



## District of Columbia Housing Finance Agency

Financial Statements With  
Independent Auditor's Report  
Years Ended September 30, 2008 and 2007

# TCBA

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

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FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

**TABLE OF CONTENTS**

	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion & Analysis .....	2
<b>Basic Financial Statements</b>	
Balance Sheets .....	8
Statements of Revenues, Expenses and Changes in Net Assets .....	10
Statements of Cash Flows .....	11
Notes to Financial Statements .....	13
<b>Supplemental Information</b>	
Combining Balance Sheet .....	50
Combining Statement of Revenues, Expenses and Changes in Net Assets .....	52
Combining Statement of Cash Flows .....	53

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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, as listed in the table of contents, of the District of Columbia Housing Finance Agency ("the Agency"), a component unit of the Government of the District of Columbia, as of and for the years ended September 30, 2008 and 2007. 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. 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 the 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, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 audits were conducted for the purpose of forming an opinion on the Agency's basic financial statements. The combining financial statements on pages 50 through 54 are presented for the 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 audits 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.

Washington, D.C.  
January 16, 2009

*Thompson, Cobb, Bazilio & Associates, PC*

## 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, 2008. 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 for low and moderate-income families in the District. The Agency issues taxable and tax-exempt mortgage revenue bonds to lower the costs of financing single family housing and the costs of acquiring, constructing, and rehabilitating rental housing. In addition, the Agency administers the issuance of 4 percent low-income housing tax credits to achieve its affordable housing preservation, rehabilitation, and development objectives on behalf of the Department of Housing and Community Development (DHCD). 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 debt 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 the United States of Department of Housing and Urban Development (HUD) and for the intra-agency agreement with the Department of Mental Health of the District to construct or rehabilitate rental housing to address the critical need of mentally challenged persons residing in the District. The other funds are Single Family, Multi-Family and DC Building Finance Corporation. These funds are used to account for bond proceeds, debt service and bond administration expenses related to single family mortgage revenue bonds, multifamily housing revenue bonds and certificates of participation of the Building Finance Corporation, respectively.

### Financial Highlights

The following information is an analysis of the Agency's financial statements for the year ended September 30, 2008.

- The Agency's net assets increased by \$5.74 million, which comprises of \$2.98 million from operations and another \$2.75 million due to an increase in fair value of mortgage-backed securities.
- Total amount of bonds issued during the current year was \$209.33 million, consisting of \$90.53 million in multi-family revenue bonds and \$118.80 million in single family issuances. A number of multi-family revenue bonds closed in fiscal year 2008 and fiscal year 2007 were issued in a draw down mode, where out of the total amount of bonds closed only a portion may get drawn during any given reporting period. The amount of outstanding bonds from new issuance and draws on the existing draw down bonds during fiscal year 2008 were offset by matured and redeemed bonds and resulted in the net increase in bonds outstanding of \$29.23 million.

- Operating revenues decreased by \$11.34 million or 12% from fiscal year 2007 primarily due to a 24% decrease in investment earnings. Operating expenses in fiscal year 2008 decreased by \$8.76 million, or 10% from fiscal year 2007. The operating income went down to \$2.98 million in fiscal year 2008 from \$5.56 million in fiscal year 2007, a 46% reduction. In fiscal year 2008, interest cost on multi-family projects increased from fiscal year 2007 as a result of widespread liquidity stresses and systemic disruptions in credit markets. Multi-family revenues have decreased as a result of worsening economic conditions in the low income housing tax credit market and disruptions in credit markets.

**Table 1**  
**Condensed Balance Sheets**  
**September 30, 2008 and 2007**

	<u>2008</u>	<u>2007 (Restated)</u>
Current assets	\$ 44,815,795	\$ 61,906,884
Noncurrent assets	1,301,195,152	1,270,730,128
<b>Total Assets</b>	<u>\$ 1,346,010,947</u>	<u>\$ 1,332,637,012</u>
Current liabilities	\$ 176,924,062	\$ 205,178,784
Noncurrent Liabilities	1,068,958,512	1,033,065,980
<b>Total Liabilities</b>	<u>1,245,882,574</u>	<u>1,238,244,764</u>
Net assets:		
Invested in capital assets, net of related debt	<u>1,247,139</u>	<u>956,464</u>
Restricted for:		
Bond Fund and Risk Share Program	56,512,995	55,116,734
McKinney Act Fund	8,413,903	8,234,373
Total restricted	<u>64,926,898</u>	<u>63,351,107</u>
Unrestricted	<u>33,954,336</u>	<u>30,084,677</u>
<b>Total Net Assets</b>	<u>100,128,373</u>	<u>94,392,248</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,346,010,947</u>	<u>\$ 1,332,637,012</u>

**Table 2**  
**Condensed Statements of Revenues, Expenses,**  
**and Changes in Net Assets**  
**Years Ended September 30, 2008 and 2007**

	<u>2008</u>	<u>2007 (Restated)</u>
<b>Operating Revenues</b>		
Investment interest income	\$ 22,040,323	\$ 28,958,641
Mortgage-backed security income	14,457,485	8,046,563
Interest on mortgage and construction loans	21,889,031	23,497,806
McKinney Act revenue	223,027	323,204
Application and commitment fees	75,685	246,269
HUD Section 8 housing assistance receipts	53,815	8,701,592
Service project receipts	6,425,565	7,372,920
Other	15,467,560	14,822,735
Total operating revenues	<u>80,632,491</u>	<u>91,969,730</u>
<b>Operating Expenses</b>	<u>77,648,574</u>	<u>86,409,187</u>
<b>Operating Income</b>	<u>2,983,917</u>	<u>5,560,543</u>
Non-operating revenues	<u>2,752,208</u>	<u>1,120,381</u>
<b>Change in Net Assets</b>	<u>\$ 5,736,125</u>	<u>\$ 6,680,924</u>

## Debt Administration

The Agency's outstanding debt increased by \$29.23 million from prior year. In fiscal year 2008, the Agency closed \$90.53 million in multi-family revenue bonds to finance the construction and rehabilitation of seven projects. 904 rental units will be made available upon completion of these projects. The Agency also issued \$100 million in single family tax-exempt bonds, resulting in \$50 million in lendable proceeds for single family housing. The other \$50 million of bonds were issued for preservation of tax-exempt bond issuing authority. In addition, the Agency issued \$18.80 million in draw down bonds.

The Agency redeemed \$59.25 million of single family and \$66.28 million of multi-family revenue bonds.

Bond activity for the years ended September 30, 2008 and 2007 was as follows:

	<u>2008</u>	<u>2007</u>
Balance, beginning	\$ 1,136,798,491	\$ 1,103,782,296
New issues	154,760,807	195,715,000
Repayments	<u>(125,908,008)</u>	<u>(162,698,805)</u>
Balance, ending	<u>\$ 1,165,651,290</u>	<u>\$ 1,136,798,491</u>

## 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 outstanding Certificates of Participation. As of September 30, 2008, both the Certificates of Participation and the lease agreement had approximately ten years remaining, and an outstanding balance of \$1.40 million. The Agency redeemed \$0.125 million of the Certificates of Participation in fiscal year 2008.

The following is the detail of changes in capital assets during the year ended September 30, 2008:

	<u>September 30, 2007</u>	<u>Additions</u>	<u>September 30, 2008</u>
Land	\$ 573,000	\$ -	\$ 573,000
Building	1,795,238	-	1,795,238
Furniture and equipment	1,517,771	48,730	1,566,501
Software	<u>251,435</u>	<u>17,735</u>	<u>269,170</u>
Total	4,137,444	66,465	4,203,909
Leasehold improvements	<u>1,223,905</u>	<u>300,484</u>	<u>1,524,389</u>
Total	<u>5,361,349</u>	<u>366,949</u>	<u>5,728,298</u>
Depreciation	(2,216,561)	(142,748)	(2,359,309)
Amortization	<u>(663,324)</u>	<u>(58,527)</u>	<u>(721,851)</u>
Less accumulated depreciation and amortization	<u>(2,879,885)</u>	<u>(201,275)</u>	<u>(3,081,160)</u>
Total capital assets	<u>\$ 2,481,464</u>	<u>\$ 165,674</u>	<u>\$ 2,647,138</u>

The following is the detail of changes in capital assets during the year ended September 30, 2007:

	September 30, 2006	Additions	September 30, 2007
Land	\$ 573,000	\$ -	\$ 573,000
Building	1,795,238	-	1,795,238
Furniture and equipment	1,440,097	77,674	1,517,771
Software	245,921	5,514	251,435
Total	4,054,256	83,188	4,137,444
Leasehold improvements	1,127,040	96,865	1,223,905
Total	5,181,296	180,053	5,361,349
Depreciation	(2,067,659)	(148,902)	(2,216,561)
Amortization	(620,431)	(42,893)	(663,324)
Less accumulated depreciation and amortization	(2,688,090)	(191,795)	(2,879,885)
Total capital assets	<u>\$ 2,493,206</u>	<u>\$ (11,742)</u>	<u>\$ 2,481,464</u>

## Programs

**Multi-family:** In fiscal year 2008, the Agency financed 904 rental units with the closing of \$90.53 million in tax-exempt bonds. The total amount of outstanding multi-family bonds from new issuances increased by \$35.97 million in the form of newly issued debt and the draws on the existing and newly closed draw-down bonds.

**Single Family:** During fiscal year 2008, the Agency was able to provide single family mortgages for persons purchasing homes in the District at below national and local conventional rates. The Agency provided over \$43.79 million to assist 218 homebuyers purchase homes in the District at very competitive interest rates. The Agency continued to expand its pool of participating origination lenders during the fiscal year.

The Agency provides regular homeownership educational seminars and community outreach in an effort to empower persons seeking to become homeowners in the District. Through the Agency, information is made available to residents on the Single Family Bond products, financing options, the District's employer assistance program, tax credits, tax abatements, the Home Purchase Assistance Program (HPAP), and other programs to help with closing costs and other incentives for homebuyers.

## HUD Risk-Sharing Program

The Agency has entered into a risk-sharing agreement with HUD, where a multi-family 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. As of September 30, 2008, the reserve account had a balance of \$1.895 million. In fiscal year 2008, the Agency issued \$3.235 million in tax-exempt housing bonds for Fairmont I and II under the risk-sharing program. In fiscal year 2007, the risk-sharing program faced the first casualty in its portfolio where the Section 8 HAP subsidies were abated by HUD due to successive REAC failures by Parkway Overlook East & West (the Property). The Agency took over the ownership of the Property as a mortgagee in possession and is working diligently to expedite the disposition

of the Property. The Agency's financial exposure as joint insurer of the Property depends upon how soon the disposition of the Property is carried out and how much can be realized from the disposition. Given the real estate market in the District, the Agency estimates the loss exposure to be \$264,326, and accordingly, has established a contingent liability.

