

# District of Columbia Housing Finance Agency

Financial Statements With

Independent Auditor's Report

Years Ended September 30, 2004 and 2003



## TCBA

**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**

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**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
District of Columbia Housing Finance Agency

We have audited the accompanying basic financial statements of the District of Columbia Housing Finance Agency ("the Agency"), a component unit of the District of Columbia Government, as of and for the years ended September 30, 2004 and 2003. These financial statements are the responsibility of the Agency's management. 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 and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of September 30, 2004 and 2003, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining financial statements on pages 45 through 49 are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2004, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Washington, D.C.  
December 30, 2004 Thompson, Cobb, Bazilio & Associates, P.C.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Our discussion and analysis of the District of Columbia Housing Finance Agency's financial performance provides an overview of the Agency's financial activities for the year ended September 30, 2004. The financial statements, accompanying notes, and additional information should be read in conjunction with the following discussion.

### Overview

The District of Columbia Housing Finance Agency (the Agency) was established in 1979 to stimulate and expand homeownership and rental housing opportunities in Washington, D.C. The Agency accomplishes its mission by issuing mortgage revenue bonds that lower the homebuyers' costs of purchasing and rehabilitating homes and the developers' costs of acquiring, constructing, and rehabilitating rental housing. The Agency uses funds to account for its financial activities. The General Fund is used to record the receipt of income not directly pledged for repayment of securities, to pay expenses related to the Agency's administrative functions, and to account for grant revenues and expenditures related to Section 8 grants from United States of Department of Housing and Urban Development (HUD). The other funds are used to account for bond proceeds and debt service related to multifamily and single family mortgage revenue bonds and to account for certificates of participation, revenues and expenses related to the Building Finance Corporation.

### Financial Highlights

Financial highlights for fiscal year 2004 are presented below.

- The Agency's net assets increased by \$5.64 million, mainly resulting from unrealized gains in multifamily mortgage backed pass-through securities.
- Bonds issued increased by \$332.86 million as a result of the issuance of \$36 million in multifamily revenue bonds and \$296.86 million in single family draw-down series. In the aggregate, a total of \$379.83 million in bonds were redeemed from sinking fund maturities, prepayment calls and draw-down calls.
- Operating revenues for the fiscal year 2004 were \$66.98 million which is 1.8% higher than last year, while operating expenses were \$68.10 million which, is 2.5% below last year. In fiscal year 2004, interest earned on mortgage-backed securities of the single family bond program declined by 39.7% compared to fiscal year 2003 as a result of prepayments of mortgages. However, the decrease was offset by the increase in the Agency's multifamily program even though there were less than expected transaction closings in the multifamily program. In fiscal year 2004, the Agency's business and program activities were being impacted by national and local trends including a slowing trend in the national economy combined with a flattening of interest rates and a narrowing of the spread between tax-exempt and market rate mortgage loans; a stepped-up focus by HUD on monitoring and enforcement activities relating to its insured and assisted housing portfolio along with the curtailment of funding of its Section 8 Housing Assistance, CDBG and HOME programs; and a decline in the previous two years surge in affordable housing development in the District of Columbia. For these reasons, the Agency was not able to maintain the preceding two years' record pace of earnings in its multifamily and single family bond programs.

**Table 1**  
**Condensed Balance Sheet**  
**September 30,**

	<u>2004</u>	<u>2003</u>
Current assets	\$ 28,105,118	\$ 25,013,067
Noncurrent assets	<u>977,734,252</u>	<u>1,057,687,587</u>
<b>Total Assets</b>	<b><u>\$1,005,839,370</u></b>	<b><u>\$1,082,700,654</u></b>
Current liabilities	\$ 54,681,370	\$ 91,500,079
Noncurrent Liabilities	<u>865,306,069</u>	<u>910,987,416</u>
<b>Total Liabilities</b>	<b><u>919,987,439</u></b>	<b><u>1,002,487,495</u></b>
Net assets:		
Invested in capital assets, net of related debt	<u>1,035,109</u>	<u>1,000,049</u>
Restricted for:		
Bond Fund and Risk Share Program	52,927,452	49,255,217
McKinney Act Fund	<u>6,847,715</u>	<u>6,081,115</u>
Total restricted	<u>59,775,167</u>	<u>55,336,332</u>
Unrestricted	<u>25,041,655</u>	<u>23,876,778</u>
<b>Total Net Assets</b>	<b><u>85,851,931</u></b>	<b><u>80,213,159</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$1,005,839,370</u></b>	<b><u>\$1,082,700,654</u></b>

**Table 2**  
**Condensed Statement of Revenues, Expenses,**  
**and Changes in Net Assets**  
**Year Ended September 30,**

	<u>2004</u>	<u>2003</u>
<b>Operating Revenues</b>		
Mortgage-backed security income	\$13,179,560	\$ 14,072,523
Interest on mortgage and construction loans	19,408,743	18,005,380
McKinney Act revenue	790,930	743,531
Application and commitment fees	116,464	175,442
HUD Section 8 housing assistance receipts	13,443,870	13,279,760
Service project receipts	6,636,490	6,369,578
Other	<u>13,399,588</u>	<u>13,160,802</u>
Total operating revenues	<u>66,975,645</u>	<u>65,807,016</u>
<b>Operating Expenses</b>	<u>68,101,272</u>	<u>69,817,502</u>
<b>Operating Loss</b>	<u>(1,125,627)</u>	<u>(4,010,486)</u>
Non-operating revenues	7,962,636	9,022,984
Extraordinary item – loss on extinguishment of debt	<u>(1,198,237)</u>	<u>(459,300)</u>
<b>Change in Net Assets</b>	<b><u>\$ 5,638,772</u></b>	<b><u>\$ 4,553,198</u></b>

## **New Business**

During fiscal year 2004, the Agency instituted organizational reforms in alliance with its housing partners that effectively leveraged and strategically directed the investment of public and private funds into target communities. This resulted in Agency's financing a total of 524 units of affordable new, ownership and rehabilitated rental housing community investment of \$31.32 million in tax-exempt bonds. The Agency also opened satellite office east of the river at 4415 South Capitol Street, SW and counseled 1,535 clients citywide as part of its Single Family Homeownership Program. The Agency is resolute in refining its internal capacity to keep-up with its strong credit position in the financial markets.

## **Debt Administration**

The Agency's outstanding debt decreased by 0.51% over the prior year as a result of fewer multifamily and single family bond issuances as previously discussed. In fiscal year 2004, the Agency issued \$36 million in multifamily revenue bonds to finance the construction and rehabilitation of four projects. 524 rental units will be made available upon completion of these projects. The Agency also issued \$296.86 million in single family draw down bonds during fiscal year 2004.

The Agency redeemed \$66.26 million in multifamily bonds and \$313.48 million in single family bonds.

## **Capital Assets**

The Agency issued \$2.4 million of Certificates of Participation in 1998 to finance the acquisition of the building at 815 Florida Avenue, N.W., Washington, D.C. and entered into a lease agreement with the D. C. Building Finance Corporation to lease the office space. The lease term is through June 2018, however, the Agency has an annual right to terminate the lease in the event that the Agency fails to appropriate sufficient amounts due under the lease terms for the ensuing fiscal year. The Agency has the option to purchase the building at any time during the lease at an amount necessary to discharge the Certificates. As of September 30, 2004, the lease agreement has approximately fourteen years remaining, and an outstanding balance of \$1.85 million of Certificates of Participation. The Agency redeemed \$0.100 million of Certificates of Participation in fiscal year 2004.

## **Programs**

**Multifamily:** In fiscal year 2004, the DCHFA funded over 524 rental units, of which 174 units are new housing. While about 74 units will be for seniors, 407 units will be occupied by households earning less than 50% of the area median income.

**Single Family:** Falling rates for conventional single-family mortgages narrowed the spread between market-rate and Agency-offered products. For that reason as well as potential negative arbitrage earnings due to lower investment rates, the Agency did not make any new funds available this fiscal year.



## **Section 8 HAP Contract Administration**

The Agency has entered into a contractual agreement with the United States Department of Housing & Urban Development (HUD) to administer Section 8 Housing Assistance Payments for eleven projects. The HFA earned \$368,545 in contract administration fees during fiscal year 2004.

## **HUD Risk-Sharing Program**

The Agency has also entered into a risk-sharing agreement with HUD, where a multifamily project is insured by the Federal Housing Administration (FHA) for 90% of the mortgage while 10% of the mortgage is insured by the Agency. In order to participate in this program, the Agency deposited \$500,000 in a reserve account with Merrill Lynch. With every risk-share project, an FHA placement fee of 1% of the mortgage balance is collected and deposited into the reserve account. In fiscal year 2004, two of the multifamily deals totaling \$17.95 million in mortgages are Risk-Sharing. The reserve account has a balance of \$1.69 million.

## **Subsequent Events**

On December 21, 2004, the Agency issued collateralized multifamily housing revenue bonds Series 2004 for \$9 million, and on December 28, 2004, the Agency issued multifamily housing revenue bonds Series 2004 D&E for \$13.5 million.

## **Conclusion**

The above discussion and analysis is presented to provide additional information regarding the activities of the Agency and also to meet the disclosure requirements of GASB 34. If you have questions about the report or need additional financial information, contact the Chief Financial Officer, Solomon Haile, District of Columbia Housing Finance Agency, (202) 777-1620, 815 Florida Avenue, N.W. Washington DC 20001, shaile@[dchfa.org](mailto:shaile@dchfa.org) or go to our website at [www.dchfa.org](http://www.dchfa.org).

