

**ALABAMA HOUSING FINANCE AUTHORITY**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2020 AND 2019**

**ALABAMA HOUSING FINANCE AUTHORITY  
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SEPTEMBER 30, 2020 AND 2019**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Alabama Housing Finance Authority

We have audited the accompanying statements of net position of the Alabama Housing Finance Authority (a component unit of the State of Alabama), as of September 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

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

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information, schedules of changes in the Authority's net pension liability and related ratios, and schedule of employer contributions to Authority employees' pension plan on pages 3 through 6, 34, and 35, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying additional segment data is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

*Warren Averett, LLC*

Montgomery, Alabama  
December 21, 2020

**ALABAMA HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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***Introduction***

This section of the annual financial report of the Alabama Housing Finance Authority (the Authority) presents management's discussion and analysis of the financial position and results of operations for the fiscal year ended September 30, 2020. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This analysis should be read in conjunction with the Independent Auditors' Report, financial statements, and accompanying notes. Operations of the Authority include: (1) purchasing and securitizing single-family mortgage loans of qualified borrowers, (2) servicing Authority and other entity mortgages, (3) implementing and managing housing-related Federal Programs, and (4) issuing bonds to purchase loans for single-family residences and multifamily developments. The Authority is an approved seller and servicer with the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac). The Federal Programs managed by the Authority are the HOME Investment Partnerships Program (HOME), the Tax Credit Assistance Program (TCAP), the Exchange Grant Program, the Hardest Hit Alabama Program (Hardest Hit Alabama), the Housing Trust Fund (HTF) and Low-Income Housing Tax Credits. The Authority is entirely self-funded and does not draw upon the general taxing authority of the State of Alabama.

The financial transactions of the Authority are recorded in the funds, which consist of a separate set of self-balancing accounts that comprise its assets and deferred outflows, liabilities and deferred inflows, net position, revenues, and expenses as appropriate.

***Required Basic Financial Statements***

The basic financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer information about the Authority's activities. The statements of net position include all of the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets), consumption of net position that is applicable to future reporting periods (deferred outflows), obligations to Authority creditors (liabilities), and the acquisition of net position that is applicable to future reporting periods (deferred inflows). The assets and liabilities are presented in order of liquidity.

All of the reporting period's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the activities of the Authority's operations over the past year and presents the resulting change in net position – calculated as revenues less expenses.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, noncapital financing and other financing activities and provides information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

**ALABAMA HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**Condensed Financial Information**

**Statements of Net Position**

The following table presents condensed information about the net position of the Authority as of September 30, 2020 and 2019, and changes in the balances of selected items during the fiscal year ended September 30, 2020 (\$ in thousands):

	2020	2019	Change
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash on deposit and restricted cash on deposit	\$ 26,679	\$ 21,406	\$ 5,273
Accrued interest receivable and restricted accrued interest receivable	17,416	16,593	823
Mortgage loans, net	49,449	106,685	(57,236)
Restricted Federal program loans receivable, net	29,269	24,884	4,385
Investments and restricted investments	238,254	150,443	87,811
Other assets and restricted other assets, net	5,994	12,897	(6,903)
Total current assets	367,061	332,908	34,153
<b>NONCURRENT ASSETS</b>			
Mortgage loans receivable, net and restricted mortgage-backed securities	131,835	151,598	(19,763)
Restricted Federal program loans receivable, net	308,027	319,317	(11,290)
Investments and restricted investments	990	999	(9)
Other assets and restricted other assets, net	2,137	11,253	(9,116)
Mortgage servicing rights, net	47,564	46,721	843
Total noncurrent assets	490,553	529,888	(39,335)
<b>TOTAL ASSETS</b>	857,614	862,796	(5,182)
<b>DEFERRED OUTFLOWS</b>			
Pension-related deferred outflows	5,997	5,475	522
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	\$ 863,611	\$ 868,271	\$ (4,660)
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bonds payable, net	\$ 888	\$ 1,009	\$ (121)
Obligations under reverse repurchase agreements	52,350	66,000	(13,650)
Refundable Federal program grants	29,269	24,884	4,385
Accrued interest payable	16,793	15,754	1,039
Other liabilities	2,271	3,610	(1,339)
Total current liabilities	101,571	111,257	(9,686)
<b>NONCURRENT LIABILITIES</b>			
Bonds payable, net	12,347	14,002	(1,655)
Refundable Federal program grants, net	313,033	321,217	(8,184)
Unearned compliance and commitment fees, net	8,670	7,976	694
Total noncurrent liabilities	334,050	343,195	(9,145)
<b>TOTAL LIABILITIES</b>	435,621	454,452	(18,831)
<b>NET POSITION</b>			
Investment in capital assets, net	635	756	(121)
Restricted	135,480	122,348	13,132
Unrestricted	291,875	290,715	1,160
Total net position	427,990	413,819	14,171
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 863,611	\$ 868,271	\$ (4,660)

**ALABAMA HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**Statements of Net Position – Continued**

Current assets increased \$34,153,000 from September 30, 2019, to September 30, 2020, primarily due to an increase in investments and restricted investments. The increase in investments is the result of normal paydowns and prepayments of mortgage-backed securities and a decrease in mortgage loans, net.