### **Subsequent Events**

The following subsequent events have occurred:

- On November 1, 2008, \$11.125 million of multi-family mortgage revenue bonds (Capitol Gateway) Series 2005 matured.
- On November 1, 2008, \$2.00 million of multi-family housing refunding revenue bonds (Southview Apartments I & II Projects) Series 2006 B were redeemed in their entirety.
- On November 3, 2008, \$50.00 million of single family revenue bonds Series 2007 B matured.
- On December 1, 2008, \$1.935 million of single family mortgage revenue bonds matured, and \$3.025 million of single family mortgage revenue bonds were redeemed from prepayments.
- On December 1, 2008 the remaining \$80,000 of multi-family mortgage revenue bonds (Parkway Overlook) 2001 Series D matured.
- On December 23, 2008, the Agency redeemed in their entirety \$191.42 million of single family mortgage revenue draw down bonds series 2005.
- On January 1, 2009, \$5.750 million of multi-family mortgage revenue refunding bonds (Benning Heights Project) Series 1998 A-1 were redeemed in their entirety.
- On January 1, 2009, \$3.435 million of multi-family mortgage revenue refunding bonds (MBIA Insured) (Temple Courts Project) taxable series 1998 A-2 were redeemed in their entirety.
- On January 1, 2009, \$9.07 million of multi-family mortgage revenue bonds (Arthur Capper Senior II) Series 2005 matured.
- Between November 1, 2008 and January 1, 2009, \$2.539 million of multi-family mortgage revenue bonds were redeemed through sinking fund redemptions.

### **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 Statement No. 34. If you have questions about the report or need additional financial information, contact the Chief Financial Officer, Sergei Kuzmenchuk, District of Columbia Housing Finance Agency, (202) 777-1620, 815 Florida Avenue, N.W. Washington DC 20001, [skuzmenchuk@dchfa.org](mailto:skuzmenchuk@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, 2008 AND 2007**

	<u>2008</u>	<u>2007</u> <u>(Restated)</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
<b>Unrestricted current assets:</b>		
Cash and cash equivalents	\$ 22,690,359	\$ 27,172,637
Other receivables	4,116,041	1,360,220
Total unrestricted current assets	26,806,400	28,532,857
<b>Restricted current assets:</b>		
Restricted cash and cash equivalents	11,533,618	26,066,446
Accrued interest receivable	6,475,777	7,307,581
Total restricted current assets	18,009,395	33,374,027
<b>TOTAL CURRENT ASSETS</b>	<b>44,815,795</b>	<b>61,906,884</b>
<b>NON-CURRENT ASSETS</b>		
<b>Unrestricted non-current assets:</b>		
Investments	7,262,835	1,762,840
Loans receivable	140,000	140,000
Prepaid expenses	195,983	222,470
Total unrestricted non-current assets	7,598,818	2,125,310
<b>Restricted non-current assets:</b>		
Investments held in trust	478,754,565	525,592,488
Mortgage backed securities at fair value	268,076,621	236,602,801
Mortgage and construction loans receivable	525,920,915	485,693,777
Loans receivable	2,017,593	2,017,593
McKinney Act loans receivable	2,698,089	2,045,660
Other receivables	139,903	232,243
Bond issue costs—net	13,341,510	13,938,792
Total restricted non-current assets	1,290,949,196	1,266,123,354
<b>Capital assets:</b>		
Land	573,000	573,000
Depreciable property and equipment	3,630,909	3,564,444
Leasehold improvements	1,524,389	1,223,905
Less accumulated depreciation and amortization	(3,081,160)	(2,879,885)
Total capital assets	2,647,138	2,481,464
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,301,195,152</b>	<b>1,270,730,128</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,346,010,947</b>	<b>\$ 1,332,637,012</b>

(Continued)

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

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**BALANCE SHEETS - CONTINUED**  
**SEPTEMBER 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u> <u>(Restated)</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
<b>Current liabilities payable from unrestricted assets:</b>		
Accounts payable and accrued liabilities	\$ 1,151,849	\$ 1,070,451
Accrued salary and vacation payable	201,857	288,223
Deferred revenue	1,489,849	1,776,273
Total current liabilities payable from unrestricted assets	<u>2,843,555</u>	<u>3,134,947</u>
<b>Current liabilities payable from restricted assets:</b>		
Tenant subsidy funds	542,927	1,078,182
Escrow deposits	7,220,898	6,849,418
Deferred credits	54,561,518	75,906,388
Deferred revenue	1,007,242	923,634
Interest payable	12,195,365	11,566,552
Current portion of bonds payable	98,442,557	105,594,663
Current portion of certificates of participation	110,000	125,000
Total current liabilities payable from restricted assets	<u>174,080,507</u>	<u>202,043,837</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>176,924,062</u>	<u>205,178,784</u>
<b>NON-CURRENT LIABILITIES</b>		
<b>Non-current liabilities payable from restricted assets:</b>		
Loans payable	459,779	462,152
Bonds payable—less current portion	1,067,208,733	1,031,203,828
Certificates of participation—less current portion	1,290,000	1,400,000
Total non-current liabilities payable from restricted assets	<u>1,068,958,512</u>	<u>1,033,065,980</u>
<b>TOTAL LIABILITIES</b>	<u>1,245,882,574</u>	<u>1,238,244,764</u>
<b>NET ASSETS</b>		
Invested in capital assets—net of related debt	<u>1,247,139</u>	<u>956,464</u>
<b>Restricted for:</b>		
Bond Fund and Risk Share	56,512,995	55,116,734
McKinney Act Fund	8,413,903	8,234,373
Total restricted net assets	<u>64,926,898</u>	<u>63,351,107</u>
Unrestricted net assets	<u>33,954,336</u>	<u>30,084,677</u>
<b>TOTAL NET ASSETS</b>	<u>100,128,373</u>	<u>94,392,248</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,346,010,947</u>	<u>\$ 1,332,637,012</u>

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

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u> <u>(Restated)</u>
<b>OPERATING REVENUES</b>		
Investment interest income	\$ 22,040,323	\$ 28,958,641
Mortgage-backed security interest income	14,457,485	8,046,563
Interest on mortgage and construction loans	21,889,031	23,497,806
McKinney Act revenue	223,027	323,204
Application and commitment fees	75,685	246,269
HUD Section 8 housing assistance receipts	53,815	8,701,592
Service project receipts	6,425,565	7,372,920
Other	15,467,560	14,822,735
Total operating revenues	<u>80,632,491</u>	<u>91,969,730</u>
<b>OPERATING EXPENSES</b>		
Operations	7,525,221	6,571,300
Personnel and related costs	3,760,497	3,664,314
Interest expense	58,320,535	54,605,743
Depreciation and amortization	201,275	191,795
Federal program payments	6,428,175	7,372,920
Housing assistance payments	-	8,701,592
Bond amortization	606,833	1,118,394
Trustee fees and other expenses	806,038	1,991,845
Loss on extinguishment of debt	-	2,191,284
Total operating expenses	<u>77,648,574</u>	<u>86,409,187</u>
OPERATING INCOME	<u>2,983,917</u>	<u>5,560,543</u>
<b>NON-OPERATING REVENUES/EXPENSES</b>		
Increase in fair value of mortgage-backed securities	<u>2,752,208</u>	<u>1,120,381</u>
CHANGE IN NET ASSETS	<u>5,736,125</u>	<u>6,680,924</u>
Net assets, beginning of year	94,392,248	85,872,794
Prior period adjustment	-	1,838,530
Net assets, beginning of year, as restated	<u>94,392,248</u>	<u>87,711,324</u>
Net assets, end of year	<u>\$ 100,128,373</u>	<u>\$ 94,392,248</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, 2008 AND 2007**

	<u>2008</u>	<u>2007</u> <u>(Restated)</u>
<b>Operating Activities</b>		
Principal and interest received on loans	\$ 34,223,044	\$ 19,060,181
Other cash receipts	20,281,628	12,748,175
Payments to vendors	(7,701,522)	(3,307,539)
Payments to employees	(3,846,864)	(3,681,084)
Purchases of mortgage and construction loans	(61,228,001)	(72,378,468)
Receipts of federal program income	6,479,380	16,074,512
Payments of federal program expenses	(6,429,675)	(16,074,512)
Other cash payments	(13,966,443)	(97,799)
<b>Net cash used in operating activities</b>	<u>(32,188,453)</u>	<u>(47,656,534)</u>
<b>Capital and Related Financing Activities</b>		
Acquisition of fixed assets	(366,950)	(180,053)
Payments of bonds and long-term debt	(125,000)	(115,000)
<b>Net cash used in capital and related financing activities</b>	<u>(491,950)</u>	<u>(295,053)</u>
<b>Non-Capital Financing Activities</b>		
Funds disbursed for multi-family rehab	(85,780,285)	(40,740,337)
Interest paid on bonds	(57,327,147)	(52,797,152)
Proceeds from rehab financed by tax credits	65,311,919	65,065,548
Proceeds from long-term bonds	154,760,807	195,715,000
Principal payments on debt	(125,801,392)	(162,846,610)
<b>Net cash (used in) provided by non-capital financing activities</b>	<u>(48,836,098)</u>	<u>4,396,449</u>
<b>Investing Activities</b>		
Receipts of interest and dividends on investments and mortgage-backed securities	20,827,347	28,958,641
Sale of investments and mortgage-backed securities	278,486,800	604,721,727
Purchase of investments and mortgage-backed securities	(236,812,752)	(579,813,031)
<b>Net cash provided by investing activities</b>	<u>62,501,395</u>	<u>53,867,337</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(19,015,106)	10,312,199
Cash and cash equivalents at October 1	53,239,083	42,926,884
Cash and cash equivalents at September 30	<u>\$ 34,223,977</u>	<u>\$ 53,239,083</u>

(Continued)

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

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**STATEMENTS OF CASH FLOWS - CONTINUED**  
**YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u> <u>(Restated)</u>
<b>Reconciliation of Operating Income to Net Cash Used in Operating Activities</b>		
Operating income	\$ 2,983,917	\$ 5,560,543
Loss on early extinguishment of debt	-	2,191,284
Depreciation	201,275	191,795
Amortization	(268,071)	(10,920)
Interest on bonds	57,327,148	52,797,152
Receipts of interest and dividends on investments and mortgage-backed securities	(20,827,347)	(28,958,641)
Mortgage and construction loans	(61,228,001)	(72,378,468)
Investment income	(1,208,274)	2,240,762
Decrease (increase) in assets:		
Receivables	2,005,254	(22,841,697)
Other current assets	(443,231)	(354,250)
Increase (decrease) in liabilities:		
Payables	315,552	3,264,495
Interest payable	545,455	1,895,131
Accrued liabilities	-	(13,484)
Deferred revenue and credits	(11,221,687)	7,957,355
Escrow deposits	(370,443)	805,930
Current liabilities and changes in mortgage loans	-	(3,521)
	<u>                    </u>	<u>                    </u>
<b>Net cash used in operating activities</b>	<u>\$ (32,188,453)</u>	<u>\$ (47,656,534)</u>

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

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

**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 is empowered to, among other activities, generate funds from public and private sources to increase the supply and 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 (GASB) 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.