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**BALANCE SHEETS**  
**SEPTEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 16,773,226	\$ 14,676,533
Restricted cash and cash equivalents	11,031,607	9,774,556
Other receivables	<u>300,285</u>	<u>561,978</u>
Total current assets	<u>28,105,118</u>	<u>25,013,067</u>
 <b>NON-CURRENT ASSETS</b>		
Other assets:		
Investments	5,103,996	6,457,913
Loans receivable	146,652	153,384
Prepays	229,433	273,540
Bond issue costs—net	<u>14,817,403</u>	<u>16,095,992</u>
Total other assets	<u>20,297,484</u>	<u>22,980,829</u>
 Restricted assets:		
Cash and cash equivalents	241,166	470,550
Investments held in trust	382,818,760	354,135,914
Mortgage-backed securities at fair value	219,210,501	265,070,170
Mortgage and construction loans receivable	341,656,899	381,565,927
Rehab financed by tax credits	3,927,171	17,736,748
Loans receivable	1,684,790	1,585,923
McKinney Act funds receivable	1,085,975	1,786,181
Other receivables	299,154	5,432,690
Accrued interest receivable	<u>3,622,243</u>	<u>3,934,096</u>
Total restricted assets	<u>954,546,659</u>	<u>1,031,718,199</u>
 Capital assets:		
Land	573,000	573,000
Depreciable property and equipment	3,379,601	3,306,184
Leasehold improvements	1,119,980	1,024,669
Less accumulated depreciation and amortization	<u>(2,182,472)</u>	<u>(1,915,294)</u>
Total capital assets	<u>2,890,109</u>	<u>2,988,559</u>
Total non-current assets	<u>977,734,252</u>	<u>1,057,687,587</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,005,839,370</u></b>	<b><u>\$1,082,700,654</u></b>

(Continued)

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

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**BALANCE SHEETS**  
**SEPTEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,438,257	\$ 1,881,436
Accrued salary and vacation payable	231,736	211,647
Deferred revenue	625,907	714,837
Current portion of bonds payable	10,555,000	11,710,000
Current portion of certificates of participation	<u>105,000</u>	<u>100,000</u>
Total current liabilities	<u>12,955,900</u>	<u>14,617,920</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Tenant subsidy funds	543,277	1,488,048
Escrow deposits	2,221,370	1,415,055
Deferred credits	28,619,669	61,488,703
Deferred revenue	1,254,930	1,912,219
Interest payable	<u>9,086,224</u>	<u>10,578,134</u>
Total current liabilities payable from restricted assets	<u>41,725,470</u>	<u>76,882,159</u>
<b>NON-CURRENT LIABILITIES</b>		
Loans payable	467,678	469,325
Bonds payable—less current portion	863,088,391	908,663,091
Certificates of participation—less current portion	<u>1,750,000</u>	<u>1,855,000</u>
Total non-current liabilities	<u>865,306,069</u>	<u>910,987,416</u>
Total liabilities	<u>919,987,439</u>	<u>1,002,487,495</u>
<b>NET ASSETS</b>		
Invested in capital assets—net of related debt	<u>1,035,109</u>	<u>1,000,049</u>
Restricted for:		
Bond Fund and Risk Share	52,927,452	49,255,217
McKinney Act Fund	<u>6,847,715</u>	<u>6,081,115</u>
Total restricted net assets	<u>59,775,167</u>	<u>55,336,332</u>
Unrestricted net assets	<u>25,041,655</u>	<u>23,876,778</u>
Total net assets	<u>85,851,931</u>	<u>80,213,159</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$1,005,839,370</u>	<u>\$1,082,700,654</u>

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

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES</b>		
Mortgage-backed security income	\$13,179,560	\$14,072,523
Interest on mortgage and construction loans	19,408,743	18,005,380
McKinney Act revenue	790,930	743,531
Application and commitment fees	116,464	175,442
HUD Section 8 housing assistance receipts	13,443,870	13,279,760
Service project receipts	6,636,490	6,369,578
Other	<u>13,399,588</u>	<u>13,160,802</u>
Total operating revenues	<u>66,975,645</u>	<u>65,807,016</u>
<b>OPERATING EXPENSES</b>		
Operations	5,063,963	4,613,002
Personnel and related costs	3,381,121	3,353,370
Interest expense	34,554,643	36,998,889
Depreciation and amortization	267,177	255,528
Federal program payments	9,188,092	10,510,234
Housing assistance payments	10,892,268	9,139,104
Bond amortization	944,853	797,180
Trustee fees and other expenses	<u>3,809,155</u>	<u>4,150,195</u>
Total operating expenses	<u>68,101,272</u>	<u>69,817,502</u>
<b>OPERATING LOSS</b>	(1,125,627)	(4,010,486)
<b>NON-OPERATING REVENUES</b>		
Investment income	<u>7,962,636</u>	<u>9,022,984</u>
Excess Of Revenue Over Expenses Before Extraordinary Item	6,837,009	5,012,498
Extraordinary Item - Loss On Extinguishment Of Debt	<u>(1,198,237)</u>	<u>(459,300)</u>
Change In Net Assets	5,638,772	4,553,198
Net Assets, Beginning Of Year	<u>80,213,159</u>	<u>75,659,961</u>
Net Assets, End Of Year	<u>\$85,851,931</u>	<u>\$80,213,159</u>

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

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>Operating Activities</b>		
Cash receipts from loans and interest	\$ 33,938,075	\$ 35,312,569
Other cash receipts	14,768,452	13,316,412
Cash payments to vendors	(1,348,402)	(909,615)
Cash payments to employees	(3,359,597)	(3,317,234)
Receipts of federal program income	19,135,579	20,280,486
Payments of federal program expenses	(20,080,360)	(19,644,281)
Other cash payments	<u>(7,539,854)</u>	<u>(7,593,876)</u>
Net cash provided	<u>35,513,893</u>	<u>37,444,461</u>
<b>Capital and Related Financing Activities</b>		
Acquisition of fixed assets	(168,727)	(149,869)
Payments of bonds and long-term debt	(100,000)	(100,000)
Payments of interest and charges	<u>(101,818)</u>	<u>(106,668)</u>
Net cash used	<u>(370,545)</u>	<u>(356,537)</u>
<b>Non-Capital Financing</b>		
Proceeds in rehab financed by tax credits	(11,998,653)	13,522,552
Proceeds from long-term bonds	337,993,937	408,585,000
Payments of long-term debt	(379,735,234)	(395,396,995)
Interest paid on bonds	<u>(36,490,302)</u>	<u>(22,158,857)</u>
Net cash provided (used)	<u>(90,230,252)</u>	<u>4,551,700</u>
<b>Investing Activities</b>		
Receipts of interest and dividends	7,841,831	9,192,520
Principal payments (purchases) on mortgage and construction loans	31,976,007	(81,493,191)
Sale of investments and mortgage-backed securities	587,486,890	884,388,926
Purchase of investments and mortgage-backed securities	<u>(569,093,464)</u>	<u>(850,245,696)</u>
Net cash provided (used)	<u>58,211,264</u>	<u>(38,157,441)</u>
NET INCREASE IN CASH	3,124,360	3,482,183
Cash and cash equivalents at October 1	<u>24,921,639</u>	<u>21,439,456</u>
Cash and cash equivalents at September 30	<u>\$ 28,045,999</u>	<u>\$ 24,921,639</u>

(Continued)

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

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by</b>		
<b>Operating Activities</b>		
Operating loss	\$ (1,125,627)	\$ (4,010,486)
Interest expense	34,554,643	36,998,889
Depreciation and amortization	267,177	255,528
Bad debt expense	27,359	
Miscellaneous non-operating revenue	69,805	371,813
Decrease (increase) in assets		
Receivables	3,419,968	(111,764)
Other current assets	(2,187,929)	(30,848)
Loans receivables	98,867	-
Increase (decrease) in liabilities		
Payables	500	300,751
Accrued liabilities	(527,457)	36,136
Deferred revenue and credits	(740,972)	128,084
Escrow deposits	806,315	56,021
Current liabilities and changes in mortgage loans	<u>851,244</u>	<u>3,450,337</u>
Net cash provided by operating activities	<u>\$35,513,893</u>	<u>\$37,444,461</u>

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

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 1: ORGANIZATION AND PURPOSE**

The District of Columbia Housing Finance Agency (the Agency) was created as a corporate body which has a legal existence separate from the Government of the District of Columbia (the District) but which is an instrumentality of the District, created to effectuate certain public purposes. The Agency was empowered to, among other authorized activities, generate funds from public and private sources to increase the supply of, and to lower the cost of, funds available for residential mortgages and notes and for the construction of permanent multi-family rental properties.

In 1991, the Governmental Accounting Standards Board issued Statement No. 14, *The Financial Reporting Entity*. The definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the Agency considered whether its officials appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Agency. The Agency also considered whether there are organizations that are fiscally dependent on it. It was determined that there are no component units of the Agency.

The Agency is included in the District's Comprehensive Annual Financial Report as a Discretely Presented Component Unit.

The Agency established the District of Columbia Building Finance Corporation (the Building Corporation) as a nonprofit corporation under the laws of the District of Columbia in July 1998. The Building Corporation's financial transactions are included as a separate fund of the Agency.

The bonds issued by the Agency and the Corporation are payable principally from repayments of mortgage loans financed by or purchased from the proceeds of such bonds and are not a debt of the Agency or the District. Neither the faith and credit nor the taxing power of the District is pledged for the repayment of the bonds.

The following is a summary of significant accounting policies:

**Basis of Accounting** – For financial reporting purposes only, the Agency is a component unit of the District of Columbia Government. The operations of the Agency are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. The financial activities of the Agency are recorded in funds, each of which represents a separate accounting entity. The Agency uses the accrual method of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a description of the funds maintained by the Agency:

**General Fund** - The General Fund is used to record the receipt of income not directly pledged for repayment of securities, to pay expenses related to the Agency's administrative functions, and to account for grant revenues and expenditures related to the Section 8A grants from HUD.

**Multi-Family Program Fund** - The Multi-Family Program Fund is used to account for the proceeds of multi-family mortgage revenue bond issues, investments held pursuant to the indenture authorizing the issuance of the bonds, the debt service requirements on the bonds, and the related mortgage loan financing for newly constructed or rehabilitated multi-family rental housing in the District of Columbia.

**Single-Family Program Fund** - The Single-Family Program Fund is used to account for the proceeds of single-family mortgage revenue bond issues, investments held pursuant to the indenture authorizing the issuance of the bonds, the debt service requirements on the bonds, and debt service collected from mortgage loans purchased for the financing of owner-occupied single-family residences in the District of Columbia.

**D.C. Building Finance Corporation Fund** - The D.C. Building Finance Corporation Fund is used to account for the lease and Certificates of Participation issued by the Agency to finance the purchase of a building.

**Investments** - Investments of the General Fund are made in accordance with the Agency's investment policy, which generally includes instruments issued or secured by the United States Government or covered by Federal insurance programs. These funds have been designated for use by the Agency for mortgage insurance premiums, maintenance costs related to federal financial assistance programs, and other contingencies.

Investments in the other funds consist of those permitted by the respective trust indentures adopted by the Agency providing for the issuance of notes and bonds.

The Governmental Accounting Standards Board issued Statement No. 40, Deposit and Investment Risk Disclosures, to be implemented effective for financial statements for periods beginning after June 15, 2004. The Agency implemented GASB Statement No. 40 in fiscal year 2003.



**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Mortgage-Backed Securities** - Mortgage-backed securities represent certificates issued by the Government National Mortgage Association ("Ginnie Mae") and FANNIE MAE which guarantee the receipt by the Agency's trustee of monthly principal and interest from mortgages originated under the Agency's Single-Family and Multi-Family Loan Programs.

**Mortgage and Construction Loans Receivable** - Mortgage and construction loans are carried at amounts advanced, net of collections and allowances for potential loan losses, if any. As of September 30, 2004 and 2003, no allowance for potential loan losses was necessary.

**Property, Furniture and Equipment** - Property, furniture and equipment purchases are capitalized at cost and depreciated using the straight-line method over the estimated useful lives ranging from five to seven years.

**Leasehold Improvements** - Capital improvements to leased space are recorded as leasehold improvements and amortized over the shorter of the applicable lease life or the useful life of the improvement.

**Bond Issuance Costs** - Costs related to the issuance of bonds and certificates of participation are amortized over the life of the related debt on a straight-line basis, which approximates the effective yield method, or are recognized upon early redemption of the bonds.

