability of \$5.8 billion and \$5.1 billion, respectively. At June 30, 2020, the Commission recognized its proportionate share of the OPEB liability of \$3,473,340, which is included in accounts payable and other liabilities within the General Operating Fund. The OPEB liability was measured as of June 30, 2019, and the total liability used to calculate the OPEB liability was determined by an actuarial valuation as of June 30, 2019. The Commission's proportion was based upon our headcount in relation to the headcount of all state employees at the same date resulting in allocations of 0.0598% and 0.0581% used for the measurement of its obligations as of June 30, 2020 and 2019, an increase between years of 0.0017%. The impact of this change is included in the related deferred inflows and outflows of resources and amortized over nine years, which is equal to the average expected remaining service lives of all active and inactive members.

As of June 30, 2020, components of the change in of our proportionate share of the total OPEB liability are as follows:

Beginning OPEB Liability	\$ 2,948,313
Change in proportionate Share	91,013
Service cost	140,638
Interest cost	121,995
Changes in assumptions	227,186
Benefit payments	<u>(55,805)</u>
Ending OPEB Liability	<u><u>\$ 3,473,340</u></u>

## Washington State Housing Finance Commission

### Notes to Financial Statements

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#### Note 8 – Employee Benefit Plans (continued)

For the years ended June 30, 2020 and 2019, the Commission recognized OPEB expense of \$156,022 and \$169,943, respectively. For those years recognized deferred outflows and inflows of resources related to the net OPEB liability from the following sources:

As of June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 201,944	\$ 1,007,071
Changes in experience	92,749	-
Changes in proportion	107,458	38,784
Transactions subsequent to the measurement date	59,891	-
Total	<u>\$ 462,042</u>	<u>\$ 1,045,855</u>
As of June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 1,124,789
Changes in experience	102,825	-
Changes in proportion	-	44,880
Transactions subsequent to the measurement date	54,134	-
Total	<u>\$ 156,959</u>	<u>\$ 1,169,669</u>

The \$59,891 reported as deferred outflows resulting from transactions subsequent to the measurement date will be recognized as a reduction in the OPEB liability in the year ended June 30, 2020.

Other amounts reported as deferred inflows and deferred outflows of resources will be recognized as OPEB expense in subsequent years as follows:

2021	\$ (106,611)
2022	(106,611)
2023	(106,611)
2024	(106,611)
2025	(106,611)
Thereafter	(110,649)
	<u>\$ (643,704)</u>

## Washington State Housing Finance Commission

### Notes to Financial Statements

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#### Note 8 – Employee Benefit Plans (continued)

The total OPEB liability in the June 30, 2019, was determined using the following actuarial assumptions.

Inflation	
Economic	2.75%
Salary	3.50%
(Salaries are also expected to grow by promotions and longevity)	
Health care trend rates	
Initial rate	8.00%
Expected by 2080	4.50%

Mortality rates were based on the RP-2000 report's combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The Office of State Actuary applied offsets to the table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year through his or her lifetime.

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based upon the results of the 2007-2012 Experience Study Report. The post-retirement participation percentages and percentage with spouse coverage were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2017 Economic Experience Study.

Because the OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, which was 3.50% for the June 30, 2019, measurement date.

The following represents the Commission's proportionate share of the OPEB liability calculated using the discount rate of 3.50% as well as what the proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

Discount Rate Sensitivity		
1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
\$ 4,206,099	\$ 3,473,340	\$ 2,904,204

# Washington State Housing Finance Commission

## Notes to Financial Statements

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### Note 8 – Employee Benefit Plans (continued)

The table below represents the Commission’s proportionate share of the OPEB liability calculated using the health care trend rates of 8.0% percent decreasing to 4.5%, as well as what our proportionate share of the total OPEB liability would be if it were calculated using health care trend rates that were one percentage point lower (8% decreasing to 3.5%) or one percentage point higher (9,0% decreasing to 5.5%) than the current rate:

Health Care Cost Trend Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
\$ 2,811,142	\$ 3,473,340	\$ 4,364,559

### Note 9 – Risk Management

The Commission is subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters and acts of terrorism for which we carry commercial insurance. As of June 30, 2020, there were no known asserted or unasserted claims or judgments against the Commission.