These financial statements present only financial information about the Agency, an enterprise fund of the District. The enterprise fund qualifies for inclusion in the District's reporting entity pursuant to GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. These financial statements do not purport to, and do not, present fairly the financial position of the District and the changes in its financial position and cash flows, in conformity with accounting principles generally accepted in the United States of America. 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 in these financial statements as a separate fund of the Agency.

The bonds and notes issued by the Agency and the Building Corporation are special obligations of the Agency and the Building Corporation payable principally from revenue and repayments of mortgage loans and mortgage backed securities and investments, financed by or purchased from the proceeds of such bonds under applicable indentures and are not a debt of the District. Neither the faith and credit nor the taxing power of the District is pledged for the repayment of the bonds.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

**NOTE 1: ORGANIZATION AND PURPOSE (Continued)**

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 debt securities, to pay expenses related to the Agency's administrative functions, and to account for grant revenues and expenditures related to the Section 8 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.

**Single-Family Program Fund** - The Single-Family Program Fund is used to account for the proceeds of single-family mortgage revenue bond issues, investments and mortgage-backed securities held pursuant to the indentures 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.

**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 its building.

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

The following is a summary of the Agency's significant accounting policies:

**Basis of Accounting and Measurement Focus** – For financial reporting purposes only, the Agency is a component unit of the District. The Agency's operations are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. The Agency's financial activities 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.

The Agency reports its financial activities by applying Standards of the Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Agency has elected not to adopt the Financial Accounting Standards Board (FASB)

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

pronouncements issued after November 30, 1989, unless the GASB specifically adopts the FASB Statements or Interpretations, APB Opinions, and ARBS of the Committee on Accounting Procedure.

The Agency has adopted GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis*. Under GASB Statement No. 34, net assets should be reported as restricted when constraints placed on net asset use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all net assets of the Agency, except for the General Fund, are restricted as to their use as all net assets are pledged to bondholders.

**Operating revenues and expenses** – As an enterprise fund, the Agency distinguishes operating revenues and expenses from non-operating items in conformity with GASB Statement No. 34. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the District. The Agency's activities are considered to be operating except for changes in the fair value of mortgage-backed securities. Operating revenues primarily consist of interest on mortgage-backed securities, interest on mortgage and construction loans and investment of bond proceeds, HUD Section 8 housing assistance receipts, servicing fees and other revenues. Operating expenses primarily consist of bond interest, personnel costs, depreciation, amortization of bond cost of issuance, discounts and premiums, federal program payments, housing assistance payments, trustee fees and other operating expenses.

**Cash and Cash Equivalents** - Cash and cash equivalents consist of cash, demand deposits and commercial paper in highly liquid short-term instruments with original maturities of three months or less from the date of purchase.

**Investments** - Investments of the General Fund are made in accordance with the Agency's investment policy. 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.

**Mortgage-Backed Securities** - Mortgage-backed securities represent certificates issued by the Government National Mortgage Association ("Ginnie Mae"), Fannie Mae and Freddie Mac, 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. These securities are stated at fair value, based on quoted market prices. Each of these securities is intended to be held to maturity or until the payoff of the related loans.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

**Mortgage and Construction Loans Receivable** - Mortgage loans are carried at their unpaid principal balances and construction loans are carried at amounts advanced, net of collections and allowances for potential loan losses. As of September 30, 2008 and 2007, 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 capitalized and amortized over the life of the related debt on a straight-line basis, which approximates the effective yield method. When the debt is redeemed early with mortgage prepayments a proportionate share of the remaining unamortized costs is recognized as a loss in the Statement of Revenue, Expenses and Changes in Net Assets.

**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 balance sheet and as interest expense on the statement of revenues, expenses and changes in net assets.

**Net Assets** - Net assets are reported in three separate categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:** Net assets whose use by the Agency is subject to externally imposed stipulations that can be fulfilled by actions of the Agency pursuant to those stipulations or that expire with the passage of time. Such net assets include Bond Funds and the McKinney Act Fund.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

**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.

**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.

**NOTE 3: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES**

**Cash and Cash Equivalents** - The Agency's combined cash and cash equivalents balance as of September 30, 2008 and 2007, 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 the Federal Deposit Insurance Corporation (FDIC) to the extent required by law.

As of September 30, 2008, the Agency's general fund had the following deposits:

Insured	\$	3,467,974
Collateralized:		
Collateral held by the Federal Reserve in joint name		20,128,503
Collateral held by bank through a tri-party agreement		10,179,528
Total deposits		\$ 33,776,005

As of September 30, 2007, the Agency's general fund had the following deposits:

Insured	\$	8,246,785
Collateralized:		
Collateral held by the Federal Reserve in joint name		23,151,715
Collateral held by bank through a tri-party agreement		20,338,323
Total deposits		\$ 51,736,823

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

**NOTE 3: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE BACKED SECURITIES (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. Bond funds have their own indentures and custodial risk rests with the trustees who act in the interest of the bondholders.

**Investments – General Fund**

The Agency follows investment policy approved by its Board of Directors with regard to its general fund. The policy states that investment securities shall be of investment grade rating and offer each trustee agreement 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 regarding investments relating to its bond programs.

As of September 30, 2008, the Agency had the following investments relating to its general fund:

<u>Investment Type</u>	<b>Fair value of investments with maturities less than 5 years</b>	<b>Rating</b>	
Corporate Bonds	\$ 3,941,152	A	54%
Fannie Mae	429,909	AAA	6%
US Treasury Bond	1,104,548	AAA	15%
Other Government Securities	1,619,466	AAA	23%
Mututal Funds	167,760	A	2%
Total	<u>\$ 7,262,835</u>		<u>100%</u>

As of September 30, 2007, the Agency had the following investments relating to its general fund:

<u>Investment Type</u>	<b>Fair value of investments with maturities less than 5 years</b>	<b>Rating</b>	
Fannie Mae	\$ 1,269,205	AAA	72%
Corporate Bonds	493,635	A	28%
Total	<u>\$ 1,762,840</u>		<u>100%</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

**NOTE 3: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE BACKED SECURITIES (Continued)**

Rated securities have a minimum of A. 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 at an acceptable investment grade with mitigated risk of principal loss. As of September 30, 2008 and 2007, the Agency's investments were invested in fully diversified securities. The above securities are insured or carry medium to top investment rating.

The Agency uses the weighted average maturity method that considers the investment's time horizons and maturities. In fiscal years 2008 and 2007, the weighted average maturity of the Agency's investments was less than a year.

**Investments – Bonds and Certificates of Participation**

As of September 30, 2008, the Agency had the following investments relating to its bonds and certificates of participation:

Investment Type	Fair Value	Maturities			Rating	
		< 5 years	6-10 years	over 10 years		
Guaranteed Investment Contract – I/A	\$ 382,965,902	\$ 354,230,155	\$ 976,430	\$ 27,759,317	Not rated	51.28%
Money Market Funds	41,886,436	41,886,436	-	-	AAA	5.60%
U.S. Treasury Bills and Strips	53,902,226	53,832,002	-	70,224	Not rated	7.22%
Ginnie Mae – Mortgage – backed securities	171,745,874	55,964,987	-	115,780,887	AAA	23.00%
Fannie Mae – Mortgage – backed securities	52,022,830	-	-	52,022,830	AAA	6.97%
FHLMC - Mortgage – backed securities	44,307,918	-	-	44,307,918	AAA	5.93%
<b>Total</b>	<b>\$ 746,831,186</b>	<b>\$ 505,913,580</b>	<b>\$ 976,430</b>	<b>\$ 239,941,176</b>		<b>100%</b>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

**NOTE 3: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE BACKED SECURITIES (Continued)**

As of September 30, 2007, the Agency had the following investments relating to its bonds and certificates of participation:

Investment Type	Fair Value	Maturities			Rating	
		< 5 years	6-10 years	over 10 years		
Guaranteed Investment Contract – I/A	\$ 425,055,918	\$ 397,072,803	\$ 1,081,089	\$ 26,902,026	Not rated	55.77%
Money Market Funds	90,686,399	90,686,399	-	-	AAA	11.90%
U.S. Treasury Bills and Strips	9,850,510	9,850,510	-	-	Not rated	1.29%
Ginnie Mae – Mortgage – backed securities	170,728,948	2,477,933	3,000,000	165,251,015	AAA	22.40%
Fannie Mae – Mortgage – backed securities	52,260,196	1,249,134	-	51,011,062	AAA	6.85%
FHLMC - Mortgage – backed securities	13,613,657	312,933	-	13,300,724	AAA	1.79%
<b>Total</b>	<b>\$ 762,195,628</b>	<b>\$ 501,649,712</b>	<b>\$ 4,081,089</b>	<b>\$ 256,464,827</b>		<b>100%</b>

Investments of proceeds from bond issuances are governed by the covenants of the respective indentures of trust entered between the issuer (the Agency), the 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 agencies, 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

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

**NOTE 3: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE BACKED SECURITIES (Continued)**

value at maturity. Fannie Mae and Freddie Mac 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 and Freddie Mac mortgage-backed securities are backed by the full faith and credit of the U.S. government, there is, however, an implicit guarantee, as government-sponsored enterprises are chartered by the U.S. Congress.

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 interest rate changes on fair market values of money market funds is inconsequential.

Ginnie Mae, Fannie Mae and Freddie Mac mortgage-backed securities are required to be marked to market in accordance with GASB Statement No. 31. It is the intention of the Agency to hold these mortgage-backed securities until the underlying loans are paid in full. The principal and interest payment on these mortgage-backed securities are guaranteed by Ginnie Mae, Fannie Mae and Freddie Mac, accordingly. Such securities represented \$268,076,622 or 35.88% and \$236,602,801 or 31.04% of the portfolio's investments as of September 30, 2008 and 2007, respectively.

The Agency's Single Family Program recorded an unrealized gain of \$1,631,982 on mortgage-backed securities and an unrealized loss of \$984,998 for fiscal years 2008 and 2007, respectively. The Agency's Multifamily Program recorded unrealized gains on mortgage-backed securities of \$1,120,226 and \$2,105,379 for fiscal years 2008 and 2007, respectively.

Investments under the 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 interest rate risk exposure, i.e. the difference between higher bond rate and lower investment rate could range from two to eight months.

Investments under the bond programs normally include guaranteed investment contracts where an investment provider agrees to pay a certain interest rate. In addition, the investment providers may be required to post collateral in the Agency's name, comprised of qualifying securities in an amount sufficient to cover interest and principal payments under the investment contracts.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

**NOTE 3: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE BACKED SECURITIES (Continued)**

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

**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 companies up to a maximum of 90% of the outstanding mortgages. Both the FHA and VA are U.S. Government agencies. Interest rates on these loans range from 3.476% to 9.5%, and the loans have a repayment period of up to 40 years.