**Bond Discounts and Premiums** - Bond discount or premium arising from the sale of serial or term bonds is amortized using the straight-line method which approximates the effective yield method, over the life of the bond issue.

**Bond Accretion** - Interest on multiplier bonds or capital appreciation bonds (which do not pay interest during the life of the bonds) is added to the bond principal outstanding as interest is earned. The increase in value is recorded as a liability in bonds payable on the combined balance sheet and as interest expense on the combined statement of revenues, expenses and changes in net assets.

**Loan Origination and Commitment Fees** - The Agency originates single family mortgage loans and earns fees for these loan originations. The Agency also charges application and financing fees to developers and participating lenders for commitments on financing. These fees are recognized as revenue when the services have been performed.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Statements of Cash Flows** - The Agency has presented statements of cash flows using the direct method as required by Government Accounting Standards Board Statement No. 34 for the years ended September 30, 2004 and 2003. For purposes of the statements of cash flows, the Agency considers highly liquid investments with original maturities of three months or less to be cash equivalents, both unrestricted and restricted.

**NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents** - The Agency's combined cash balance as of September 30, 2004, consists primarily of amounts held in trust accounts that are under the control of the Agency's trustees. Those amounts held in trust accounts and other demand deposit accounts are insured by Federal Deposit Insurance Corporation (FDIC) to the extent required by law.

Approximately \$5,761,740 of (McKinney Act Savings) are restricted in nature as they are only to be used to benefit very low income persons. In addition, \$121,032 is restricted and represents the DCHFA Minority Contractor Loan Fund Escrow.

As of September 30, 2004 and 2003, the Agency's general fund had the following deposits:

	<u><b>2004</b></u>	<u><b>2003</b></u>
Insured	\$ 3,952,654	\$2,268,236
Collateralized:		
Collateral held by the Federal Reserve in joint name	16,791,139	21,004,125
Collateral held by bank through a tri-party agreement	7,061,040	554,803
Uninsured and uncollateralized	<u>-</u>	<u>623,925</u>
Total deposits	<u><u>\$27,804,833</u></u>	<u><u>\$24,451,089</u></u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
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**NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be recovered. The Agency does not have a formal custodial credit risk policy, but ensures that deposits with banks are fully collateralized.

**Investments – General Fund**

The Agency follows general investment guidelines approved by its Board of Directors with regard to its general fund. The policy states that investment securities shall be of investment grade rating, principal guaranteed and offer reasonable returns. The Agency adheres to the specific covenants as stipulated in the indenture of trust and other regulatory agreements of the bond programs and certificates of participation (COPs) regarding investments relating to its bond programs.

As of September 30, 2004, the Agency had the following investments relating to its general fund:

<u>Investment Type</u>	<u>Fair value of investments with maturities less than 5 years</u>	<u>Rating</u>	
Certificates of Deposit	\$ 498,071	Not Rated	10%
Fannie Mae	1,227,005	AAA	24%
Corporate Bonds	1,739,000	A-AAA	34%
Merrill Lynch - Equities Index	<u>1,639,920</u>	Not Rated	<u>32%</u>
Total	<u>\$5,103,996</u>		<u>100%</u>

As of September 30, 2003, the Agency had the following investments relating to its general fund:

<u>Investment Type</u>	<u>Fair value of investments with maturities less than 5 years</u>	<u>Rating</u>	
Certificates of Deposit	\$ 996,464	Not Rated	15%
Fannie Mae	1,142,078	AAA	18%
Corporate Bonds	1,762,850	A – AAA	26%
Merrill Lynch - Equities Index	1,958,749	Not Rated	31%
US Treasuries	<u>597,772</u>	Not Rated	<u>10%</u>
Total	<u>\$6,457,913</u>		<u>100%</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
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**NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Rated securities have a minimum of A. The equities index, which is not rated, is a total of various composite indexes of stocks of major U.S. corporations and European companies. The principal of equity index securities is guaranteed to be paid in full at maturity. The Agency practices a prudent policy of staggering maturities of its investments to manage its cash flow needs and also to lessen the effect of changes in interest rates.

The Agency's investment policy stipulates that the securities be rated investment grade and that the principal be secured. As of September 30, 2004, the Agency's investments were invested in fully diversified securities. The above securities are insured, rated between medium to top and guarantee payment of principal at maturity.

The Agency uses weighted average maturity method that considers the investment's time horizons and maturities. In FY 2004, the weighted average maturity of the Agency's investment was 2.13 years. In a declining interest rate environment, the Agency had to diversify its portfolio to maintain its return on investments.

**Investments – Bonds and Certificates of Participation**

As of September 30, 2004, the Agency had the following investments relating to its bonds and certificates of participation:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Less than 5 years</b>	<b>Maturities</b>		<b>Rating</b>	
			<b>6-10 years</b>	<b>over 10 years</b>		
Guaranteed Investment	\$347,773,367	\$291,620,741	\$9,857,337	\$ 46,295,288	Not Rated	58%
Money Market Funds	29,383,101	29,383,101	-	-	AAA	5%
U.S. Treasury Strips	5,662,292	1,503,683	4,158,609	-	Not Rated	1%
Ginnie Mae – Mortgage backed securities	193,706,418	52,131,263	2,065,427	139,509,728	AAA	32%
Fannie Mae – Mortgage- backed securities	<u>25,504,083</u>	<u>1,187,525</u>	<u>354,572</u>	<u>23,961,987</u>	AAA	<u>4%</u>
	<u>\$602,029,261</u>	<u>\$375,826,313</u>	<u>\$16,435,945</u>	<u>\$209,767,003</u>		<u>100%</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
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**NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)**

As of September 30, 2003, the Agency had the following investments relating to its bonds and certificates of participation:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Less than 5 years</b>	<b>Maturities</b>		<b>Rating</b>	
			<b>6-10 years</b>	<b>over 10 years</b>		
Guaranteed Investment	\$313,854,658	\$239,754,217	\$ 8,623,302	\$ 65,477,139	Not Rated	50.7%
Money Market Funds	35,963,273	35,963,273	-	-	AAA	5.8%
U.S. Treasury Strips	4,317,983	-	4,317,983	-	Not Rated	0.7%
Ginnie Mae - Mortgage backed securities	221,442,965	14,390,000	11,115,001	195,937,964	AAA	35.8%
Fannie Mae - Mortgage backed securities	<u>43,627,205</u>	<u>4,480,000</u>	<u>1,760,000</u>	<u>37,387,205</u>	AAA	<u>7.0%</u>
	<u>\$619,206,084</u>	<u>\$294,587,490</u>	<u>\$25,816,286</u>	<u>\$298,802,308</u>		<u>100.0%</u>

Investments of proceeds from bond issuances are governed by the covenants of the indenture of trust entered between the issuer (the Agency), the respective trustee and the investment agreement provider. Normally, the investment agreements are with major financial institutions under which each financial institution:

- Has indemnified the Agency from market risk and has agreed to pay a guaranteed interest rate.
- Is required to deposit qualifying securities equivalent to principal and interest with the designated trustee to indemnify the Agency.

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. Investment agreements are not rated; however, the contracts entered with major financial institutions require the institutions to notify the trustees when rating down-grades occur. If such down-grades place the securities below the agreed-upon rating, the provider is required to put up additional cash collateral as determined by the trustee to bring it to the agreed-upon rating at the time of executing the investment agreement.

Money market funds are short-term in nature and are held by trust banks for the benefit of projects. They are top rated by nationally recognized statistical rating organizations, such as Standard & Poor's and Moody's Investors Service. U.S. Treasury Strips are zero-coupon, accreted semi-annually to appreciate to the par value of the strips at maturity. Fannie Mae mortgage-backed pass-through securities are top rated by Standard & Poor's and Moody's Investors Service. Though there is no explicit guarantee that Fannie Mae mortgage-backed securities are backed by the full faith and credit of the U.S. government, there is an implicit guarantee, as government-sponsored entities are created by Congress.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
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**NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Guaranteed investment contracts protect the Agency from interest rate risk as stipulated in the terms of the contracts entered with the investment providers. Money market funds of the bond programs are short-term by their nature as they are to be used to meet debt service obligations and project construction or rehabilitation payments. The effect of changes in interest rate is inconsequential. U.S. Treasury Strips are highly sensitive investments, backed by the full faith and credit of the federal government. They represent \$5.662 million or 1% of the portfolio's investments. Ginnie Mae and Fannie Mae mortgage-backed securities are investments that are highly sensitive to changes in interest rates. Generally, when interest rates fall, mortgage borrowers tend to prepay their loans taking advantage of the lower rates through refinancing, thus eliminating the stream of interest payments that would have been received under the original amortization schedule. This reduces cash flow and diminishes the fair value of mortgage pass-through securities. Such securities represent \$219.21 million or 36.4% of the portfolio's investments.

Investments of bond programs are restricted and can only be used for the benefit of the respective bond series. Bond calls made from prepayments of mortgages are not subject to any premium. In effect, prepayments resulting from refinancing are used to redeem bonds on the next debt service payment date. The effective interest rate reduction could be the difference in the rate between the mortgage rate and the investment rate from the date of prepayment to the next debt service date, which could range from two to eight months.

These investments are with major financial institutions under which each financial institution has insured the Agency from market risk and has agreed to pay a guaranteed interest rate. In addition, each financial institution has deposited with its trust department, in the Agency's name, qualifying securities in an amount equivalent to principal and interest.

Investments are reported at fair value in the balance sheet and changes in the fair value of investments are recognized in the statement of revenue, expenses and changes in net assets.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4: MORTGAGE AND CONSTRUCTION LOANS RECEIVABLE**

Mortgage and construction loans receivable are secured by deeds of trust evidencing first mortgage liens on related real property. These loans are either insured by the Federal Housing Administration ("FHA"), the Veteran Administration ("VA"), or by private mortgage insurance up to a maximum of 90% of the outstanding mortgages. Both FHA and VA are U.S. Government agencies. Interest rates on these loans range from 1.44% to 11.01% and the loans have a repayment period of up to 40 years.

The Agency's Single Family Program recorded unrealized losses of \$2,345,187 and \$2,848,213 for fiscal year 2004 and 2003. The Agency's Multifamily Program recorded unrealized gains of \$2,128,151 and \$232,079 for fiscal years 2004 and 2003, respectively. These significant variances in fair value are caused by interest rate fluctuations and would be realized only upon sale of the securities, resulting from prepayment of mortgage loans.

Restricted mortgage and construction loans as of September 30, 2004 and 2003, were \$341,629,899 and \$381,565,927, respectively.