The Commission may be subject to various threatened or pending legal actions, contingencies, and commitments in the normal course of conducting its business. We provide for costs or income related to a settlement of these matters when a loss or gain is probable, and the amount can be reasonably estimated. The effect of the outcome of these matters on our future results of operations and liquidity is not predictable because any such effect depends on future results of operations and the amount and timing of the resolution of any such matters. However, we believe that the ultimate resolution of any such matters will not have a material adverse or beneficial effect on our financial position.

### Note 10 – Related Party Transactions

The Commission provides staff and administrative services to the following state agencies for the years ended June 30, 2020 and 2019:

Charges for Services	2020	2019
Washington Higher Education Facilities Authority	\$ 298,433	\$ 277,110
Tobacco Settlement Authority	37,030	33,848
Receivable From		
Washington Higher Education Facilities Authority	\$ 75,226	\$ 64,793
Tobacco Settlement Authority	20,068	7,850

## Washington State Housing Finance Commission

### Notes to Financial Statements

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#### **Note 11 – Subsequent Events**

On September 23, 2020, the Commission entered into a Revolving Loans and Security Agreement to provide an Expanded Land Acquisition Program with a private lender allowing us to make loans on their behalf to eligible borrowers for the purchase of land and improved real property suited for affordable housing development. Each draw on the loan is expected to be fully collateralized by program loans.

## **Required Supplementary Information**

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## Washington State Housing Finance Commission Required Supplementary Information

### Schedule of Proportionate Share of Net Pension Liability

	2020	2019	2018	2017
<b>PLAN 1</b>				
WSHFC's portion of net pension liability	0.0465%	0.0462%	0.0455%	0.0439%
WSHFC's proportionate share of the net pension liability	\$ 1,790,818	\$ 2,052,105	\$ 2,168,328	\$ 2,361,147
WSHFC's covered employee payroll	N/A	N/A	N/A	N/A
WSHFC's proportionate share of the net pension liability as a percentage of its covered employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%
<b>PLAN 2 and 3</b>				
WSHFC's portion of net pension liability	0.0600%	0.0594%	0.0586%	0.0564%
WSHFC's proportionate share of the net pension liability	\$ 604,966	\$ 1,023,732	\$ 2,030,714	\$ 2,845,451
WSHFC's covered employee payroll	\$ 6,526,599	\$ 6,157,091	\$ 5,762,602	\$ 5,293,776
WSHFC's proportionate share of the net pension liability as a percentage of its covered employee payroll	9.27%	16.63%	35.24%	53.75%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	85.82%

### Schedule of Contributions

	2020	2019	2018	2017
<b>PLAN 1</b>				
Statutorily-required contributions	\$ 333,507	\$ 309,065	\$ 273,962	\$ 249,236
Contributions related to the statutorily-required contributions	333,507	309,065	273,962	249,236
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -
WSHFC's covered-employee payroll	N/A	N/A	N/A	N/A
Contribution as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
<b>PLAN 2 and 3</b>				
Statutorily-required contributions	\$ 490,407	\$ 458,084	\$ 357,892	\$ 325,504
Contributions in related to the statutorily-required contributions	490,407	458,084	357,892	325,504
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -
WSHFC's covered-employee payroll	\$ 6,526,599	\$ 6,157,091	\$ 6,157,091	\$ 6,157,091
Contribution as a percentage of covered-employee payroll	7.51%	7.44%	6.21%	6.15%

*Plan 1 – No Commission employees are eligible for PERS 1. Commission contributions are required in order to address the PERS 1 unfunded actuarial accrued liability. Therefore, covered payroll and contributions as a percentage of covered payroll is not applicable to Plan 1.*

### Schedule of Proportionate Share of OPEB Liability

	2020	2019	2018
WSHFC's portion of OPEB Liability	0.05985%	0.05805%	0.05840%
WSHFC's proportionate share of the OPEB liability	\$ 3,473,340	\$ 2,948,312	\$ 3,399,762
WSHFC covered employee payroll	\$ 6,526,599	\$ 6,157,091	\$ 5,762,602
WSHFC's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	53.22%	47.88%	59.00%
	2020	2019	2018
Statutorily-required contributions	\$ 148,176	\$ 132,450	\$ 130,800
Contributions related to the statutorily-required contributions	148,176	132,450	130,800
Contribution (deficiency) excess	\$ -	\$ -	\$ -
WSHFC's covered-employee payroll	\$ 6,526,599	\$ 6,157,091	\$ 5,762,602
Contribution as a percentage of covered-employee payroll	2.27%	2.15%	2.27%