Restricted mortgage and construction loans as of September 30, 2008 and 2007, were \$525,920,915 and \$485,693,777, respectively.

**NOTE 5: CAPITAL ASSETS**

The following is the detail of changes in capital assets during the year ended September 30, 2008:

	<b>September 30, 2007</b>	<b>Additions</b>	<b>September 30, 2008</b>
Land	\$ 573,000	\$ -	\$ 573,000
Building	1,795,238	-	1,795,238
Furniture and equipment	1,517,771	48,730	1,566,501
Software	251,435	17,735	269,170
Total	<u>4,137,444</u>	<u>66,465</u>	<u>4,203,909</u>
Leasehold improvements	1,223,905	300,484	1,524,389
Total	<u>5,361,349</u>	<u>366,949</u>	<u>5,728,298</u>
Depreciation	<u>(2,216,561)</u>	<u>(142,748)</u>	<u>(2,359,309)</u>
Amortization	<u>(663,324)</u>	<u>(58,527)</u>	<u>(721,851)</u>
Less accumulated depreciation and amortization	<u>(2,879,885)</u>	<u>(201,275)</u>	<u>(3,081,160)</u>
Total capital assets	<u>\$ 2,481,464</u>	<u>\$ 165,674</u>	<u>\$ 2,647,138</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

**NOTE 5: CAPITAL ASSETS (Continued)**

The following is the detail of changes in capital assets during the year ended September 30, 2007:

	September 30, 2006	Additions	September 30, 2007
Land	\$ 573,000	\$ -	\$ 573,000
Building	1,795,238	-	1,795,238
Furniture and equipment	1,440,097	77,674	1,517,771
Software	245,921	5,514	251,435
Total	<u>4,054,256</u>	<u>83,188</u>	<u>4,137,444</u>
Leasehold improvements	1,127,040	96,865	1,223,905
Total	<u>5,181,296</u>	<u>180,053</u>	<u>5,361,349</u>
Depreciation	<u>(2,067,659)</u>	<u>(148,902)</u>	<u>(2,216,561)</u>
Amortization	<u>(620,431)</u>	<u>(42,893)</u>	<u>(663,324)</u>
Less accumulated depreciation and amortization	<u>(2,688,090)</u>	<u>(191,795)</u>	<u>(2,879,885)</u>
Total capital assets	<u><u>\$ 2,493,206</u></u>	<u><u>\$ (11,742)</u></u>	<u><u>\$ 2,481,464</u></u>

There were no disposals during the years ended September 30, 2008 and 2007. Depreciation and amortization expenses for fiscal years 2008 and 2007 were \$201,275 and \$191,795, 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 indentures and bond resolutions, 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 are collateralized by:

- Mortgage-backed securities made in connection with underlying loans.
- Mortgage loans made on the related multi-family developments or single-family residential mortgage loans purchased.
- Investments of bond proceeds, 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**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

**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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
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 an interest rate of 7.75%.	\$ 1,335,000	\$ 1,505,000
2 1988 Series E2 serial bonds due December 1, 1997 through December 1, 2022 with an interest rate of 7.70%.	-	25,000
3 1988 Series E4 serial bonds due June 1, 1999 through June 1, 2026 with an interest rate of 6.38%.	4,520,000	4,950,000
4 1996 Series A serial and term bonds due December 1, 2006 through December 1, 2028 with interest rates ranging from 5.30% to 6.75%.	5,220,000	5,745,000
5 1997 Series B serial and term bonds due December 1, 2006 through December 1, 2028 with interest rates ranging from 5.10% to 6.35%.	4,225,000	4,985,000
6 1998 Series A bonds due December 1, 2006 through December 1, 2029 with interest rates ranging from 4.70% to 6.25%.	7,880,000	8,925,000
7 1999 Series A bonds due December 1, 2006 through June 1, 2030 with interest rates ranging from 4.75% to 6.65%.	7,230,000	8,310,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

	<u>2008</u>	<u>2007</u>
8 2000 Series A bonds due December 1, 2006 through June 1, 2031 with interest rates ranging from 5.50% to 7.50%.	\$ 3,550,000	\$ 3,790,000
9 2000 Series C bonds due December 1, 2010 through June 1, 2031 with interest rates ranging from 5.75% to 6.25%.	800,000	810,000
10 2000 Series D bonds due December 1, 2010 through June 1, 2031 with interest rates ranging from 5.65% to 7.45%.	3,010,000	3,235,000
11 2001 Series A serial bonds due December 1, 2006 through June 1, 2032 with interest rates ranging from 4.35% to 6.85%.	4,760,000	5,195,000
12 2005 Series A serial bonds due December 1, 2025 with an interest rate of 5.55%.	5,790,000	6,805,000
13 2005 Series B serial bonds due June 1, 2035 with interest rates ranging from 4.75% to 5.63%.	15,470,000	16,570,000
14 2005 Series bonds due December 1, 2055 with a variable interest rate of 5.05%.	191,420,000	172,625,000
15 2006 Series A bonds due December 1, 2026 with an interest rate of 4.95%.	3,815,000	4,635,000
16 2006 Series B serial bonds due June 1, 2037 with interest rates ranging from 5.10% to 5.35%.	24,695,000	25,000,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

	<u>2008</u>	<u>2007</u>
17 2006 Series D bonds due June 1, 2020 with an interest rate of 4.60%.	\$ 1,845,000	\$ 1,960,000
18 2006 Series E serial bonds due December 1, 2037 with an interest rate of 4.65%.	49,385,000	50,000,000
19 2006 Series F bonds due November 1, 2007 with an interest rate of 3.60%.	-	50,000,000
20 2007 Series A bonds due December 1, 2038 with an interest rate of 5.15%.	49,665,000	-
21 2007 Series B bonds due November 1, 2008 with an interest rate of 3.55%.	<u>50,000,000</u>	<u>-</u>
Subtotal	434,615,000	375,070,000
Add: unamortized bond premium	4,854,298	5,039,156
Less: unamortized bond discount	<u>(156,936)</u>	<u>(168,106)</u>
Total Single-Family Program Fund	<u>\$ 439,312,362</u>	<u>\$ 379,941,050</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

The Multi-Family Mortgage Bonds outstanding are as follows:

	<u>2008</u>	<u>2007</u>
1 1988 Series serial bonds due February 1, 2008 through August 1, 2030 with interest rates ranging from 5% to 5.85%. <ul style="list-style-type: none"> <li>• Mayfair Mansions</li> </ul>	\$ -	\$ 12,825,000
2 1989 Series A serial bonds due October 1, 2006 through October 1, 2019 with an interest rate of 3.9505%. <ul style="list-style-type: none"> <li>• Fort Lincoln</li> </ul>	6,145,000	6,465,000
3 1994 Series D serial bonds due January 1, 2023 with an interest rate of 7.00%. <ul style="list-style-type: none"> <li>• Oak Street</li> </ul>	1,505,000	1,565,000
4 1995 Series bonds due July 31, 2025 with an interest rate of 7.52%. <ul style="list-style-type: none"> <li>• Tyler House</li> </ul>	24,200,000	24,200,000
5 1997 Series bonds due January 1, 2012 with an interest rate of 6.3%. <ul style="list-style-type: none"> <li>• Benning Road</li> </ul>	1,805,000	2,190,000
6 1998 A-1 Series bonds due January 1, 2027 with an interest rate of 5.2%. <ul style="list-style-type: none"> <li>• Benning Heights</li> </ul>	5,750,000	5,890,000
7 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>	3,435,000	3,550,000
8 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>	1,285,000	1,305,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

	<u>2008</u>	<u>2007</u>
9 1997 Series bonds due December 1, 2017 through December 1, 2027 with interest rates ranging from 5.85% to 5.95%. <ul style="list-style-type: none"> <li>• Colorado Avenue</li> </ul>	\$ 840,000	\$ 860,000
10 1998 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>	7,715,000	7,940,000
11 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>	8,055,000	8,135,000
12 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>	2,974,315	3,023,589
13 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>	1,890,000	1,910,000
14 1999 Series bonds due May 1, 2032 with an interest rate of 7.375%. <ul style="list-style-type: none"> <li>• Barnaby Manor Apartments</li> </ul>	4,164,131	4,227,434
15 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>	24,002,871	24,291,990
16 1999/2000 Series bonds due November 1, 2010 through May 1, 2042 with interest rates ranging from 5.6% to 6.28%. <ul style="list-style-type: none"> <li>• Staten Glenn Apartments</li> </ul>	22,480,000	22,650,000
17 2000 Series bonds due April 1, 2032 with an interest rate 7.30%. <ul style="list-style-type: none"> <li>• Widrich Court Apartments</li> </ul>	3,322,192	3,371,799

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

		<u>2008</u>		<u>2007</u>
18	2000 Series bonds due November 20, 2015 through November 20, 2036 with interest rates ranging from 5.95% to 6.25%. <ul style="list-style-type: none"> <li>• Congress Park Plaza</li> </ul>	\$ 3,275,000	\$	3,315,000
19	2000 Series C bonds due June 1, 2040 with an interest rate 6.5%. <ul style="list-style-type: none"> <li>• 636 Coop</li> </ul>	580,000		585,000
20	2000 Series bonds due March 1, 2033 with an interest rate 6.15%. <ul style="list-style-type: none"> <li>• Aspen Court</li> </ul>	3,835,000		3,890,000
21	2000 Series A bonds due December 1, 2042 with an interest rate 6.5%. <ul style="list-style-type: none"> <li>• Haven House</li> </ul>	790,000		795,000
22	2000 Series D serial bonds due December 1, 2041 with an interest rate of 6.10%. <ul style="list-style-type: none"> <li>• Chesapeake/Hartford/Knox</li> </ul>	4,420,000		4,460,000
23	2000 Series Revenue bonds due September 1, 2013 through September 1, 2033 with interest rates ranging from 5.7% to 6.05%. <ul style="list-style-type: none"> <li>• Carver Terrace</li> </ul>	14,450,000		14,655,000
24	2000 Series Mortgage Revenue bonds due December 1, 2033 with an interest rate of 3.493%. <ul style="list-style-type: none"> <li>• WDC 1 Limited Partnership Development</li> </ul>	8,005,000		8,185,000
25	2001 Series A serial bonds due June 1, 2043 with an interest rate of 5.9%. <ul style="list-style-type: none"> <li>• Douglas Knoll (Douglas Gardens)</li> </ul>	9,679,000		9,749,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