**NOTE 5: PROPERTY, FURNITURE AND EQUIPMENT**

Property, furniture and equipment consist of the following:

	<u>September 30, 2003</u>	<u>Additions</u>	<u>September 30, 2004</u>
Land	\$ 573,000	\$ -	\$ 573,000
Building	1,795,238	-	1,795,238
Furniture and equipment	1,311,601	61,899	1,373,500
Software	<u>199,345</u>	<u>11,518</u>	<u>210,863</u>
Total	3,879,184	73,417	3,952,601
Leasehold improvements	<u>1,024,669</u>	<u>95,310</u>	<u>1,119,979</u>
Total	<u>4,903,853</u>	<u>168,727</u>	<u>5,072,580</u>
Depreciation	(1,427,435)	(219,987)	(1,647,422)
Amortization	<u>(487,859)</u>	<u>(47,190)</u>	<u>(535,049)</u>
Less accumulated depreciation and amortization	<u>(1,915,294)</u>	<u>(267,177)</u>	<u>(2,182,471)</u>
Total Capital Assets	<u>\$ 2,988,559</u>	<u>\$ (98,450)</u>	<u>\$ 2,890,109</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 5: PROPERTY, FURNITURE AND EQUIPMENT (Continued)**

Property, furniture and equipment consist of the following:

	<u>September 30, 2002</u>	<u>Additions</u>	<u>September 30, 2003</u>
Land	\$ 573,000	\$ -	\$573,000
Building	1,795,238	-	1,795,238
Furniture and equipment	1,244,398	67,203	1,311,601
Software	<u>159,969</u>	<u>39,376</u>	<u>199,345</u>
Total	3,772,605	106,579	3,879,184
Leasehold improvements	<u>981,379</u>	<u>43,290</u>	<u>1,024,669</u>
Total	<u>4,753,984</u>	<u>149,869</u>	<u>4,903,853</u>
Depreciation	(1,218,347)	(209,088)	(1,427,435)
Amortization	<u>(441,419)</u>	<u>(46,440)</u>	<u>(487,859)</u>
Less accumulated depreciation and amortization	<u>(1,659,766)</u>	<u>(255,528)</u>	<u>(1,915,294)</u>
Total Capital Assets	<u>\$ 3,094,218</u>	<u>\$(105,659)</u>	<u>\$2,988,559</u>

There were no disposals during the year ended September 30, 2004 and 2003. Depreciation and amortization expenses for fiscal years 2004 and 2003 were \$267,177 and \$255,528, respectively.

**NOTE 6: BONDS PAYABLE**

Bonds payable consists of term and serial bonds which are subject to redemption at the option of the Agency or borrower in accordance with the terms of the respective bond indenture and bond resolution, in whole or in part, on various dates at prescribed redemption prices. Included in certain bond issues are capital appreciation bonds. The principal amount of these bonds appreciate based on either annual or semi-annual compounding on the original principal balance. These bonds are recorded in the financial statements at their current appreciated amounts. Bonds which have been issued to provide financing for the Agency's housing programs and are collateralized by:

- Mortgage loans made on the related multi-family developments or single-family residential mortgage loans purchased.
- Substantially all revenues, mortgage payments, and recovery payments received by the Agency from mortgage loans made on the related developments.
- Certain accounts, generally debt service reserve funds, established pursuant to the indenture authorizing issuance of the bonds.



**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
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**NOTE 6: BONDS PAYABLE (Continued)**

The following is a summary of bonds outstanding by program fund (subject to varying redemption provisions) as of September 30, 2004 and 2003:

<b>Single Family Program Fund</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
The Single-Family Mortgage Bonds outstanding are as follows:		
1) 1986 Series I serial and capital appreciation bonds due March 1, 2000 through September 1, 2016 with interest rates ranging from 7.00% to 9.50%.	\$2,445,000	\$3,302,000
2) 1988 Series A serial bonds due December 1, 1997 through June 1, 2019 with interest rates ranging from 7.6% to 8.375%.	-	5,000
3) 1988 Series B serial bonds due December 1, 1999 through December 1, 2018 with interest rates ranging from 7.4% to 8.25%.	-	5,000
4) 1988 Series D serial bonds due December 1, 1999 through December 1, 2022 with interest rates ranging from 7.4% to 8.25%.	-	5,000
5) 1988 Series E2 serial bonds due December 1, 1997 through December 1, 2022 with interest rates ranging from 7.00% to 7.70%.	5,545,000	8,095,000
6) 1988 Series E3 serial bonds due December 1, 2022 with an interest rate of 7.85%.	2,095,000	2,940,000
7) 1988 Series E4 serial bonds due June 1, 1999 through June 1, 2026 with interest rates ranging from 4.8% to 6.375%.	11,105,000	13,290,000
8) 1988 Series F1 serial bonds due December 1, 1999 through June 1, 2026 with interest rates ranging from 4.8% to 6.375%.	2,810,000	5,840,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6: BONDS PAYABLE (Continued)**

9)	1990 Series A serial bonds due December 1, 1997 through December 1, 2023 with interest rates ranging from 7.30 % to 8.10%.	135,000	2,430,000
10)	1990 Series B serial bonds due December 1, 1997 through December 1, 2024 with interest rates ranging from 6.1% to 7.1%.	3,565,000	4,970,000
11)	1990 Series C4 serial bonds due December 1, 1997 through December 1, 2024 with interest rates ranging from 4.80% to 6.35%.	3,140,000	3,665,000
12)	1994 Series A serial bonds due December 1, 2027 with an interest rate of 7.05%.	3,705,000	6,045,000
13)	1995 Series A serial bond due December 1, 2004 through December 1, 2026 with interest rates ranging from 5.1% to 6.4%.	3,855,000	5,325,000
14)	1996 Taxable Series capital appreciation bonds due November 1, 2011 with interest rates of 7.625%.	968,264	1,428,250
15)	1996 Series A serial and term bonds due December 1, 2000 through December 1, 2028 with interest rates ranging from 4.65% to 6.75%.	11,915,000	18,755,000
16)	1997 Series B serial and term bonds due December 1, 2001 through December 1, 2028 with interest rates ranging from 4.60% to 6.35%.	12,300,000	19,235,000
17)	1998 Series A bonds due December 1, 2003 through December 1, 2029 with interest rates ranging from 4.30% to 6.25%.	19,435,000	26,480,000
18)	1999 Series A bonds due December 1, 2001 through June 1, 2030 with interest rates ranging from 4.2% to 6.65%.	17,715,000	26,015,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6: BONDS PAYABLE (Continued)**

19)	2000 Series A bonds due December 1, 2003 through June 1, 2031 with interest rates ranging from 5.05% to 7.5%.	9,820,000	18,390,000
20)	2000 Series C bonds due December 1, 2010 through June 1, 2031 with interest rates ranging from 5.75% to 6.25%.	1,350,000	1,990,000
21)	2000 Series D bonds due December 1, 2010 through June 1, 2031 with interest rates ranging from 5.65% to 7.45%.	9,960,000	18,905,000
22)	2001 Series A serial bond due December 1, 2004 through December 31, 2032 with interest rates ranging from 4.00% to 6.85%.	12,155,000	18,455,000
23)	2003 Series bonds due December 1, 2054 with a variable interest rate of 1.12%	-	184,055,000
24)	2003 Series bond due December 1, 2053 with a variable interest rate of 1.84%	<u>239,075,000</u>	<u>-</u>
	Subtotal	373,093,264	389,625,250
	Add: Unamortized Bond Premium	4,471,471	4,644,268
	Less: Unamortized Bond Discount	<u>(660,933)</u>	<u>(698,321)</u>
	Total Single-Family Program Fund	<u>\$376,903,802</u>	<u>\$393,571,197</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6: BONDS PAYABLE (Continued)**

<b>Multi-Family Program Fund</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
The Single-Family Mortgage Bonds outstanding are as follows:		
1) 1985 Series A & B serial bonds due December 1, 2000 to December 1, 2029 with interest rates ranging from 5.875% to 12%. <ul style="list-style-type: none"> <li>• Carmel Plaza North</li> </ul>	\$ -	\$ 8,830,000
2) 1987 Series A serial bond due January 1, 2026 with variable interest rates. <ul style="list-style-type: none"> <li>• Mt. Vernon Plaza</li> </ul>	-	13,105,000
3) 1999/1988 Series serial bonds due August 1, 1999 through February 1, 2031 with interest rates ranging from 5% to 5.85%. <ul style="list-style-type: none"> <li>• Mayfair Mansions</li> </ul>	13,485,000	13,685,000
4) 1989 Series A serial bonds due December 1, 2005 through October 1, 2019 with variable interest rates. <ul style="list-style-type: none"> <li>• Fort Lincoln</li> </ul>	7,305,000	7,550,000
5) 1991 Series serial bond due December 1, 2011 with an interest rate of 7.4%. <ul style="list-style-type: none"> <li>• New Parkchester Apartments</li> </ul>	6,290,000	6,535,000
6) 1992 Series A & B serial bonds due September 1, 2003 through January 1, 2025 with interest rates ranging from 6.55% to 7.25%. <ul style="list-style-type: none"> <li>• Cavalier Apartments</li> <li>• Euclid, Kenyon, Franklin, Garfield and Ritch Homes</li> </ul>	- 7,355,000	11,570,000 12,705,000
7) 1992 Series D & E serial bonds due July 1, 2003 through July 1, 2004 with interest rates ranging from 6% to 6.375%. <ul style="list-style-type: none"> <li>• Faircliff, Ivy City and Southview Apartments</li> </ul>	5,905,000	6,010,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6: BONDS PAYABLE (Continued)**

<b>Multi-Family Program Fund</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
8) 1993 Series A & B serial bonds due July 1, 1997 through July 1, 2025 with interest rates ranging from 5.25% to 6%. <ul style="list-style-type: none"> <li>• Southview II</li> </ul>	4,875,000	4,955,000
9) 1994 Series A & B & C serial bonds due February 1, 1997 through August 1, 2024 with interest rates ranging from 5.875% to 6.80%. <ul style="list-style-type: none"> <li>• Trinity Apartments</li> </ul>	-	9,960,000
10) 1994 Series D serial bonds due January 1, 2006 through January 1, 2023 with interest rates ranging from 6.6% to 9.75%. <ul style="list-style-type: none"> <li>• Oak Street</li> </ul>	1,715,000	1,765,000
11) 1995 Series bonds due July 1, 2025 with an interest rate of 7.525%. <ul style="list-style-type: none"> <li>• Tyler House</li> </ul>	24,200,000	24,200,000
12) 1997 Series bonds due January 1, 1999 through January 1, 2012 with interest rates ranging from 5% to 6.3%. <ul style="list-style-type: none"> <li>• Benning Road</li> </ul>	3,200,000	3,495,001
13) 1998 Series bonds due January 1, 2027 with interest rate 5.2% <ul style="list-style-type: none"> <li>• Benning Heights</li> </ul>	5,935,000	5,935,000
14) 1998 Series A-2 bonds due January 1, 2022 with an interest rate of 6.5%. <ul style="list-style-type: none"> <li>• Temple Courts</li> </ul>	3,750,000	3,750,000
15) 1998 Series A-3 bonds due July 1, 2028 with an interest rate of 6.5%. <ul style="list-style-type: none"> <li>• Parcel 13</li> </ul>	1,305,000	1,305,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
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**NOTE 6: BONDS PAYABLE (Continued)**