## **Supplemental Information**

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# Washington State Housing Finance Commission

## Schedule of Program Net Position

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Restricted Bond Fund					June 30,	
	Single-family Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program	Program-Related Investments	General Operating Fund	2020	2019 (as restated)
	\$	\$	\$	\$	\$	\$	\$
CASH AND CASH EQUIVALENTS	139,044,881	4,273,147	63,610,491	50,053,198	30,177,270	287,158,987	131,751,318
INVESTMENTS							
U.S. government and agencies securities	-	-	-	-	-	-	45,623,884
Investment agreements and other investments	29,244,234	5,000,000	-	32,243,031	4,860,230	71,347,495	86,712,894
	29,244,234	5,000,000	-	32,243,031	4,860,230	71,347,495	132,336,778
ACCRUED INTEREST RECEIVABLE	1,851,998	215,918	-	1,311,806	226,671	3,606,393	3,938,081
FEES RECEIVABLE, net	-	-	-	-	5,998,868	5,998,868	8,688,496
OTHER RECEIVABLES	1,839,938	-	-	346,633	1,000,000	3,186,571	937,519
INTERFUND LOANS	(55,000,000)	-	-	55,000,000	-	-	-
MORTGAGE-BACKED SECURITIES, cost	579,730,740	57,782,728	-	-	-	637,513,468	597,157,092
Cumulative unrealized gain on mortgage-backed securities	39,104,440	4,661,139	-	-	-	43,765,579	19,000,700
	618,835,180	62,443,867	-	-	-	681,279,047	616,157,792
MORTGAGE-LOANS, net	-	-	-	399,552,110	-	399,552,110	341,435,774
PREPAID FEES AND OTHER	-	-	-	-	514,236	514,236	667,976
TOTAL ASSETS	735,816,231	71,932,932	63,610,491	538,506,778	42,777,275	1,452,643,707	1,235,913,734
DEFERRED OUTFLOWS OF RESOURCES	2,897,121	-	-	-	1,397,296	4,294,417	2,898,498
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 738,713,352	\$ 71,932,932	\$ 63,610,491	\$ 538,506,778	\$ 44,174,571	\$ 1,456,938,124	\$ 1,238,812,232

## Washington State Housing Finance Commission Schedule of Program Net Position (continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	Restricted Bond Fund					June 30,	
	Single-family Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program	Program-Related Investments	General Operating Fund	2020	2019 (as restated)
ACCOUNTS PAYABLE AND OTHER LIABILITIES	\$ 15,105,716	\$ 555		\$ 35,464,000	\$ 9,603,878	\$ 60,174,149	\$ 59,275,732
ACCRUED INTEREST PAYABLE	1,435,138	269,876	76,687	-	-	1,781,701	1,794,388
UNEARNED-REVENUE AND OTHER	-	-	-	-	8,668,576	8,668,576	9,076,653
DERIVATIVE INSTRUMENT - INTEREST RATE SWAP	2,897,121	-	-	-	-	2,897,121	1,786,293
NOTES PAYABLE	7,141,235	-	\$ 63,533,804	-	-	70,675,039	-
BONDS PAYABLE							
Current interest bonds	519,680,000	22,315,000	-	-	-	541,995,000	525,735,000
Taxable bonds	35,444,050	29,350,791	-	-	-	64,794,841	72,390,338
Unamortized bond premium	9,188,454	249,127	-	-	-	9,437,581	8,643,358
	<u>564,312,504</u>	<u>51,914,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>616,227,422</u>	<u>606,768,696</u>
TOTAL LIABILITIES	590,891,714	52,185,349	63,610,491	35,464,000	18,272,454	760,424,008	678,701,762
DEFERRED INFLOWS OF RESOURCES	<u>1,013,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,237,723</u>	<u>3,251,067</u>	<u>2,228,082</u>
NET POSITION							
Restricted							
Bond operations	146,808,294	19,747,583	-	-	-	166,555,877	130,486,215
Grants and donations to program- related investments	-	-	-	984,384	-	984,384	1,082,696
Net investment in capital assets	-	-	-	-	139,887	139,887	222,705
Unrestricted							
General operations	-	-	-	-	23,150,561	23,150,561	22,495,274
Housing Washington	-	-	-	-	373,946	373,946	371,885
Program-related investments	-	-	-	502,058,394	-	502,058,394	403,223,613
	<u>146,808,294</u>	<u>19,747,583</u>	<u>-</u>	<u>503,042,778</u>	<u>23,664,394</u>	<u>693,263,049</u>	<u>557,882,388</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF AND NET POSITION	<u>\$ 738,713,352</u>	<u>\$ 71,932,932</u>	<u>\$ 63,610,491</u>	<u>\$ 538,506,778</u>	<u>\$ 44,174,571</u>	<u>\$ 1,456,938,124</u>	<u>\$ 1,238,812,232</u>