		<u>2008</u>		<u>2007</u>
26	2001 Series Mortgage Revenue bonds due December 1, 2033 with an interest rate of 6.29%. <ul style="list-style-type: none"> <li>• Clifton Terrace</li> </ul>	\$ 5,160,966	\$	5,244,373
27	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 (Early extinguishment in 2007)</li> </ul>	80,000		200,000
28	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>	2,300,000		2,330,000
29	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>	9,900,000		10,040,000
30	2001 Series E serial bonds due June 1, 2038 with an interest rate of 5.45%. <ul style="list-style-type: none"> <li>• Huntwood Apartments</li> </ul>	6,525,000		6,595,000
31	2001 Series serial bonds due November 20, 2006 through May 20, 2043 with interest rates ranging from 5.5% to 7%. <ul style="list-style-type: none"> <li>• Columbia Heights</li> </ul>	33,620,000		33,875,000
32	2002 Series serial bonds due July 20, 2022 through July 20, 2043 with interest rates ranging from 5.65% to 5.80%. <ul style="list-style-type: none"> <li>• Jeffrey Gardens</li> </ul>	11,760,000		11,855,000
33	2002 Series serial bonds due January 1, 2035 with an interest rate of 3.4761%. <ul style="list-style-type: none"> <li>• Trenton Park</li> </ul>	6,110,000		6,180,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

	<u>2008</u>	<u>2007</u>
34 2002 Series serial bonds due March 1, 2039 with an interest rate of 7.2%. • Faircliff Plaza	\$ 6,764,528	\$ 6,823,615
35 2002 Series A serial bonds due June 1, 2039 with an interest rate of 5.75%. • Chapin St./Euclid St.	1,415,000	1,425,000
36 2002 Series C serial bonds due June 1, 2039 with an interest rate of 5.75%. • Chapin St./Euclid St.	1,190,000	1,200,000
37 2002 Series G and H serial bonds due December 1, 2012 through December 1, 2038 with interest rates ranging from 4.65% to 5.55%. • Trinity Towers	8,335,000	8,430,000
38 2002 Series E serial bonds due June 1, 2013 through December 1, 2044 with interest rates ranging from 4.75% to 5.7%. • Golden Rule	6,220,000	6,270,000
39 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
40 2003 Series C serial bonds due December 1, 2023 with an interest rate of 5.4%. • St. Paul Senior Living	665,000	690,000
41 2003 Series C serial bonds due December 1, 2033 with an interest rate of 5.50%. • St. Paul Senior Living	905,000	905,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

	<u>2008</u>	<u>2007</u>
42 2003 Series C serial bonds due June 1, 2045 with an interest rate of 5.60%. • St. Paul Senior Living	\$ 1,945,000	\$ 1,945,000
43 2003 Series GNMA Collateralized serial bonds due June 20, 2023 with an interest rate of 4.50%. • Bowling Green Apartments	2,205,000	2,305,000
44 2003 Series GNMA Collateralized serial bonds due December 20, 2044 with an interest rate of 4.70%. • Bowling Green Apartments	8,230,000	8,230,000
45 2003 Series B serial bonds due June 1, 2044 with an interest rate of 5.25%. • Urban Village Apartments	6,150,000	6,200,000
46 2003 Series A serial bonds due December 1, 2022 with an interest rate of 4.95%. • Elsinore Courtyard Apartments	1,135,000	1,185,000
47 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
48 2003 Series A serial bonds due December 1, 2044 with an interest rate of 5.15%. • Elsinore Courtyard Apartments	3,170,000	3,170,000
49 2003 Series GNMA Collateralized serial bonds due September 20, 2008 with an interest rate of 5.30%. • Wingate Towers and Garden Apartments	-	50,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

	<u>2008</u>	<u>2007</u>
50 2003 Series GNMA Collateralized serial bonds due September 20, 2023 with an interest rate of 5.30%. <ul style="list-style-type: none"> <li>• Wingate Towers and Garden Apartments</li> </ul>	\$ 8,125,000	\$ 8,990,000
51 2003 Series GNMA Collateralized serial bonds due September 20, 2033 with an interest rate of 5.40%. <ul style="list-style-type: none"> <li>• Wingate Towers and Garden Apartments</li> </ul>	10,915,000	10,915,000
52 2003 Series GNMA Collateralized serial bonds due September 20, 2045 with an interest rate of 5.50%. <ul style="list-style-type: none"> <li>• Wingate Towers and Garden Apartments</li> </ul>	25,045,000	25,045,000
53 2002 Series I serial bonds due December 1, 2045 with an interest rate of 5.40%. <ul style="list-style-type: none"> <li>• Henson Ridge</li> </ul>	3,990,000	4,020,000
54 2002 Series J serial bonds due December 1, 2012 with an interest rate of 4.50%. <ul style="list-style-type: none"> <li>• Fairmont I and II Apartments</li> </ul>	870,000	1,040,000
55 2002 Series J serial bonds due December 1, 2022 with an interest rate of 5.10%. <ul style="list-style-type: none"> <li>• Fairmont I and II Apartments</li> </ul>	2,870,000	2,870,000
56 2002 Series J serial bonds due December 1, 2040 with an interest rate of 5.30%. <ul style="list-style-type: none"> <li>• Fairmont I and II Apartments</li> </ul>	11,905,000	11,905,000
57 2004 Series A serial bonds due December 1, 2009 with an interest rate of 3%. <ul style="list-style-type: none"> <li>• 1330 7th Street</li> </ul>	295,000	480,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

	<u>2008</u>	<u>2007</u>
58 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	\$ 1,155,000
59 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	1,875,000
60 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	3,140,000
61 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	6,150,000
62 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>	4,801,433	4,841,618
63 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>	390,000	430,000
64 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	815,000
65 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	1,390,000
66 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	2,600,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

	<u>2008</u>	<u>2007</u>
67 2004 term bonds due December 20, 2014 with an interest rate of 4.1%. • Savannah Heights	\$ 430,000	\$ 570,000
68 2004 term bonds due December 20, 2034 with an interest rate of 4.95%. • Savannah Heights	3,235,000	3,235,000
69 2004 term bonds due June 20, 2045 with an interest rate of 5.1%. • Savannah Heights	2,045,000	2,045,000
70 2004 term bonds due December 20, 2045 with an interest rate of 5.1%. • Savannah Heights	2,045,000	2,045,000
71 2004 Series D & E term bonds due June 1, 2025 with an interest rate of 4.65%. • Henson Ridge Phase II	1,290,000	1,340,000
72 2004 Series D & E term bonds due June 1, 2035 with an interest rate of 4.85%. • Henson Ridge Phase II	1,460,000	1,460,000
73 2004 Series D & E term bonds due June 1, 2047 with an interest rate of 4.9%. • Henson Ridge Phase II	3,065,000	3,065,000
74 2004 Series D & E term bonds due June 1, 2015 with an interest rate of 4.1%. • Henson Ridge Phase II	935,000	1,050,000
75 2004 Series D & E term bonds due June 1, 2029 with an interest rate of 5%. • Henson Ridge Phase II	3,225,000	3,225,000
76 2004 Series D & E term bonds due June 1, 2037 with an interest rate of 5.1%. • Henson Ridge Phase II	3,280,000	3,280,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

	<u>2008</u>	<u>2007</u>
77 2004 term bonds due January 1, 2008 with an interest rate of 2.9%. <ul style="list-style-type: none"> <li>• Arthur Capper Sr. I</li> </ul>	\$ -	\$ 9,000,000
78 2005 term bonds due May 1, 2008 with an interest rate of 3.91%. <ul style="list-style-type: none"> <li>• Capitol Gateway Project</li> </ul>	11,125,000	11,125,000
79 2005 term bonds due January 1, 2008 with an interest rate of 4.75%. <ul style="list-style-type: none"> <li>• Faircliff Plaza - West</li> </ul>	11,752,788	11,834,663
80 2005 Series term bonds due July 1, 2007 through July 1, 2025 with interest rates ranging from 3.0% to 5.0%. <ul style="list-style-type: none"> <li>• DCHA Modernization Program</li> </ul>	68,840,000	71,480,000
81 2005 Series term bonds due June 1, 2010 through June 1, 2038 with interest rates ranging from 3.75% to 4.8%. <ul style="list-style-type: none"> <li>• Shipley Park Apartments</li> </ul>	11,880,000	11,920,000
82 2005 Series term bonds due January 1, 2009 with an interest rate of 3.9%. <ul style="list-style-type: none"> <li>• Arthur Capper Sr. II</li> </ul>	9,070,000	9,070,000
83 2005 Series term bonds due February 1, 2008 with an interest rate of 4.43%. <ul style="list-style-type: none"> <li>• Eastgate Seniors I</li> </ul>	-	6,400,000
84 2005 Series term bonds due December 1, 2055 with an interest rate of 5.05%. <ul style="list-style-type: none"> <li>• MF Drawdown</li> </ul>	-	27,115,000
85 2006 Series term bonds due January 1, 2048 with an interest rate of 6.25%. <ul style="list-style-type: none"> <li>• Hunter Pines</li> </ul>	10,592,365	10,633,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

		<u>2008</u>	<u>2007</u>
86	2006 Series term bonds due October 1, 2049 with an interest rate of 5.875%. <ul style="list-style-type: none"> <li>• George Washington Carver Senior Apartments</li> </ul>	\$ 8,811,910	\$ 8,870,000
87	2006 Series term bonds due ranging from August 1, 2008 to July 1, 2036 with interest rates ranging from 4% to 5%. <ul style="list-style-type: none"> <li>• Garfield Hills Apartments</li> </ul>	3,990,000	5,050,000
88	2006 Series term bonds due February 1, 2049 with an interest rate of 2.875% through August 31, 2007. Rate increased to 6% on September 1, 2007. <ul style="list-style-type: none"> <li>• Gallen Terrace</li> </ul>	4,528,436	5,660,000
89	2006 Series term bonds due ranging from February 1, 2009 to June 1, 2048 with an interest rate of 6.25%. <ul style="list-style-type: none"> <li>• Southview I &amp; II</li> </ul>	13,184,157	13,200,000
90	2006 Series term bonds due April 15, 2048 with an interest rate of 5.3%. <ul style="list-style-type: none"> <li>• Golden Rule Apartments</li> </ul>	12,600,000	12,600,000
91	2006 Series A term bonds due March 1, 2049 with an interest rate of 4.8%. <ul style="list-style-type: none"> <li>• Wesely House</li> </ul>	9,340,000	9,340,000
92	2006 Series B term bonds due March 1, 2009 with an interest rate of 4.1%. <ul style="list-style-type: none"> <li>• Wesely House</li> </ul>	1,000,000	1,000,000
93	2006 Series term bonds due November 1, 2036 with an interest rate of 4.8%. <ul style="list-style-type: none"> <li>• Azeeze Bates</li> </ul>	3,995,000	4,090,000
94	2006 Series term bonds due December 1, 2009 with an interest rate of 4.66%. <ul style="list-style-type: none"> <li>• Eastgate Family</li> </ul>	11,000,000	11,000,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