<b>Multi-Family Program Fund</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
16) 1998 Series A-4 bonds due January 1, 2027 with an interest rate of 5.35%. <ul style="list-style-type: none"> <li>• Congress Park II</li> </ul>	-	7,740,000
17) 1998 B Series taxable bonds due January 1, 2008 with an interest rate of 6%.	735,000	1,315,000
18) 1999 Series bonds due December 1, 2017 through December 1, 2027 with interest rates of 5.85% to 5.95%. <ul style="list-style-type: none"> <li>• Colorado Avenue</li> </ul>	915,000	935,000
19) 1999 Series bonds due August 1, 2008 through August 1, 2026 with interest rates ranging from 4.4% to 5.15% <ul style="list-style-type: none"> <li>• Burke, Randolph, Ft. Stevens and 7<sup>th</sup> St.</li> </ul>	8,540,000	8,720,000
20) 1999 Series bonds due February 20, 2009 through February 20, 2041 with interest rates ranging from 5.2% to 5.75%. <ul style="list-style-type: none"> <li>• Rockburne Estates</li> </ul>	8,355,000	8,420,000
21) 1999 Series bonds due July 1, 2031 with an interest rate of 7.25%. <ul style="list-style-type: none"> <li>• Garfield Park Apartments</li> </ul>	3,151,734	3,188,636
22) 1999 Series bonds due January 1, 2005 with an interest rate of 4.4%. <ul style="list-style-type: none"> <li>• Wheeler Terrace</li> </ul>	1,645,000	1,645,000
23) 1999 A Series bonds due December 1, 2039 with an interest rate of 6.1%. <ul style="list-style-type: none"> <li>• Walbraff Apartments</li> </ul>	1,955,000	1,965,000
24) 1999 Series bonds due May 1, 2032 with an interest rate of 7.38% <ul style="list-style-type: none"> <li>• Barnaby Manor Apartments</li> </ul>	4,391,666	4,438,838
25) 1999 Series bonds due January 1, 2036 with an interest rate of 6.9% <ul style="list-style-type: none"> <li>• Fort Chaplin Apartments</li> </ul>	25,049,036	25,268,597

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 6: BONDS PAYABLE (Continued)**

<b>Multi-Family Program Fund</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
26) 1999/2000 Series bond due May 1, 2042 with interest rates ranging from 5.6% to 6.28%		
• Staten Glenn Apartments	23,090,000	23,220,000
27) 2000 Series bond due April 1, 2032 with interest rate 7.96%		
• Widrich Court Apartments	3,500,687	3,537,764
28) 2000 Series bond due October 1, 2001 through November 20, 2036 with interest rates ranging from 5.95% to 9.0%.		
• Congress Park Plaza	3,415,000	3,690,000
29) 2000 Series C bond due June 1, 2040 with interest rate 6.5%.		
• 636 Coop	600,000	610,000
30) 2000 Series bonds due March 1, 2023 with interest rate 6.15%.		
• Aspen Court	4,040,000	4,080,000
31) 2000 Series A bonds due December 1, 2042 with interest rate 6.5%.		
• Haven House	820,000	830,000
32) 2000 Series D serial bonds due December 1, 2041 with an interest rate of 6.10%.		
• Chesapeake/Hartford/Knox	4,550,000	4,575,000
33) 2000 Series Revenue bonds due August 1, 2033 with interest rates ranging from 5.7% to 7.15%.		
• Carver Terrace	15,190,000	15,350,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 6: BONDS PAYABLE (Continued)**

<b>Multi-Family Program Fund</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
34) 2000 Series Mortgage Revenue bonds due December 1, 2033 with an interest rate of 2.052%. <ul style="list-style-type: none"> <li>• WDC 1 Limited Partnership Development</li> </ul>	8,675,000	8,825,000
35) 2001 Series A serial bonds due January 1, 2043 with interest rate 5.9%. <ul style="list-style-type: none"> <li>• Douglas Knoll (Douglas Gardens)</li> </ul>	9,939,000	9,994,000
36) 2001 Series Mortgage Revenue bonds due November 1, 2033 with variable interest rates. <ul style="list-style-type: none"> <li>• Clifton Terrace</li> </ul>	5,466,672	10,700,000
37) 2001 Series B serial bonds due December 1, 2042 with interest rates ranging from 5.55% to 5.56%. <ul style="list-style-type: none"> <li>• Parkway Overlook</li> </ul>	11,600,000	11,600,000
38) 2001 Series C serial taxable term bonds due December 1, 2019 with interest rates ranging from 6.625% to 7.125%. <ul style="list-style-type: none"> <li>• Parkway Overlook</li> </ul>	2,325,000	2,405,000
39) 2001 Series D tax exempt term bonds due December 1, 2008 with an interest rate of 5.00%. <ul style="list-style-type: none"> <li>• Parkway Overlook</li> </ul>	540,000	640,000
40) 2001 Series D serial bonds due December 1, 2037 with interest an rate of 5.70%. <ul style="list-style-type: none"> <li>• Meridian Manor Apartments</li> </ul>	2,390,000	2,400,000
41) 2001 Series Woodmont Crossing Apartments bonds due September 1, 2034 with an interest rate of 5.45%. <ul style="list-style-type: none"> <li>• Woodmont Crossing Apartments</li> </ul>	10,400,000	10,400,000



**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 6: BONDS PAYABLE (Continued)**

<b>Multi-Family Program Fund</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
42) 2001 Series E serial bonds due June 1, 2038 with an interest rate of 5.45%		
• Huntwood Apartments	6,795,000	6,845,000
43) 2001 Series serial bonds due May 20, 2043 with interest rates ranging from 5% to 7%		
• Columbia Heights	34,760,000	34,760,000
44) 2002 Series serial bonds due July 20, 2043 with interest rates ranging from 5.65% to 5.80%		
• Jeffrey Gardens	12,215,000	12,285,000
45) 2002 Series serial bonds due January 1, 2035 with an interest rate of 1.57%		
• Trenton Park	6,335,000	6,335,000
46) 2002 Series serial bonds due March 1, 2039 with interest rates ranging from 7.2% to 7.9%		
• Faircliff Plaza	6,977,432	7,000,000
47) 2003 Series A serial bonds due June 1, 2039 with an interest rate of 5.75%		
• Chapin St./Euclid St.	1,450,000	1,450,000
48) 2003 Series B serial bonds due June 1, 2004 with an interest rate of 3.5%		
• Chapin St./Euclid St.	-	200,000
49) 2003 Series C serial bonds due June 1, 2039 with an interest rate of 5.75%		
• Chapin St./Euclid St.	1,225,000	1,225,000
50) 2003 Series D serial bonds due June 1, 2004 with an interest rate of 3.5%		
• Chapin St./Euclid St.	-	275,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 6: BONDS PAYABLE (Continued)**

<b>Multi-Family Program Fund</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
51) 2003 Series serial bonds due December 1, 2038 with interest rates ranging from 3% to 5.55%		
• Trinity Towers	9,170,000	9,200,000
52) 2003 Series E serial bonds due December 1, 2044 with interest rates ranging from 4.75% to 5.7%		
• Golden Rule	6,370,000	6,370,000
53) 2002 Series F serial bonds due December 1, 2044 with an interest rate of 3.5%		
• Golden Rule	2,500,000	2,500,000
54) 2002 Series revenue bonds due November 1, 2035 with an interest rate of 5.35%		
• Capitol Park Plaza/Capitol Park Twin Towers Apartments	30,000,000	30,000,000
55) 2003 Series C serial bonds due December 1, 2023 with an interest rate of 5.4%		
• St Paul Senior Living	730,000	730,000
56) 2003 Series C serial bonds due December 1, 2033 with an interest rate of 5.50%		
• St Paul Senior Living	905,000	905,000
57) 2003 Series C serial bonds due December 1, 2045 with an interest rate of 5.60%		
• St Paul Senior Living	1,945,000	1,945,000
58) 2003 Series D serial bonds due December 1, 2005 with an interest rate of 2.0%		
• St Paul Senior Living	600,000	600,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 6: BONDS PAYABLE (Continued)**

<b>Multi-Family Program Fund</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
59) 2003 Series GNMA Collateralized serial bonds due June 20, 2023 with an interest rate of 4.50%		
• Bowling Green Apartments	2,510,000	2,510,000
60) 2003 Series GNMA Collateralized serial bonds due December 20, 2044 with an interest rate of 4.79%		
• Bowling Green Apartments	8,230,000	8,230,000
61) 2003 Series B serial bonds due June 1, 2044 with an interest rate of 5.25%		
• Urban Village Apartments	6,325,000	6,325,000
62) 2003 Series A serial bonds due December 1, 2022 with an interest rate of 4.95%		
• Elsinore Courtyard Apartments	1,320,000	1,320,000
63) 2003 Series A serial bonds due December 1, 2032 with an interest rate of 5.05%		
• Elsinore Courtyard Apartments	1,510,000	1,510,000
64) 2003 Series A serial bonds due December 1, 2044 with an interest rate of 5.16%		
• Elsinore Courtyard Apartments	3,170,000	3,170,000
65) 2003 Series GNMA Collateralized serial bonds due September 20, 2008 with an interest rate of 5.30%		
• Wingate Towers and Garden Apartments	50,000	50,000
66) 2003 Series GNMA Collateralized serial bonds due September 20, 2033 with an interest rate of 5.30%		
• Wingate Towers and Garden Apartments	8,990,000	8,990,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 6: BONDS PAYABLE (Continued)**

<b>Multi-Family Program Fund</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
67) 2003 Series GNMA Collateralized serial bonds due September 20, 2033 with an interest rate of 5.40%		
• Wingate Towers and Garden Apartments	10,915,000	10,915,000
68) 2003 Series GNMA Collateralized serial bonds due September 20, 2045 with an interest rate of 5.50%		
• Wingate Towers and Garden Apartments	25,045,000	25,045,000
69) 2002 Series I serial bonds due January 1, 2005 with an interest rate of 2.80%		
• Henson Ridge	4,140,000	4,140,000
70) 2002 Series I serial bonds due October 1, 2003 with an interest rate of 5.40%		
• Henson Ridge	4,080,000	4,080,000
71) 2002 Series J serial bonds due December 1, 2012 with an interest rate of 4.50%		
• Fairmont I and II Apartments	1,350,000	1,350,000
72) 2002 Series J serial bonds due December 1, 2022 with an interest rate of 5.10%		
• Fairmont I and II Apartments	2,870,000	2,870,000
73) 2002 Series J serial bonds due December 1, 2040 with an interest rate of 5.30%		
• Fairmont I and II Apartments	11,905,000	11,905,000
74) 2004 Series A serial bonds due December 1, 2009 with an interest rate of 3%		
• 1330 7TH Street	895,000	-

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6: BONDS PAYABLE (Continued)**