# Washington State Housing Finance Commission

## Schedule of Program Revenues, Expenses and Changes in Program Net Position

	Restricted Bond Fund			Program-Related Investments	General Operating Fund	Years Ended June 30,	
	Single-family Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program			2020	2019 (as restated)
<b>REVENUES</b>							
Interest earned on mortgage loans and mortgage-backed securities	\$ 20,467,857	\$ 2,493,966	\$ -	\$ -	\$ -	\$ 22,961,823	\$ 20,478,664
Other interest and investment income (loss)	3,498,744	151,177	167,535	-	3,475,890	7,293,346	6,531,310
Gain (loss) on mortgage-backed securities	23,500,455	1,264,424	-	-	-	24,764,879	18,243,250
Other fee income	210,787	169,173	-	73,984,078	42,749,915	117,113,953	90,822,775
Nonoperating revenues - grants	-	-	-	-	1,473,316	1,473,316	1,967,139
	<u>47,677,843</u>	<u>4,078,740</u>	<u>167,535</u>	<u>73,984,078</u>	<u>47,699,121</u>	<u>173,607,317</u>	<u>138,043,138</u>
<b>EXPENSES</b>							
Interest on debt	17,540,399	1,912,577	166,313	-	-	19,619,289	17,414,194
Amortization of bond premium	(695,715)	(71,290)	-	-	-	(767,005)	(944,003)
Bond issuance costs	950,812	-	-	-	-	950,812	1,926,230
Servicing and commission fees	1,093,736	169,173	-	-	-	1,262,909	1,338,856
Salaries and wages	-	-	-	-	9,505,963	9,505,963	8,743,860
Communication and office expense	-	-	-	-	2,292,180	2,292,180	2,032,623
Professional fees	-	-	1,222	-	1,316,825	1,318,047	1,574,609
Trustee and paying agent fees	79,889	16,141	-	-	-	96,030	91,100
Other	79,667	-	-	2,297,136	-	2,376,803	(5,732,682)
Nonoperating expenses - grants	-	-	-	-	1,473,316	1,473,316	1,967,139
	<u>19,048,788</u>	<u>2,026,601</u>	<u>167,535</u>	<u>2,297,136</u>	<u>14,588,284</u>	<u>38,128,344</u>	<u>28,411,926</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	28,629,055	2,052,139	-	71,686,942	33,110,837	135,478,973	109,631,212
<b>RETURN REMAINING CONTRIBUTION FOR CLOSED PROGRAM</b>	-	-	-	(98,312)	-	(98,312)	-
<b>CHANGE IN NET POSITION</b>	28,629,055	2,052,139	-	71,588,630	33,110,837	135,380,661	109,631,212
<b>NET POSITION</b>							
Balance, beginning of year, as restated	112,790,771	17,695,444	-	404,306,309	23,089,864	557,882,388	448,251,176
Contribution (distribution) of equity	5,388,468	-	-	27,147,839	(32,536,307)	-	-
Balance, end of year	<u>\$ 146,808,294</u>	<u>\$ 19,747,583</u>	<u>\$ -</u>	<u>\$ 503,042,778</u>	<u>\$ 23,664,394</u>	<u>\$ 693,263,049</u>	<u>\$ 557,882,388</u>