	<u>2008</u>	<u>2007</u>
95 2007 Series term bonds due July 1, 2050 with an interest rate of 5.6%. • Cavalier Apartments	\$ 26,000,000	\$ 26,000,000
96 2007 Series term bonds due February 1, 2051 with an interest rate of 5.8%. • Residences At Georgia Avenue	13,000,000	13,000,000
97 2007 Series term bonds due September 1, 2051 with an interest rate of 5.6%. • R street Apartments	12,300,000	12,300,000
98 2007 Series term bonds due September 1, 2051 with an interest rate of 5.7%. • Mayfair Mansions (draw-down)	24,435,635	16,800,000
99 2008 Series term bonds due December 1, 2050 with an interest rate of 6%. • Henson Ridge UFAS Rentals	5,500,000	-
100 2008 Series term bonds due August 1, 2040 with an interest rate of 5.7%. • Longfellow Arms Apartments	4,300,000	-
101 2007 Series A term bonds due December 1, 2050 with an interest rate of 3.47%. • Parkside Terrace Apartments (draw-down)	6,435,000	-
102 2007 Series B term bonds due August 1, 2010 with an interest rate of 2.39%. • Parkside Terrace Apartments (draw-down)	3,102,530	-
103 2008 Series A term bonds due December 1, 2050 with an interest rate of 5.7%. • Fairmont I and II Apartments	3,235,000	-

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

	<u>2008</u>	<u>2007</u>
104 2008 Series term bonds due May 1, 2011 with an interest rate of 4.25%.	\$ 5,100,000	\$ -
• Arthur Capper Acc. Townhomes Phase I		
105 2008 Series B term bonds due September 1, 2010 with an interest rate of 3.47%.	433,276	-
• Wheeler Terrace (draw-down)		
106 2008 Series B term bonds due September 1, 2010 with an interest rate of 5.4%.	50,001	-
• St. Martin Apartments (draw-down)		
Sub-Total	<b>722,840,534</b>	<b>753,156,080</b>
Add: unamortized bond premium	3,514,741	3,720,977
Less: unamortized bond discount	(16,347)	(19,616)
Total Multi-Family Program Fund	726,338,928	756,857,441
Total Single Family Program Fund	439,312,362	379,941,050
Total bonds payable	1,165,651,290	1,136,798,491
Less: amounts due within 1 year	(98,442,557)	(105,594,663)
Long-term bonds payable	<b>\$ 1,067,208,733</b>	<b>\$ 1,031,203,828</b>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

During fiscal years 2007 and 2008, the Agency issued certain multi-family revenue bonds in a draw-down mode. Out of the total amount of bonds closed, only a portion may get drawn during any given reporting period. The following is the detail of draw-down bond activity for fiscal year 2008.

<u>Bond Series</u>	<u>Project Name</u>	<u>Total Draw Down Bond Amounts</u>	<u>Total Bonds Issued at September 30, 2007</u>	<u>Draw Down Bonds Issued, Fiscal Year 2008</u>	<u>Total Bonds Issued at September 30, 2008</u>
2007 Series A	Parkside Terrace Apartments	\$ 22,800,000	\$ -	\$ 6,435,000	\$ 6,435,000
2007 Series B	Parkside Terrace Apartments	14,000,000	-	3,102,530	3,102,530
2007 Series	Mayfair Mansions St. Martin	42,000,000	16,800,000	7,810,000	24,610,000
2008 Series A	Apartments St. Martin	12,000,000	-	-	-
2008 Series B	Apartments	8,339,500	-	50,001	50,001
2008 Series A	Wheeler Terrace	8,160,000	-	-	-
2008 Series B	Wheeler Terrace	7,100,000	-	433,276	433,276
		<u>\$ 114,399,500</u>	<u>\$ 16,800,000</u>	<u>\$ 17,830,807</u>	<u>\$ 34,630,807</u>

Prior to fiscal year 2008, the Agency recognized the total amount of draw-down bonds closed, regardless of the actual bonds drawn, as bonds payable, with an offsetting asset (draw-down bonds receivable) for the undrawn amounts. In fiscal year 2008, the Agency changed its accounting policy and elected to only recognize the actual draws against the draw-down bonds as part of bonds payable. Thus, no draw-down bonds receivable are reported on the balance sheet. The changed policy is preferable as it reflects a more conservative treatment of the draw-down bond program's assets and liabilities. As a result of this change, both bonds payable and draw-down bonds receivable were decreased by \$25.2 million as of September 30, 2007. The change in accounting policy had no effect on the statements of revenues, expenses and changes in net assets for fiscal years 2008 and 2007.

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.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

Amounts payable subsequent to 2008, when actually due, will include additional accretion on capital appreciation bonds and the effects of amortization of both premium and discount.

Scheduled principal payments related to bond indebtedness for the next five years and the subsequent years in five-year increments are as follows:

<b>Fiscal Years Ending</b>	<b>Multi-Family Program Fund</b>	<b>Single Family Program Fund</b>	<b>Total</b>
2009	\$ 44,912,557	\$ 53,530,000	\$ 98,442,557
2010	49,211,890	3,720,000	52,931,890
2011	15,187,201	3,960,000	19,147,201
2012	14,302,462	4,110,000	18,412,462
2013	11,006,161	4,315,000	15,321,161
2014-2018	63,369,656	27,385,000	90,754,656
2019-2023	90,035,699	33,520,000	123,555,699
2024-2028	105,144,179	38,805,000	143,949,179
2029-2033	81,573,376	37,350,000	118,923,376
2034-2038	120,776,967	34,920,000	155,696,967
2039-2043	80,241,718	1,580,000	81,821,718
2044-2048	39,588,463	-	39,588,463
2049-2053	5,961,705	-	5,961,705
2054-2058	1,528,500	191,420,000	192,948,500
	<b>722,840,534</b>	<b>434,615,000</b>	<b>1,157,455,534</b>
Add: Unamortized Bond Premium	3,514,741	4,854,298	8,369,039
Less: Unamortized Bond Discount	(16,347)	(156,936)	(173,283)
<b>Totals</b>	<b>\$ 726,338,928</b>	<b>\$ 439,312,362</b>	<b>\$ 1,165,651,290</b>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

Scheduled interest payments related to bond indebtedness for the next five years and the subsequent years in five-year increments are as follows:

<u>Fiscal Years Ending</u>	<u>Multi-Family Program Fund</u>	<u>Single Family Program Fund</u>	<u>Total</u>
2009	\$ 38,925,035	\$ 16,627,165	\$ 55,552,200
2010	37,118,996	16,277,285	53,396,281
2011	35,338,001	16,078,745	51,416,746
2012	34,485,339	15,867,885	50,353,224
2013	33,921,077	15,646,901	49,567,978
2014-2018	159,613,810	74,145,759	233,759,569
2019-2023	139,124,527	65,878,285	205,002,812
2024-2028	107,820,159	56,070,989	163,891,148
2029-2033	82,005,492	45,881,737	127,887,229
2034-2038	52,833,033	36,648,090	89,481,123
2039-2043	24,232,313	32,363,768	56,596,081
2044-2048	6,573,669	32,349,980	38,923,649
2049-2053	927,865	32,349,980	33,277,845
2054-2058	132,416	14,036,297	14,168,713
<b>Totals</b>	<b>\$ 753,051,732</b>	<b>\$ 470,222,866</b>	<b>\$ 1,223,274,598</b>

The interest calculations on outstanding variable rate bonds are based on the variable rates in effect on September 30, 2008 and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary.

**NOTE 7: DEFERRED CREDITS**

The deferred credit balance represents funds contributed by the owners of the projects and/or funds received from tax credit providers (low income housing tax credits); District agencies; and the Department of Housing and Community Development. In fiscal years 2008 and 2007, the Agency included, in the financial statements, funds received from these providers to the extent of unexpended monies in the project accounts.

**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, 2008 AND 2007**

**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 of 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, 2008, amounted to \$210,177 and is included in Building Fund revenue. Rental expense of \$210,177 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, 2008 and 2007, of \$1,400,000 and \$1,525,000, respectively. Interest is payable semi-annually at 5.35% for Certificates due through June 1, 2018.

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

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 110,000	\$ 72,938	\$ 182,938
2010	115,000	66,964	181,964
2011	120,000	60,723	180,723
2012	130,000	54,124	184,124
2013	135,000	47,080	182,080
2014-2018	790,000	117,255	907,255
<b>Total</b>	<u>\$ 1,400,000</u>	<u>\$ 419,084</u>	<u>\$ 1,819,084</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

**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 District's homeless and facilities for individuals who have contracted AIDS. Restricted net assets related to the McKinney Act Fund as of September 30, 2008 and 2007 were \$8,413,903 and \$8,234,373, respectively.

**Bond Funds 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. Restricted net assets related to the Bond Funds and the Risk Share Program as of September 30, 2008 and 2007 were \$56,512,995 and \$55,116,734, respectively.

**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 administered 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 earned an administrative fee on a formula basis for administering the program. This administrative fee was recognized as income when earned. As of July 2007, the Agency no longer participates in the Section 8 Program.

**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. The fee is recognized as income when earned.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

**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.

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 fiscal year 2008 is comprised of the following:

Description				DC Building Finance Corporation	Total
	General Fund	Single Family Program Fund	Multi-Family Program Fund	Fund	
Owner's contribution	\$ -	\$ -	\$ 7,538,681	\$ -	\$ 7,538,681
Amortization income	-	661,378	206,236	-	867,614
Financing fees	1,743,410	-	-	-	1,743,410
Annual administrative fees	2,714,757	-	-	-	2,714,757
Permitted spread	106,672	-	-	-	106,672
FHA financing fee	46,470	-	-	-	46,470
Construction and development monitoring fees	850,333	-	-	-	850,333
FHA placement fee	30,980	-	-	-	30,980
Tax credit fees	252,139	-	-	-	252,139
Service acquisition fee	166,350	-	-	-	166,350
Rental income	-	-	-	206,105	206,105
Mortgage servicing fees	164,473	-	-	-	164,473
MIP Risk Share Program	58,034	-	-	-	58,034
Interest reduction payment subsidy	-	-	439,622	-	439,622
Other	281,920	-	-	-	281,920
Total	<u>\$ 6,415,538</u>	<u>\$ 661,378</u>	<u>\$ 8,184,539</u>	<u>\$ 206,105</u>	<u>\$ 15,467,560</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

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

The Agency's other income for fiscal year 2007 is comprised of the following:

Description	DC Building Finance Corporation				Total
	General Fund	Single Family Program Fund	Multi-Family Program Fund	Fund	
Owner's contribution	\$ -	\$ -	\$ 6,904,648	\$ -	\$ 6,904,648
Amortization income	-	314,898	270,516	-	585,414
Financing fees	2,339,047	-	-	-	2,339,047
Annual administrative fees	2,315,561	-	-	-	2,315,561
Permitted spread	136,955	-	-	-	136,955
Construction and development monitoring fees	594,279	-	-	-	594,279
Tax credit fees	453,658	-	-	-	453,658
HAP audit fee	27,500	-	-	-	27,500
Service acquisition fee	88,264	-	-	-	88,264
HAP administrative	478,175	-	-	-	478,175
Housing counseling revenue	35,000	-	-	-	35,000
Rental income	-	-	-	210,177	210,177
Mortgage servicing fees	164,052	-	-	-	164,052
MIP Risk Share Program	66,266	-	-	-	66,266
Interest reduction payment subsidy	-	-	179,280	-	179,280
Other	244,459	-	-	-	244,459
<b>Total</b>	<u>\$ 6,943,216</u>	<u>\$ 314,898</u>	<u>\$ 7,354,444</u>	<u>\$ 210,177</u>	<u>\$ 14,822,735</u>

**NOTE 14: PRIOR PERIOD ADJUSTMENT**

The Agency received \$6,123,245 and \$3,853,529 in fiscal years 2007 and 2006, respectively, from HUD under the District of Columbia Housing Authority (DCHA) Modernization Program. The bonds issued under this program were collateralized with the HUD appropriations for DCHA, and the receipts from HUD were to be used for the payment of debt service due each July and January.