<b>Multi-Family Program Fund</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
75) 2004 Series A serial bonds due December 1, 2014 with an interest rate of 4.1% <ul style="list-style-type: none"> <li>• 1330 7TH Street</li> </ul>	1,155,000	-
76) 2004 Series A serial bonds due December 1, 2024 with an interest rate of 4.8% <ul style="list-style-type: none"> <li>• 1330 7TH Street</li> </ul>	1,875,000	-
77) 2004 Series A serial bonds due December 1, 2034 with an interest rate of 4.9% <ul style="list-style-type: none"> <li>• 1330 7TH Street</li> </ul>	3,140,000	-
78) 2004 Series A serial bonds due June 1, 2045 with an interest rate of 5% <ul style="list-style-type: none"> <li>• 1330 7TH Street</li> </ul>	6,150,000	-
79) 2004 Series serial bonds due July 15, 2006 with an interest rate of 7.5% <ul style="list-style-type: none"> <li>• Congress Park</li> </ul>	3,825,000	-
80) 2004 Series serial bonds due March 1, 2041 with an interest rate of 6.7% <ul style="list-style-type: none"> <li>• Congress Park</li> </ul>	4,900,000	-
81) 2004 Series B & C term bonds due December 1, 2015 with an interest rate of 4.25% <ul style="list-style-type: none"> <li>• J W King Seniors Center</li> </ul>	485,000	-
82) 2004 Series B & C term bonds due December 1, 2025 due December with an interest rate of 4.9% <ul style="list-style-type: none"> <li>• J W King Seniors Center</li> </ul>	815,000	-
83) 2004 Series B & C term bonds due December 1, 2035 with an interest rate of 5.05% <ul style="list-style-type: none"> <li>• J W King Seniors Center</li> </ul>	1,390,000	-
84) 2004 Series B & C term bonds due December 1, 2045 with an interest rate of 5.15% <ul style="list-style-type: none"> <li>• J W King Seniors Center</li> </ul>	2,600,000	-

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 6: BONDS PAYABLE (Continued)**

<b>Multi-Family Program Fund</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
85) 2004 Series B & C term bonds due June 1, 2006 with an interest rate of 2.25% <ul style="list-style-type: none"> <li>• J W King Seniors Center</li> </ul>	515,000	-
86) 2004 term bonds due December 20, 2014 with an interest rate of 4.1%	570,000	-
87) 2004 term bonds due December 20, 2034 with an interest rate of 4.95%	3,235,000	-
88) 2004 term bonds due June 20, 2045 with an interest rate of 5.1%	2,045,000	-
89) 2004 term bonds due December 20, 2045 with an interest rate of 5.1%	<u>2,045,000</u>	<u>-</u>
Sub-Total	496,626,227	526,882,836
Add: Unamortized Bond Premium	348,508	362,398
Less: Unamortized Bond Discount	<u>(235,146)</u>	<u>(443,340)</u>
Total Multi-Family Program Fund	<u>496,739,589</u>	<u>526,801,894</u>
Total Bonds Payable	873,643,391	920,373,091
Less: amounts due within 1 year	<u>(10,555,000)</u>	<u>(11,710,000)</u>
	<u>\$863,088,391</u>	<u>\$892,894,305</u>

The Agency or the borrower has the option to redeem the various bonds at premiums ranging up to 5%. This option generally cannot be exercised until the bonds have been outstanding for ten years as provided in the various indentures. Term bonds are generally subject to redemption, without premium, from mandatory sinking fund payments.

Amounts payable subsequent to 2004, when actually due, will include additional accretion on capital appreciation bonds and the effects of amortization of both premium and discount.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 6: BONDS PAYABLE (Continued)**

Principal payments related to bond indebtedness for the next five years and the following in five year increments are as follows:

<b>Fiscal Year Ending September 30</b>	<b>Multi-Family Program Fund</b>	<b>Single Family Program Fund</b>	<b>Total</b>
2005	\$ 9,090,000	\$ 1,465,000	\$ 10,555,000
2006	4,940,000	1,200,000	6,140,000
2007	460,000	1,255,000	1,715,000
2008	2,395,000	1,175,000	3,570,000
2009	880,000	1,210,000	2,090,000
2010-2014	20,065,000	5,188,264	25,253,264
2015-2019	5,660,000	13,085,000	18,745,000
2020-2024	44,640,000	19,790,000	64,430,000
2025-2029	53,275,000	47,985,000	101,260,000
2030-2034	92,730,759	41,665,000	134,395,759
2035-2039	97,096,468	-	97,096,468
2040-2044	107,399,000	-	107,399,000
2045-2049	57,995,000	-	57,995,000
2050-2054	<u>-</u>	<u>239,075,000</u>	<u>239,075,000</u>
Subtotal	496,626,227	373,093,264	869,719,491
 <b>Add:</b>			
Unamortized Bond Premium	348,508	4,471,471	4,819,979
 <b>Less:</b>			
Unamortized Bond Discount	<u>(235,146)</u>	<u>(660,933)</u>	<u>(896,079)</u>
 <b>Totals</b>	 <u>\$496,739,589</u>	 <u>\$376,903,802</u>	 <u>\$873,643,391</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 6: BONDS PAYABLE (Continued)**

Interest payments related to bond indebtedness for the next five years and the following in five year increments are as follows:

<b>Fiscal Year Ending September 30</b>	<b>Multi-Family Program Fund</b>	<b>Single Family Program Fund</b>	<b>Total</b>
2005	\$ 28,082,451	\$ 12,692,686	\$40,775,137
2006	27,944,638	12,637,613	40,582,251
2007	27,686,003	12,582,179	40,268,182
2008	27,617,137	12,528,253	40,145,390
2009	27,566,140	12,472,697	40,038,837
2010-2014	134,392,332	61,044,627	195,436,959
2015-2019	130,279,226	59,378,449	189,657,675
2020-2024	126,201,444	53,336,999	179,538,443
2025-2029	104,633,094	43,068,398	147,701,492
2030-2034	90,580,780	25,353,879	115,934,659
2035-2039	57,627,344	21,994,900	79,622,244
2040-2044	33,108,020	21,994,900	55,102,920
2045-2049	2,940,394	21,994,900	24,935,294
2050-2054	-	21,994,900	21,994,900
<b>Total</b>	<b><u>\$ 818,659,003</u></b>	<b><u>\$393,075,380</u></b>	<b><u>\$1,211,734,383</u></b>

**NOTE 7: DEFERRED CREDIT**

The deferred credit balance represents funds contributed by the owners of the projects and/or funds received from tax credit providers (LIHTC); D.C Government agencies; and the Department of Housing and Urban Development that have been financed by the Agency. In fiscal year 2004, the Agency included in the financial statements funds received from these providers to the extent of unexpended monies in the project accounts. Accordingly, reclassifications were made to the 2003 financial statements in order for them to conform with the presentation used in 2004.

**NOTE 8: DEFERRED REVENUE**

Deferred revenue represents funds received in advance and unearned at year end, or funds related to non-refundable fees and costs associated with financing activities. Funds are deferred and recognized over the life of the mortgage.



**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 9: CERTIFICATES OF PARTICIPATION**

On July 1, 1998, the Agency entered into a lease agreement with the District of Columbia Building Finance Corporation (the Building Corporation) to lease office space at 815 Florida Avenue, NW, Washington, D.C. (the Building). The Building was financed by proceeds from the Agency's issuance of Certificates of Participation, Series 1998 (the Certificates) evidencing assignments of interest in rights to receive payments under the lease.

The lease term is through June 2018; however, the Agency has an annual right to terminate the lease in the event that the Agency fails to appropriate sufficient amounts due under the lease terms for the ensuing fiscal year. The Agency also has the option to purchase the Building at any time during the lease at an amount necessary to discharge the Certificates.

The Board of Directors of the Building Corporation is comprised fully by members of the Agency's management. Since the Corporation is controlled by the Agency and it is the Agency's intention to continue the lease until title to the Building is acquired by the Agency, the Building and Certificates are presented in the financial statements as if the Agency owned and financed the Building. This activity is recorded in a separate fund, the D.C. Building Finance Corporation Fund (Building Fund). Inter-fund transactions are recorded between the General Fund and the Building Fund to reflect the lease activity. Rental income for the year ended September 30, 2004 amounted to \$209,115 and is included in Building Fund revenue. Rental expense of \$209,032 is reflected in the General Fund expenses. Improvements are funded by and recorded in the General Fund. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term.

The Certificates were issued in an original principal amount of \$2,400,000, with a balance at September 30, 2004 of \$1,855,000. Interest is payable semi-annually at 4.85% for Certificates due June 1, 2008, and 5.35% for Certificates due June 1, 2018.

Principal and interest payments related to the Certificates for the next five years and the following in five year increments are as follows:

<b>Fiscal Year</b>			
<b><u>Ending September 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2005	\$ 105,000	\$ 95,270	\$ 200,270
2006	110,000	90,097	200,097
2007	115,000	84,681	199,681
2008	125,000	78,942	203,942
2009	110,000	72,938	182,938
2010-2014	640,000	268,659	908,659
2015-2018	<u>650,000</u>	<u>77,487</u>	<u>727,487</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

<b>Total</b>	<u>\$1,855,000</u>	<u>\$768,074</u>	<u>\$2,623,074</u>
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**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 10: NET ASSETS**

**McKinney Act Fund** - The Agency qualifies for 50% of the savings resulting from Financing Adjustment Factors (FAF) on Section (11)(b) bond refunding transactions. These funds are restricted in nature as they are only to be used to benefit very low-income persons. As a result, the Agency established a revolving loan fund for non-profit developers to, provide credit enhancement or loan guarantees, and finance certain special need projects, such as, shelter for the Districts homeless and facilities for individuals who have contracted AIDS.

**Bond Fund and Risk Share Program** - The Agency's allocated net assets are reserved for the repayment of the respective bond issues. In addition, the initial deposit made to participate in the Risk Sharing Program and the 1% of the FHA insured mortgage balances in the Risk Sharing Program account are restricted.

**NOTE 11: FEDERAL FINANCIAL ASSISTANCE TRANSACTIONS WITH HUD**

**Section "8" Program** - In accordance with the terms of contracts between the Agency and HUD, the Agency administers a rental assistance program as HUD's agent for certain projects financed by the Agency. This program, referred to as the "Section 8 Program," allows eligible tenants to obtain adequate rental housing in the private marketplace while paying no more than 30% of their monthly income for rent.

The Agency earns an administrative fee on a formula basis for administering the program. This administrative fee is recognized as income when earned.

**Servicing Projects Grants** - In accordance with the terms of contracts between and among the Agency, HUD and certain owners, the Agency services the mortgages with funds received from HUD on behalf of the owners.

The Agency earns a servicing fee on a formula basis for servicing the mortgages. This servicing fee is recognized as income when earned. The Agency also earns an administrative fee received directly from the owners on a formula basis, and this fee is also recognized as income when earned.

**NOTE 12: RETIREMENT PLAN**

The Agency established a defined contribution, money purchase retirement plan, effective October 1, 1982, covering all eligible Agency employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 12: RETIREMENT PLAN Continued)**

The Agency amended its Retirement Plan, a Money Purchase Pension Plan (the Plan) effective August 10, 2002. Due to the amendment, future Agency contributions to the Plan ceased effective August 10, 2002. The amendment also provides that each participant and former participant with an account balance under the Plan as of such date shall be 100% vested in his or her account. Concurrent with the amendment, the Agency commenced participating in the Social Security and Medicare programs.