# Washington State Housing Finance Commission

## Schedule of Program Cash Flows

	Restricted Bond Fund			Program-Related Investments	General Operating Fund	Year Ended June 30, 2020
	Single-family Housing Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program			
<b>OPERATING ACTIVITIES</b>						
Receipts for interest on mortgages	\$ 20,161,190	\$ 2,540,118	\$ -	\$ -	\$ -	\$ 22,701,308
Receipts for other fee income	(691,631)	169,173	-	73,774,389	44,804,413	118,056,344
Receipts for loans and mortgage prepayments	60,391,518	13,689,029	-	57,652,741	-	131,733,288
Payments for acquisition of loans and mortgages	(114,233,496)	-	-	(117,573,702)	-	(231,807,198)
Payments for bond program expenses	(2,594,853)	(185,388)	-	-	-	(2,780,241)
Payments to employees and suppliers	-	-	(1,222)	347,466	(14,109,430)	(13,763,186)
Net cash from (used for) operating activities	<u>(36,967,272)</u>	<u>16,212,932</u>	<u>(1,222)</u>	<u>14,200,894</u>	<u>30,694,983</u>	<u>24,140,315</u>
<b>INVESTING ACTIVITIES</b>						
Purchase of investments	(818,460,306)	(5,000,000)	-	-	(229,312)	(823,689,618)
Sale of investments	875,928,966	-	-	8,749,935	-	884,678,901
Interest received on investments	<u>3,820,773</u>	<u>139,342</u>	<u>167,535</u>	<u>-</u>	<u>3,824,602</u>	<u>7,952,252</u>
Net cash from (used for) investing activities	<u>61,289,433</u>	<u>(4,860,658)</u>	<u>167,535</u>	<u>8,749,935</u>	<u>3,595,290</u>	<u>68,941,535</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>						
Return contribution for program closed	-	-	-	(98,312)	-	(98,312)
Proceeds from sale of bonds and notes	82,993,249	-	-	-	-	82,993,249
Proceeds from collateralized loans	92,340,184	-	63,613,804	-	-	155,953,988
Repayments of collateralized loans	(85,198,949)	-	(80,000)	-	-	(85,278,949)
Short term loan provided to other fund	-	-	-	-	-	-
Interest paid on debt	(17,509,154)	(2,009,880)	(89,626)	-	-	(19,608,660)
Debt repayments	(57,543,872)	(14,091,625)	-	-	-	(71,635,497)
Contributions	5,388,468	-	-	27,147,839	(32,536,307)	-
Net cash from (used for) noncapital financing activities	<u>20,469,926</u>	<u>(16,101,505)</u>	<u>63,444,178</u>	<u>27,049,527</u>	<u>(32,536,307)</u>	<u>62,325,819</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	44,792,087	(4,749,231)	63,610,491	50,000,356	1,753,966	155,407,669
<b>CASH AND CASH EQUIVALENTS</b>						
Beginning of year	<u>94,252,794</u>	<u>9,022,378</u>	<u>-</u>	<u>52,842</u>	<u>28,423,304</u>	<u>131,751,318</u>
End of year	<u>\$ 139,044,881</u>	<u>\$ 4,273,147</u>	<u>\$ 63,610,491</u>	<u>50,053,198</u>	<u>\$ 30,177,270</u>	<u>\$ 287,158,987</u>