The proceeds were recorded in deferred revenue when received. However, the debt service payments in 2007 and 2006 were not recorded against the deferred revenue and construction-in-progress resulting in understatement of revenues and overstatement of construction-in-progress in both years.

The effect for fiscal year 2008 was an understatement of \$5,411,775 in beginning net assets and an overstatement in beginning deferred revenue by the same amount. Thus, the fiscal year 2007 financial statements were restated to reflect an increase in revenues of \$3,573,245, a decrease in deferred revenue of \$9,976,774; a decrease in mortgage and construction loans receivable by \$4,565,001, and an increase in beginning net assets of \$1,838,530.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

**NOTE 15: CONTINGENT LIABILITY**

In fiscal year 2007, the HUD risk-sharing program faced the first casualty in its portfolio where the Section 8 HAP subsidies were abated by HUD due to successive REAC failures by Parkway Overlook East & West (the Property). The Agency took over the operations of the Property as a mortgagee in possession and is working diligently to expedite the disposition of the Property. The Agency's financial exposure as joint insurer of the Property depends on how soon the disposition of the Property is carried out and how much can be realized from the disposition. Given the real estate market in the District, the Agency believes that if a loss is sustained, it would be inconsequential. The Agency has determined such loss exposure to be \$264,326, and accordingly, has established a contingent liability.

**NOTE 16: SUBSEQUENT EVENTS**

The following subsequent events have occurred:

- On November 1, 2008, \$11.125 million of multi-family mortgage revenue bonds (Capitol Gateway) Series 2005 matured.
- On November 1, 2008, \$2 million of multi-family housing refunding revenue bonds (Southview Apartments I & II Projects) Series 2006 B were redeemed in their entirety.
- On November 3, 2008, \$50 million of single family revenue bonds Series 2007 B matured.
- On December 1, 2008, \$1.935 million of single family mortgage revenue Bonds matured, and \$3.025 million of single family mortgage revenue bonds were redeemed from prepayments.
- On December 1, 2008, the remaining \$80,000 of multi-family mortgage revenue bonds (Parkway Overlook) 2001 Series D matured.
- On December 23, 2008, the Agency redeemed in their entirety \$191.42 million of single family mortgage revenue-draw down bonds series 2005.
- On January 1, 2009, \$5.75 million of multi-family mortgage revenue refunding bonds (Benning Heights Project) Series 1998 A-1 were redeemed in their entirety.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008 AND 2007**

**NOTE 16: SUBSEQUENT EVENTS (Continued)**

- On January 1, 2009, \$3.435 million of multi-family mortgage revenue refunding bonds (MBIA Insured) (Temple Courts Project) taxable series 1998 A-2 were redeemed in their entirety.
- On January 1, 2009, \$9.07 million of multi-family mortgage revenue bonds (Arthur Capper Senior II) Series 2005 matured.
- Between November 1, 2008 and January 1, 2009, \$2.539 million of multi-family mortgage revenue bonds were redeemed through sinking fund redemptions.

**NOTE 17: RECLASSIFICATIONS**

Certain fiscal year 2007 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

## **SUPPLEMENTAL INFORMATION**

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**COMBINING BALANCE SHEET**  
**SEPTEMBER 30, 2008 AND 2007**

<u>ASSETS</u>	<u>General Fund</u>	<u>Single Family Fund</u>	<u>Multi-Family Fund</u>	<u>DC Building Finance Corporation</u>	<u>2008</u>	<u>2007 (Restated)</u>
<b>CURRENT ASSETS</b>						
<b>Unrestricted current assets:</b>						
Cash and cash equivalents	\$ 22,690,359	\$ -	\$ -	\$ -	\$ 22,690,359	\$ 27,172,637
Other receivables	4,006,474	44,406	-	65,161	4,116,041	1,360,220
Total unrestricted current assets	<u>26,696,833</u>	<u>44,406</u>	<u>-</u>	<u>65,161</u>	<u>26,806,400</u>	<u>28,532,857</u>
<b>Restricted current assets:</b>						
Restricted cash and cash equivalents	11,085,646	10,908	156,333	280,731	11,533,618	26,066,446
Accrued interest receivable	120,018	3,960,503	2,395,256	-	6,475,777	7,307,581
Total restricted current assets	<u>11,205,664</u>	<u>3,971,411</u>	<u>2,551,589</u>	<u>280,731</u>	<u>18,009,395</u>	<u>33,374,027</u>
<b>TOTAL CURRENT ASSETS</b>	<u>37,902,497</u>	<u>4,015,817</u>	<u>2,551,589</u>	<u>345,892</u>	<u>44,815,795</u>	<u>61,906,884</u>
<b>NON-CURRENT ASSETS</b>						
<b>Unrestricted non-current assets:</b>						
Investments	7,262,835	-	-	-	7,262,835	1,762,840
Loans receivable	-	-	140,000	-	140,000	140,000
Prepaid expenses	179,381	-	-	16,602	195,983	222,470
Due from (to) other funds	2,874,714	(2,843,423)	(25,545)	(5,746)	-	-
Total unrestricted non-current assets	<u>10,316,930</u>	<u>(2,843,423)</u>	<u>114,455</u>	<u>10,856</u>	<u>7,598,818</u>	<u>2,125,310</u>
<b>Restricted non-current assets:</b>						
Investments held in trust	-	321,712,125	157,042,440	-	478,754,565	525,592,488
Mortgage backed securities at fair value	-	128,946,444	139,130,177	-	268,076,621	236,602,801
Mortgage and construction loans receivable	-	1,746,756	524,174,159	-	525,920,915	485,693,777
Loans receivable	-	-	2,017,593	-	2,017,593	2,017,593
McKinney Act loans receivable	2,698,089	-	-	-	2,698,089	2,045,660
Other receivables	69,474	-	70,429	-	139,903	232,243
Bond issue costs—net	-	1,939,990	11,342,254	59,266	13,341,510	13,938,792
Total restricted non-current assets	<u>2,767,563</u>	<u>454,345,315</u>	<u>833,777,052</u>	<u>59,266</u>	<u>1,290,949,196</u>	<u>1,266,123,354</u>
<b>Capital assets:</b>						
Land	-	-	-	573,000	573,000	573,000
Depreciable property and equipment	1,835,671	-	-	1,795,238	3,630,909	3,564,444
Leasehold improvements	1,524,389	-	-	-	1,524,389	1,223,905
Less accumulated depreciation and amortization	(2,403,330)	-	-	(677,830)	(3,081,160)	(2,879,885)
Total capital assets	<u>956,730</u>	<u>-</u>	<u>-</u>	<u>1,690,408</u>	<u>2,647,138</u>	<u>2,481,464</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>14,041,223</u>	<u>451,501,892</u>	<u>833,891,507</u>	<u>1,760,530</u>	<u>1,301,195,152</u>	<u>1,270,730,128</u>
<b>TOTAL ASSETS</b>	<u>\$ 51,943,720</u>	<u>\$ 455,517,709</u>	<u>\$ 836,443,096</u>	<u>\$ 2,106,422</u>	<u>\$ 1,346,010,947</u>	<u>\$ 1,332,637,012</u>

(Continued)

See Accompanying Independent Auditor's Report.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**COMBINING BALANCE SHEET - CONTINUED**  
**SEPTEMBER 30, 2008 AND 2007**

LIABILITIES AND NET ASSETS	<u>General Fund</u>	<u>Single Family Fund</u>	<u>Multi-Family Fund</u>	<u>DC Building Finance Corporation</u>	<u>2008</u>	<u>2007 (Restated)</u>
<b>CURRENT LIABILITIES</b>						
<b>Current liabilities payable from unrestricted assets:</b>						
Accounts payable and accrued liabilities	\$ 651,931	\$ 12,905	\$ 484,903	\$ 2,110	\$ 1,151,849	\$ 1,070,451
Accrued salary and vacation payable	201,857	-	-	-	201,857	288,223
Deferred revenue	1,489,849	-	-	-	1,489,849	1,776,273
Total current liabilities payable from unrestricted assets	<u>2,343,637</u>	<u>12,905</u>	<u>484,903</u>	<u>2,110</u>	<u>2,843,555</u>	<u>3,134,947</u>
<b>Current liabilities payable from restricted assets:</b>						
Tenant subsidy funds	542,927	-	-	-	542,927	1,078,182
Escrow deposits	4,344,193	-	2,670,038	206,667	7,220,898	6,849,418
Deferred credits	-	3,255,790	51,305,728	-	54,561,518	75,906,388
Deferred revenue	-	822,114	122,662	62,466	1,007,242	923,634
Interest payable	-	4,032,415	8,137,985	24,965	12,195,365	11,566,552
Current portion of bonds payable	-	53,530,000	44,912,557	-	98,442,557	105,594,663
Current portion of certificates of participation	-	-	-	110,000	110,000	125,000
Total current liabilities payable from restricted assets	<u>4,887,120</u>	<u>61,640,319</u>	<u>107,148,970</u>	<u>404,098</u>	<u>174,080,507</u>	<u>202,043,837</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>7,230,757</u>	<u>61,653,224</u>	<u>107,633,873</u>	<u>406,208</u>	<u>176,924,062</u>	<u>205,178,784</u>
<b>NON-CURRENT LIABILITIES</b>						
<b>Non-current liabilities payable from restricted assets:</b>						
Loans payable	-	-	459,779	-	459,779	462,152
Bonds payable—less current portion	-	385,782,362	681,426,371	-	1,067,208,733	1,031,203,828
Certificates of participation—less current portion	-	-	-	1,290,000	1,290,000	1,400,000
Total non-current liabilities payable from restricted assets	<u>-</u>	<u>385,782,362</u>	<u>681,886,150</u>	<u>1,290,000</u>	<u>1,068,958,512</u>	<u>1,033,065,980</u>
<b>TOTAL LIABILITIES</b>	<u>7,230,757</u>	<u>447,435,586</u>	<u>789,520,023</u>	<u>1,696,208</u>	<u>1,245,882,574</u>	<u>1,238,244,764</u>
<b>NET ASSETS</b>						
Invested in capital assets—net of related debt	956,730	-	-	290,409	1,247,139	956,464
<b>Restricted for:</b>						
Bond Fund and Risk Share	1,507,799	8,082,123	46,923,073	-	56,512,995	55,116,734
McKinney Act Fund	8,413,903	-	-	-	8,413,903	8,234,373
Total restricted net assets	<u>9,921,702</u>	<u>8,082,123</u>	<u>46,923,073</u>	<u>-</u>	<u>64,926,898</u>	<u>63,351,107</u>
Unrestricted net assets	33,834,531	-	-	119,805	33,954,336	30,084,677
<b>TOTAL NET ASSETS</b>	<u>44,712,963</u>	<u>8,082,123</u>	<u>46,923,073</u>	<u>410,214</u>	<u>100,128,373</u>	<u>94,392,248</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 51,943,720</u>	<u>\$ 455,517,709</u>	<u>\$ 836,443,096</u>	<u>\$ 2,106,422</u>	<u>\$ 1,346,010,947</u>	<u>\$ 1,332,637,012</u>