**NOTE 13: OTHER INCOME**

The Agency's other income for 2004 is comprised of the following:

Description	<u>General Fund</u>	<u>Single Family Program Fund</u>	<u>Multi- Family Program Fund</u>	<u>DC Building Finance Corporation Fund</u>	<u>Total</u>
Owner's contribution	\$ -	\$ 8,390	\$6,540,582	\$ -	\$ 6,548,972
Amortization income	-	290,674	84,014	-	374,688
Financing fees	535,025	-	-	-	535,025
Annual administrative fees	1,760,387	-	-	-	1,760,387
Permitted spread	699,207	-	-	-	699,207
FHA financing fee	269,175	-	-	-	269,175
Construction & development monitoring fees	575,797	-	-	-	575,797
FHA placement fee	179,450	-	-	-	179,450
Tax credit fees	137,536	-	-	-	137,536
HAP audit fee	27,500	-	-	-	27,500
HAP administrative	368,545	-	-	-	368,545
Housing counseling revenue	71,000	-	-	-	71,000
Rental income	-	-	-	209,115	209,115
National mortgage loan originations	218,400	-	-	-	218,400
Legal fees	105,000	-	-	-	105,000
Mortgage servicing fees	197,092	-	-	-	197,092
S/F transaction earnings	15,553	-	-	-	15,553
MIP Risk Share program	48,468	-	-	-	48,468
Arbitrage rebate fee	1,500	-	-	-	1,500
IRP-SUBDS PAYT/DS	-	-	206,779	-	206,779
Letter of CR provider cont	-	-	559,659	-	559,659
Other	<u>290,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>290,740</u>
Total Funds	<u>\$5,500,375</u>	<u>\$299,064</u>	<u>\$7,391,034</u>	<u>\$209,115</u>	<u>\$13,399,588</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 13: OTHER INCOME (Continued)**

The Agency's other income for 2003 is comprised of the following:

	<b>General Fund</b>	<b>Single Family Program Fund</b>	<b>Multi- Family Program Fund</b>	<b>DC Building Finance Corporation Fund</b>	<b>Total</b>
Owner's contribution	\$ -	\$ 12,042	\$ 5,253,530	\$ -	\$ 5,265,572
Amortization income	-	317,094	84,043	-	401,137
Financing fees	1,684,268	-	-	-	1,684,268
Annual administrative fees	1,484,285	-	-	-	1,484,285
Permitted spread	789,652	-	-	-	789,652
Servicing acquisition fee	20,934	-	-	-	20,934
Participation/reservation fee	16,751	-	-	-	16,751
FHA financing fee	549,473	-	-	-	549,473
Construction & development monitoring fees	644,637	-	-	-	644,637
FHA placement fee	353,250	-	-	-	353,250
Tax credit fees	345,061	-	-	-	345,061
HAP audit fee	27,500	-	-	-	27,500
HAP administrative fee	345,906	-	-	-	345,906
Bond transaction revenue - M/F purchase in lieu	34,760	-	-	-	34,760
Rental income	9,825	-	-	213,672	223,497
National mortgage loan originations	365,900	-	-	-	365,900
Legal fees	220,000	-	-	-	220,000
Mortgage servicing fees	89,553	-	-	-	89,553
S/F direct loan origination fee	12,263	-	-	-	12,263
MIP Risk Share program	46,373	-	-	-	46,373
External loan processing fees	1,512	-	-	-	1,512
Arbitrage rebate fee	2,000	-	-	-	2,000
Construction loan structuring fee	200,000	-	-	-	200,000
Other	<u>36,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,518</u>
	<u>\$7,280,421</u>	<u>\$329,136</u>	<u>\$5,337,573</u>	<u>\$213,672</u>	<u>\$13,160,802</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 14: FUND TRANSFERS**

The Agency records transfers between and among funds for various purposes, including subsidies for financing the Agency's programs. All operating transfers among program funds are recorded as inter-fund transfers and are classified as other financing sources and uses in the accompanying combined statement of revenues, expenses and changes in net assets.

**NOTE 15: EXTRAORDINARY ITEMS**

Multifamily Mortgage Bonds were redeemed during fiscal year 2004. The premiums paid on the redemptions and other directly related costs resulted in the recognition of an extraordinary loss of \$1,198,237 on early extinguishment of debt. Bonds redeemed and the extraordinary loss are as follows:

Congress Park II	\$ 136,097
Cavalier	489,458
Trinity	158,000
Kenyon & Garfield Hills	83,650
Carmel	213,050
Mt. Vernon	<u>117,982</u>
	<u>\$1,198,237</u>

**NOTE 16: CONTINGENT LIABILITY**

**Contingent Interest**

The Multifamily Housing Revenue Bonds, Series 1995A - Tyler House Apartments, bear interest at a fixed rate of 7.52% per annum plus contingent interest in an amount equal to 3.48% per annum of the outstanding principal amount of bonds. The contingent interest is payable from 50% of the property's net cash flow and 33% of any net capital proceeds. The payment of such amounts is deferred, and accrues interest at 11% per annum, to the extent that the net cash flow and net capital proceeds are not sufficient to fully pay contingent interest.

The contingent interest including interest on deferred amounts was \$6,392,346 and \$5,457,548 as of September 30, 2004 and 2003, respectively.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004 AND 2003**

**NOTE 17: SUBSEQUENT EVENTS**

On December 21, 2004, the agency issued collateralized multifamily housing revenue bonds Series 2004 for \$9 million and on December 28, 2004 issued multifamily housing revenue bonds Series 2004 D&E for \$13.5 million.

## **SUPPLEMENTAL INFORMATION**



**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**COMBINING BALANCE SHEET**  
**SEPTEMBER 30, 2004**

**ASSETS**

	<b><u>General Fund</u></b>	<b><u>Single Family Fund</u></b>	<b><u>Multi-Family Fund</u></b>	<b><u>DC Building Finance Corporation</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$16,773,226	\$ -	\$ -	\$ -	\$ 16,773,226	\$ 14,676,533
Restricted cash and cash equivalents	11,031,607	-	-	-	11,031,607	9,774,556
Other receivables	300,285	-	-	-	300,285	561,978
Mortgage and construction loans receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	<u>28,105,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,105,118</u>	<u>25,013,067</u>
<b>NON-CURRENT ASSETS</b>						
Other assets:						
Investments	5,103,996	-	-	-	5,103,996	6,457,913
Loans receivable	6,652	-	140,000	-	146,652	153,384
Prepays	201,323	-	-	28,110	229,433	273,540
Due from (to) other funds	2,715,357	(2,684,066)	(25,546)	(5,745)	-	-
Bond issue costs—net	<u>-</u>	<u>2,254,648</u>	<u>12,469,220</u>	<u>93,535</u>	<u>14,817,403</u>	<u>16,095,992</u>
Total other assets	<u>8,027,328</u>	<u>(429,418)</u>	<u>12,583,674</u>	<u>115,900</u>	<u>20,297,484</u>	<u>22,980,829</u>
Restricted assets:						
Cash and cash equivalents	-	64	241,102	-	241,166	470,550
Investments held in trust	-	277,421,242	105,151,716	245,802	382,818,760	354,135,914
Mortgage backed securities at fair value	-	115,063,321	104,147,180	-	219,210,501	265,070,170
Mortgage and construction loans receivable	-	3,704,602	337,952,297	-	341,656,899	381,565,927
Rehab financed by tax credits	-	-	3,927,171	-	3,927,171	17,736,748
Loans receivable	-	-	1,684,790	-	1,684,790	1,585,923
McKinney Act fund receivables	1,085,975	-	-	-	1,085,975	1,786,181
Other receivables	206,668	-	24,930	67,556	299,154	5,432,690
Accrued interest receivable	<u>-</u>	<u>1,163,065</u>	<u>2,459,178</u>	<u>-</u>	<u>3,622,243</u>	<u>3,934,096</u>
Total restricted assets	<u>1,292,643</u>	<u>397,352,294</u>	<u>555,588,364</u>	<u>313,358</u>	<u>954,546,659</u>	<u>1,031,718,199</u>
Capital assets:						
Land	-	-	-	573,000	573,000	573,000
Depreciable property and equipment	1,584,363	-	-	1,795,238	3,379,601	3,306,184
Leasehold improvements	1,119,980	-	-	-	1,119,980	1,024,669
Less accumulated depreciation and amortization	<u>(1,770,603)</u>	<u>-</u>	<u>-</u>	<u>(411,869)</u>	<u>(2,182,472)</u>	<u>(1,915,294)</u>
Total capital assets	<u>933,740</u>	<u>-</u>	<u>-</u>	<u>1,956,369</u>	<u>2,890,109</u>	<u>2,988,559</u>
Total non-current assets	<u>10,253,711</u>	<u>396,922,876</u>	<u>568,172,038</u>	<u>2,385,627</u>	<u>977,734,252</u>	<u>1,057,687,587</u>
TOTAL ASSETS	<u>\$ 38,358,829</u>	<u>\$ 396,922,876</u>	<u>\$ 568,172,038</u>	<u>\$ 2,385,627</u>	<u>\$ 1,005,839,370</u>	<u>\$ 1,082,700,654</u>

(Continued)

See Accompanying Independent Auditor's Report.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**COMBINING BALANCE SHEET**  
**SEPTEMBER 30, 2004**