# Washington State Housing Finance Commission

## Schedule of Program Cash Flows (continued)

	Restricted Bond Fund			Program-Related Investments	General Operating Fund	Year Ended June 30, 2020
	Single-family Housing Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program			
RECONCILIATION OF EXCESS (DEFICIT) OF REVENUES OVER EXPENSES TO NET CASH FROM OPERATING ACTIVITIES						
Excess (deficit) of revenues over expenses	\$ 28,629,055	\$ 2,052,139	\$ -	\$ 71,686,942	\$ 33,110,837	\$ 135,478,973
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash from operating activities						
Amortization of mortgage discount	(203,463)	-	-	-	-	(203,463)
Amortization of mortgage premium	36	-	-	-	-	36
Amortization of bond premium	(695,715)	(71,290)	-	-	-	(767,005)
Acquisition of mortgage loans	(114,233,496)	-	-	(117,573,702)	-	(231,807,198)
Repayments of mortgage loans	60,391,518	13,689,029	-	57,652,741	-	131,733,288
Unrealized (gain) loss on securities	(23,500,455)	(1,264,424)	-	-	-	(24,764,879)
Cash from changes in operating assets and liabilities						
Interest and other receivables	(4,504,402)	(105,025)	(167,535)	1,594,936	1,158,406	(2,023,620)
Interest and other payables	17,149,650	1,912,503	166,313	839,977	(3,574,260)	16,494,183
Net cash from (used for) operating activities	<u>\$ (36,967,272)</u>	<u>\$ 16,212,932</u>	<u>\$ (1,222)</u>	<u>\$ 14,200,894</u>	<u>\$ 30,694,983</u>	<u>\$ 24,140,315</u>

**Washington State Housing Finance Commission**  
**Schedule of Notes and Bonds Payable**  
**Year Ended June 30, 2020 with Comparative Totals for 2019**

Series	Issue Date	Original Amount	Final Maturity Date	Balance Outstanding	
				6/30/2020	6/30/2019
<b>Single-family (Open Indenture)</b>					
Single-family Series 2010 1A-R/1N-R	11/30/2010	35,175,000	12/1/2035	\$ -	\$ 5,675,000
Single-family Series 2013 1A-R/1N-R	3/27/2013	62,515,000	6/1/2043	23,445,000	26,380,000
Single-family Series 2014 1A-R/1N-R	1/28/2014	36,700,000	6/1/2043	1,310,000	2,810,000
Single family Series 2014 2A-R 2N 2N-R	12/18/2014	50,515,000	6/1/2044	11,765,000	15,060,000
Single-family Series 2015 1A-R/1N	12/10/2015	63,845,000	6/1/2038	27,105,000	34,760,000
Single family Series 2016 1A-R 1N VR-1N	5/26/2016	65,500,000	12/1/2046	43,380,000	48,045,000
Single family Series 2016 2A-R 2N	11/30/2016	67,045,000	12/1/2046	51,455,000	56,180,000
Single family Series 2017 1A-R 1N	4/27/2017	67,370,000	12/1/2047	45,465,000	59,205,000
Single family Series 2017 2A-R/2N	9/28/2017	35,230,000	6/1/2047	30,315,000	32,655,000
Single family Series 2017 3N/3N-R/3A-R	12/28/2017	70,475,000	12/1/2047	66,280,000	69,040,000
Single family Series 2018 1N/1N-MM	10/18/2018	98,190,000	12/1/2048	92,625,000	97,420,000
Single Family Series 2019 1N	3/20/2019	78,210,000	6/1/2049	76,385,000	78,210,000
Single Family Series 2019 2A/2N	11/26/2019	38,535,000	12/1/2049	38,385,000	-
Single Family Series 2020 1A/1N	5/28/2020	41,765,000	6/1/2050	41,765,000	-
Special Single family	10/18/2012	26,171,376	10/1/2042	5,444,050	6,927,922
				555,124,050	532,367,922
Unamortized Bond Premium				9,188,454	8,322,942
				<u>\$ 564,312,504</u>	<u>\$ 540,690,864</u>
<b>Homeownership Program Bonds</b>					
HPB 09 B - NBIP	12/21/2009	50,000,000	10/1/2040	\$ -	\$ 185,000
HPB 09 Series AC1/2010 Series A - NBIP	6/29/2010	100,000,000	10/1/2041	855,000	2,210,000
Homeownership Program Bonds 09 AC2/11 A	3/24/2011	99,990,000	10/1/2041	2,480,000	5,060,000
Homeownership Program Bonds 09 AC3/11 B	9/29/2011	116,440,000	10/1/2041	18,980,000	22,840,000
Homeownership Program Bonds 2013A	1/30/2013	23,675,203	3/1/2040	4,865,791	6,202,416
Homeownership Program Bonds 2015 AB	5/28/2015	69,370,000	5/1/1941	24,485,000	29,260,000
				51,665,791	65,757,416
Unamortized Bond Premium				249,127	320,416
				<u>\$ 51,914,918</u>	<u>\$ 66,077,832</u>