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, 2008 AND 2007**

	<u>General Fund</u>	<u>Single Family Fund</u>	<u>Multi-Family Fund</u>	<u>DC Building Finance Corporation</u>	<u>2008</u>	<u>2007 (Restated)</u>
<b>OPERATING REVENUES</b>						
Investment interest income	\$ 823,543	\$ 14,304,587	\$ 6,902,512	\$ 9,681	\$ 22,040,323	\$ 28,958,641
Mortgage-backed security interest income	-	6,552,291	7,905,194	-	14,457,485	8,046,563
Interest on mortgage and construction loans	-	144,390	21,744,641	-	21,889,031	23,497,806
McKinney Act revenue	223,027	-	-	-	223,027	323,204
Application and commitment fees	75,685	-	-	-	75,685	246,269
HUD Section 8 housing assistance receipts	53,815	-	-	-	53,815	8,701,592
Service project receipts	6,425,565	-	-	-	6,425,565	7,372,920
Other	6,415,538	661,378	8,184,539	206,105	15,467,560	14,822,735
Total operating revenues	<u>14,017,173</u>	<u>21,662,646</u>	<u>44,736,886</u>	<u>215,786</u>	<u>80,632,491</u>	<u>91,969,730</u>
<b>OPERATING EXPENSES</b>						
Operations	1,564,767	183,399	5,777,055	-	7,525,221	6,571,300
Personnel and related costs	3,760,497	-	-	-	3,760,497	3,664,314
Interest expense	-	18,239,891	39,992,948	87,696	58,320,535	54,605,743
Depreciation and amortization	134,785	-	-	66,490	201,275	191,795
Federal program payments	6,428,175	-	-	-	6,428,175	7,372,920
Housing assistance payments	-	-	-	-	-	8,701,592
Bond amortization	-	161,130	436,950	8,753	606,833	1,118,394
Trustee fees and other expenses	1,500	269,299	535,239	-	806,038	1,991,845
Loss on extinguishment of debt	-	-	-	-	-	2,191,284
Total operating expenses	<u>11,889,724</u>	<u>18,853,719</u>	<u>46,742,192</u>	<u>162,939</u>	<u>77,648,574</u>	<u>86,409,187</u>
OPERATING INCOME (LOSS)	<u>2,127,449</u>	<u>2,808,927</u>	<u>(2,005,306)</u>	<u>52,847</u>	<u>2,983,917</u>	<u>5,560,543</u>
<b>NON-OPERATING REVENUES/EXPENSES</b>						
Increase in fair value of mortgage-backed securities	-	1,631,982	1,120,226	-	2,752,208	1,120,381
CHANGE IN NET ASSETS	<u>2,127,449</u>	<u>4,440,909</u>	<u>(885,080)</u>	<u>52,847</u>	<u>5,736,125</u>	<u>6,680,924</u>
Net assets, beginning of year	42,585,514	3,641,214	47,808,153	357,367	94,392,248	85,872,794
Prior period adjustment	-	-	-	-	-	1,838,530
Net assets, beginning of year, as restated	<u>42,585,514</u>	<u>3,641,214</u>	<u>47,808,153</u>	<u>357,367</u>	<u>94,392,248</u>	<u>87,711,324</u>
Net assets, end of year	<u>\$ 44,712,963</u>	<u>\$ 8,082,123</u>	<u>\$ 46,923,073</u>	<u>\$ 410,214</u>	<u>\$ 100,128,373</u>	<u>\$ 94,392,248</u>

See Accompanying Independent Auditor's Report.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

	<u>General Fund</u>	<u>Single Family Fund</u>	<u>Multi-Family Fund</u>	<u>DC Building Finance Corporation</u>	<u>2008</u>	<u>2007 (Restated)</u>
<b>Operating Activities</b>						
Principal and interest received on loans	\$ 187,054	\$ 6,485,080	\$ 27,550,910	\$ -	\$ 34,223,044	\$ 19,060,181
Other cash receipts	5,742,272	303,747	14,026,219	209,390	20,281,628	12,748,175
Payments to vendors	(1,459,368)	(183,399)	(6,058,755)	-	(7,701,522)	(3,307,539)
Payments to employees	(3,846,864)	-	-	-	(3,846,864)	(3,681,084)
Purchases of mortgage and construction loans	-	(25,218,935)	(36,009,066)	-	(61,228,001)	(72,378,468)
Receipts of federal program income	6,479,380	-	-	-	6,479,380	16,074,512
Payments of federal program expenses	(6,429,675)	-	-	-	(6,429,675)	(16,074,512)
Other cash payments	(13,697,144)	(269,299)	-	-	(13,966,443)	(97,799)
<b>Net cash provided by (used in) operating activities</b>	<u>(13,024,345)</u>	<u>(18,882,806)</u>	<u>(490,692)</u>	<u>209,390</u>	<u>(32,188,453)</u>	<u>(47,656,534)</u>
<b>Capital and Related Financing Activities</b>						
Acquisition of fixed assets	(366,950)	-	-	-	(366,950)	(180,053)
Payments of bonds and long-term debt	-	-	-	(125,000)	(125,000)	(115,000)
<b>Net cash used in capital and related financing activities</b>	<u>(366,950)</u>	<u>-</u>	<u>-</u>	<u>(125,000)</u>	<u>(491,950)</u>	<u>(295,053)</u>
<b>Non-Capital Financing Activities</b>						
Funds disbursed for multi-family rehab	-	-	(85,780,285)	-	(85,780,285)	(40,740,337)
Interest paid on bonds	-	(17,605,548)	(39,631,381)	(90,218)	(57,327,147)	(52,797,152)
Proceeds from rehab financed by tax credits	-	(2,868,080)	68,179,999	-	65,311,919	65,065,548
Proceeds from long-term bonds	-	119,170,000	35,590,807	-	154,760,807	195,715,000
Principal payments on debt	-	(59,250,000)	(66,551,392)	-	(125,801,392)	(162,846,610)
<b>Net cash provided by (used in) non-capital financing activities</b>	<u>-</u>	<u>39,446,372</u>	<u>(88,192,252)</u>	<u>(90,218)</u>	<u>(48,836,098)</u>	<u>4,396,449</u>
<b>Investing Activities</b>						
Receipts of interest and dividends on investments and mortgage backed securities	823,543	13,091,610	6,902,512	9,682	20,827,347	28,958,641
Sale of investments and mortgage-backed securities	6,141,779	101,074,331	171,270,690	-	278,486,800	604,721,727
Purchase of investments and mortgage-backed securities	(11,535,393)	(134,865,487)	(90,411,872)	-	(236,812,752)	(579,813,031)
<b>Net cash provided by (used in) investing activities</b>	<u>(4,570,071)</u>	<u>(20,699,546)</u>	<u>87,761,330</u>	<u>9,682</u>	<u>62,501,395</u>	<u>53,867,337</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(17,961,366)	(135,980)	(921,614)	3,854	(19,015,106)	10,312,199
Cash and cash equivalents at October 1	51,737,371	146,888	1,077,947	276,877	53,239,083	42,926,884
Cash and cash equivalents at September 30	<u>\$ 33,776,005</u>	<u>\$ 10,908</u>	<u>\$ 156,333</u>	<u>\$ 280,731</u>	<u>\$ 34,223,977</u>	<u>\$ 53,239,083</u>

(Continued)

See Accompanying Independent Auditor's Report.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENT OF CASH FLOWS - CONTINUED**  
**YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

	<u>General Fund</u>	<u>Single Family Fund</u>	<u>Multi-Family Fund</u>	<u>DC Building Finance Corporation</u>	<u>2008</u>	<u>2007 (Restated)</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>						
Operating income (loss)	\$ 2,127,449	\$ 2,808,927	\$ (2,005,306)	\$ 52,847	\$ 2,983,917	\$ 5,560,543
Loss on early extinguishment of debt	-	-	-	-	-	2,191,284
Depreciation	134,785	-	-	66,490	201,275	191,795
Amortization	-	(500,247)	223,423	8,753	(268,071)	(10,920)
Interest on bonds	-	17,605,548	39,631,381	90,219	57,327,148	52,797,152
Receipts of interest and dividends on investments and mortgage- backed securities	(823,543)	(13,091,610)	(6,902,512)	(9,682)	(20,827,347)	(28,958,641)
Mortgage and construction loans	-	(25,218,935)	(36,009,066)	-	(61,228,001)	(72,378,468)
Investment income	-	(1,208,274)	-	-	(1,208,274)	2,240,762
Decrease (increase) in assets:						
Receivables	(2,775,915)	(71,920)	4,853,089	-	2,005,254	(22,841,697)
Other current assets	(673,266)	159,362	-	70,673	(443,231)	(354,250)
Increase (decrease) in liabilities:						
Payables	105,400	-	210,152	-	315,552	3,264,495
Interest payable	(86,366)	634,343	-	(2,522)	545,455	1,895,131
Accrued liabilities	-	-	-	-	-	(13,484)
Deferred revenue and credits	(11,154,299)	-	-	(67,388)	(11,221,687)	7,957,355
Escrow deposits	121,410	-	(491,853)	-	(370,443)	805,930
Current liabilities and changes in mortgage loans	-	-	-	-	-	(3,521)
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (13,024,345)</u>	<u>\$ (18,882,806)</u>	<u>\$ (490,692)</u>	<u>\$ 209,390</u>	<u>\$ (32,188,453)</u>	<u>\$ (47,656,534)</u>

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