**LIABILITIES AND NET ASSETS**

	<b>General Fund</b>	<b>Single Family Fund</b>	<b>Multi-Family Fund</b>	<b>DC Building Finance Corporation</b>	<b>2004</b>	<b>2003</b>
<b>CURRENT LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 381,618	\$ 16,426	\$ 831,435	\$ 208,778	\$ 1,438,257	\$ 1,881,436
Accrued salary and vacation payable	231,736	-	-	-	231,736	211,647
Deferred revenue	528,412	-	-	97,495	625,907	714,837
Current portion of bonds payable	-	1,465,000	9,090,000	-	10,555,000	11,710,000
Current portion of certificates of participation	-	-	-	105,000	105,000	100,000
Total current liabilities	<u>1,141,766</u>	<u>\$ 1,481,426</u>	<u>9,921,435</u>	<u>411,273</u>	<u>12,955,900</u>	<u>14,617,920</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>						
Tenant subsidy funds	543,277	-	-	-	543,277	1,488,048
Escrow deposits	2,221,370	-	-	-	2,221,370	1,415,055
Deferred credits	-	6,150,000	22,469,669	-	28,619,669	61,488,703
Deferred revenue	-	764,059	490,871	-	1,254,930	1,912,219
Interest payable	-	2,796,584	6,257,317	32,323	9,086,224	10,578,134
Total current liabilities payable from restricted assets	<u>2,764,647</u>	<u>9,710,643</u>	<u>29,217,857</u>	<u>32,323</u>	<u>41,725,470</u>	<u>76,882,159</u>
<b>NON-CURRENT LIABILITIES</b>						
Deferred revenue—less current portion	-	-	-	-	-	-
Loans payable	-	-	467,678	-	467,678	469,325
Bonds payable—less current portion	-	375,438,802	487,649,589	-	863,088,391	908,663,091
Certificates of participation—less current portion	-	-	-	1,750,000	1,750,000	1,855,000
Total non-current liabilities	<u>-</u>	<u>375,438,802</u>	<u>488,117,267</u>	<u>1,750,000</u>	<u>865,306,069</u>	<u>910,987,416</u>
Total liabilities	<u>3,906,413</u>	<u>386,630,871</u>	<u>527,256,559</u>	<u>2,193,596</u>	<u>919,987,439</u>	<u>1,002,487,495</u>
<b>NET ASSETS</b>						
Invested in capital assets—net of related debt	<u>933,740</u>	<u>-</u>	<u>-</u>	<u>101,369</u>	<u>1,035,109</u>	<u>1,000,049</u>
Restricted for:						
Bond Fund and Risk Share	1,687,645	10,292,005	40,915,479	32,323	52,927,452	49,255,217
McKinney Act Fund	<u>6,847,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,847,715</u>	<u>6,081,115</u>
Total restricted net assets	<u>8,535,360</u>	<u>10,292,005</u>	<u>40,915,479</u>	<u>32,323</u>	<u>59,775,167</u>	<u>55,336,332</u>
Unrestricted net assets	<u>24,983,316</u>	<u>-</u>	<u>-</u>	<u>58,339</u>	<u>25,041,655</u>	<u>23,876,778</u>
Total net assets	<u>34,452,416</u>	<u>10,292,005</u>	<u>40,915,479</u>	<u>192,031</u>	<u>85,851,931</u>	<u>80,213,159</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>38,358,829</u></b>	<b>\$ <u>396,922,876</u></b>	<b>\$ <u>568,172,038</u></b>	<b>\$ <u>2,385,627</u></b>	<b>\$ <u>1,005,839,370</u></b>	<b>\$ <u>1,082,700,654</u></b>

See Accompanying Independent Auditor's Report.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

	<u>General Fund</u>	<u>Single-Family Fund</u>	<u>Multi-Family Fund</u>	<u>DC Building Finance Corporation</u>	<u>Memorandum Totals</u>	
					<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES</b>						
Mortgage-backed security income	\$ -	\$ 5,526,917	\$ 7,652,643	\$ -	\$13,179,560	\$14,072,523
Interest on mortgage and construction loans	26,197	394,176	18,988,370	-	19,408,743	18,005,380
McKinney Act revenue	790,930	-	-	-	790,930	743,531
Application and commitment fees	116,464	-	-	-	116,464	175,442
HUD Section 8 housing assistance receipts	13,443,870	-	-	-	13,443,870	13,279,760
Service project receipts	6,636,490	-	-	-	6,636,490	6,369,578
Other	<u>5,500,375</u>	<u>299,064</u>	<u>7,391,034</u>	<u>209,115</u>	<u>13,399,588</u>	<u>13,160,802</u>
Total operating revenues	<u>26,514,326</u>	<u>6,220,157</u>	<u>34,032,047</u>	<u>209,115</u>	<u>66,975,645</u>	<u>65,807,016</u>
<b>OPERATING EXPENSES</b>						
Operations	1,141,521	189,466	3,732,976	-	5,063,963	4,613,002
Personnel and related costs	3,381,121	-	-	-	3,381,121	3,353,370
Interest expense	-	12,868,698	21,585,744	100,201	34,554,643	36,998,889
Depreciation and amortization	200,687	-	-	66,490	267,177	255,528
Federal program payments	9,188,092	-	-	-	9,188,092	10,510,234
Housing assistance payments	10,892,268	-	-	-	10,892,268	9,139,104
Bond amortization	-	394,866	539,601	10,386	944,853	797,180
Trustee fees and other expenses	<u>6,712</u>	<u>474,084</u>	<u>3,327,856</u>	<u>503</u>	<u>3,809,155</u>	<u>4,150,195</u>
Total operating expenses	<u>24,810,401</u>	<u>13,927,114</u>	<u>29,186,177</u>	<u>177,580</u>	<u>68,101,272</u>	<u>69,817,502</u>
OPERATING INCOME (LOSS)	1,703,925	(7,706,957)	4,845,870	31,535	(1,125,627)	(4,010,486)
<b>NON-OPERATING REVENUES</b>						
Investment income	<u>458,683</u>	<u>4,922,134</u>	<u>2,580,193</u>	<u>1,626</u>	<u>7,962,636</u>	<u>9,022,984</u>
Excess Of Revenue Over Expenses Before Extraordinary Item	2,162,608	(2,784,823)	7,426,063	33,161	6,837,009	5,012,498
Extraordinary Item - Loss On Extinguishment Of Debt	<u>-</u>	<u>-</u>	<u>(1,198,237)</u>	<u>-</u>	<u>(1,198,237)</u>	<u>(459,300)</u>
Change In Net Assets	2,162,608	(2,784,823)	6,227,826	33,161	5,638,772	4,553,198
Net Assets, Beginning Of Year	<u>32,289,808</u>	<u>13,076,828</u>	<u>34,687,653</u>	<u>158,870</u>	<u>80,213,159</u>	<u>75,659,961</u>
Net Assets, End Of Year	<u>\$34,452,416</u>	<u>\$10,292,005</u>	<u>\$40,915,479</u>	<u>\$192,031</u>	<u>\$85,851,931</u>	<u>\$80,213,159</u>

See Accompanying Independent Auditor's Report.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

	<u>General Fund</u>	<u>Single Family Fund</u>	<u>Multi-Family Fund</u>	<u>DC Building Finance Corporation</u>	<u>2004</u>	<u>2003</u>
<b>Operating Activities</b>						
Cash receipts from loans and interest	\$ 27,268	\$ 9,684,052	\$ 24,226,755	\$ -	\$ 33,938,075	\$ 35,312,569
Other cash receipts	7,251,438	8,390	7,307,020	201,604	14,768,452	13,316,412
Cash payments to vendors	(1,348,402)	-	-	-	(1,348,402)	(909,615)
Cash payments to employees	(3,359,597)	-	-	-	(3,359,597)	(3,317,234)
Receipts of federal program income	19,135,579	-	-	-	19,135,579	20,280,486
Payments of federal program expenses	(20,080,360)	-	-	-	(20,080,360)	(19,644,281)
Other cash payments	<u>-</u>	<u>(717,965)</u>	<u>(6,820,497)</u>	<u>(1,392)</u>	<u>(7,539,854)</u>	<u>(7,593,876)</u>
<b>Net cash provided</b>	<u>1,625,926</u>	<u>8,974,477</u>	<u>24,713,278</u>	<u>200,212</u>	<u>35,513,893</u>	<u>37,444,461</u>
<b>Capital and Related Financing Activities</b>						
Acquisition of fixed assets	(168,727)	-	-	-	(168,727)	(149,869)
Payments of bonds and long-term debt	-	-	-	(100,000)	(100,000)	(100,000)
Payments of interest and charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,818)</u>	<u>(101,818)</u>	<u>(106,668)</u>
<b>Net cash used</b>	<u>(168,727)</u>	<u>-</u>	<u>-</u>	<u>(201,818)</u>	<u>(370,545)</u>	<u>(356,537)</u>
<b>Non-Capital Financing</b>						
Proceeds in rehab financed by tax credits	-	-	(11,998,653)	-	(11,998,653)	13,522,552
Proceeds from long-term bonds	-	296,860,000	41,133,937	-	337,993,937	408,585,000
Payments of long-term debt	-	(313,478,627)	(66,256,607)	-	(379,735,234)	(395,396,995)
Interest paid on bonds	<u>-</u>	<u>(14,214,944)</u>	<u>(22,275,358)</u>	<u>-</u>	<u>(36,490,302)</u>	<u>(22,158,857)</u>
<b>Net cash provided (used)</b>	<u>-</u>	<u>(30,833,571)</u>	<u>(59,396,681)</u>	<u>-</u>	<u>(90,230,252)</u>	<u>4,551,700</u>
<b>Investing Activities</b>						
Receipts of interest and dividends	350,764	5,035,022	2,454,652	1,393	7,841,831	9,192,520
Principal payments (purchases) on mortgage and construction loans	-	-	31,976,007	-	31,976,007	(81,493,191)
Sale of investments and mortgage-backed securities	7,736,723	368,708,645	210,837,964	203,558	587,486,890	884,388,926
Purchase of investments and mortgage-backed securities	<u>(6,190,942)</u>	<u>351,891,061)</u>	<u>(210,808,116)</u>	<u>(203,345)</u>	<u>(569,093,464)</u>	<u>(850,245,696)</u>
<b>Net cash provided (used)</b>	<u>1,896,545</u>	<u>21,852,606</u>	<u>34,460,507</u>	<u>1,606</u>	<u>58,211,264</u>	<u>(38,157,441)</u>
<b>INCREASE (DECREASE) IN CASH</b>	3,353,744	(6,488)	(222,896)	-	3,124,360	3,482,183
Cash at October 1	<u>24,451,089</u>	<u>6,552</u>	<u>463,998</u>	<u>-</u>	<u>24,921,639</u>	<u>21,439,456</u>
Cash at September 30	<u>\$27,804,833</u>	<u>\$ 64</u>	<u>\$ 241,102</u>	<u>\$ -</u>	<u>\$ 28,045,999</u>	<u>\$ 24,921,639</u>

(Continued)

See Accompanying Independent Auditor's Report.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

	<u>General Fund</u>	<u>Single Family Fund</u>	<u>Multi-Family Fund</u>	<u>DC Building Finance Corporation</u>	<u>2004</u>	<u>2003</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>						
Operating income (loss)	\$1,703,925	\$(7,706,957)	\$4,845,870	\$31,535	\$(1,125,627)	\$(4,010,486)
Interest Expense	-	12,868,698	21,585,744	100,201	34,554,643	36,998,889
Depreciation and amortization	200,687	-	-	66,490	267,177	255,528
Bad debt expense	27,359	-	-	-	27,359	-
Miscellaneous non-operating revenue	-	69,805	-	-	69,805	371,813
Decrease (increase) in assets						
Receivables	968,643	2,585,286	(133,548)	(413)	3,419,968	(111,764)
Other current assets	(64,662)	-	(2,123,638)	371	(2,187,929)	(30,848)
Loans receivables	-	-	98,867	-	98,867	-
Increase (decrease) in liabilities						
Payables	-	-	-	500	500	300,751
Accrued liabilities	(518,599)	-	-	(8,858)	(527,457)	36,136
Deferred revenue and credits	(552,971)	(117,877)	(70,124)	-	(740,972)	128,084
Escrow Deposits	806,315	-	-	-	806,315	56,021
Current liabilities and changes in mortgage loans	<u>(944,771)</u>	<u>1,275,522</u>	<u>510,107</u>	<u>10,386</u>	<u>851,244</u>	<u>3,450,337</u>
<b>Net cash provided by operating activities</b>	<u>\$1,625,926</u>	<u>\$8,974,477</u>	<u>\$24,713,278</u>	<u>\$200,212</u>	<u>\$35,513,893</u>	<u>\$37,444,461</u>

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