Noncurrent assets decreased \$39,335,000, primarily due to decreases in mortgage loans receivable, net and restricted mortgage-backed securities, and restricted federal program loans receivable, net. The decrease in mortgage loans receivable, net and mortgage-backed securities resulted from normal paydowns and prepayments. The decrease in restricted federal program loans receivable, net is due to the amortization of Hardest Hit Alabama program loans.

Current liabilities decreased \$9,686,000 from September 30, 2019 to September 30, 2020, due to regular principal payments made to reduce the outstanding balance of obligations under reverse repurchase agreements. The increase in refundable federal program grants reflects noncurrent maturities becoming current liabilities during the year.

Noncurrent liabilities decreased \$9,145,000, primarily due to a decrease in refundable federal program grants, net. The decrease in refundable federal program grants, net is due to the amortization of Hardest Hit Alabama program loans.

**Operating and Nonoperating Revenues, Expenses, and Changes in Net Position**

The following table presents condensed statements of revenues, expenses, and changes in net position for the Authority for the years ended September 30, 2020 and 2019, and the change from the prior year (\$ in thousands):

	<b>2020</b>	<b>2019</b>	<b>Change</b>
<b>OPERATING REVENUES</b>			
Interest on mortgage loans and mortgage-backed securities	\$ 9,293	\$ 11,719	\$ (2,426)
Investment income	1,139	2,820	(1,681)
Net realized and unrealized gain (loss) on investments and mortgage servicing rights	6,181	(6,039)	12,220
Loan fees and other income	38,710	49,129	(10,419)
Total operating revenues	<u>55,323</u>	<u>57,629</u>	<u>(2,306)</u>
<b>OPERATING EXPENSES</b>			
Interest	1,445	2,697	(1,252)
Amortization of mortgage servicing rights	8,350	9,964	(1,614)
Program, general, and administrative	38,640	42,438	(3,798)
Total operating expenses	<u>48,435</u>	<u>55,099</u>	<u>(6,664)</u>
<b>OPERATING INCOME</b>	<u>6,888</u>	<u>2,530</u>	<u>4,358</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal program grants	20,182	20,948	(766)
Federal program expenditures	(12,899)	(18,049)	5,150
Net nonoperating revenues	<u>7,283</u>	<u>2,899</u>	<u>4,384</u>
<b>CHANGES IN NET POSITION</b>	<u>14,171</u>	<u>5,429</u>	<u>8,742</u>
<b>NET POSITION</b>			
Beginning of year	413,819	408,390	5,429
End of year	<u>\$ 427,990</u>	<u>\$ 413,819</u>	<u>\$ 14,171</u>

**ALABAMA HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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***Operating and Nonoperating Revenues, Expenses, and Changes in Net Position – Continued***

Operating revenues decreased \$2,306,000. The decrease in operating revenues is the result of a decrease in interest on mortgage loans and mortgage-backed securities, a decrease in investment income and a decrease in loans fees and other income. The decrease in interest and investment income is the result of a decline in interest rates. During the fiscal year ended September 30, 2019, the Authority sold a portion of its mortgage servicing rights. This sale resulted in decreased loan fees and other income as well as increased net realized and unrealized gain (loss) on investments and mortgage servicing rights in 2020.

Operating expenses decreased \$6,664,000. The decreases were driven by a decline in interest rates and the sale of mortgage servicing rights during the fiscal year ended September 30, 2019.

As a result of the aforementioned factors, operating income increased \$4,358,000 from September 30, 2019 to September 30, 2020.

Nonoperating revenues increased \$4,384,000. The increase resulted from a decrease in federal program expenditures of \$5,150,000, which is the result of a decrease in HOME federal projects funded and Hardest Hit Alabama federal program loans funded.



**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**SEPTEMBER 30, 2020 AND 2019**  
(\$ in thousands)

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash on deposit	\$ 7,338	\$ 9,466
Accounts receivable, net	295	3,529
Accrued interest receivable	111	201
Mortgage loans receivable, net	4,790	4,500
Mortgage loans held for sale	44,659	102,185
Investments	158,318	79,349
Derivative instruments	3	112
Other assets	5,461	9,064
Restricted:		
Cash on deposit	19,341	11,940
Accrued interest receivable	17,305	16,392
Investments	79,936	71,094
Other assets	235	192
Federal program loans receivable, net	29,269	24,884
	<u>367,061</u>	<u>332,908</u>
Total current assets		
	<u>367,061</u>	<u>332,908</u>
<b>NONCURRENT ASSETS</b>		
Mortgage loans receivable, net	26,472	30,785
Investments	15	104
Other assets, net	1,502	10,497
Mortgage servicing rights, net	47,564	46,721
Restricted:		
Mortgage-backed securities	105,363	120,813
Investments	975	895
Other assets	635	756
Federal program loans receivable, net	308,027	319,317
	<u>490,553</u>	<u>529,888</u>
Total noncurrent assets		
	<u>490,553</u>	<u>529,888</u>
<b>TOTAL ASSETS</b>	<u>857,614</u>	<u>862,796</u>
<b>DEFERRED OUTFLOWS</b>		
Pension-related deferred outflows	5,997	5,475
	<u>5,997</u>	<u>5,475</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 863,611</u>	<u>\$ 868,271</u>

See notes to the financial statements.

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**SEPTEMBER 30, 2020 AND 2019**  
(\$ in thousands)

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bonds payable, net	\$ 888	\$ 1,009
Obligations under reverse repurchase agreements	52,350	66,000
Refundable Federal program grants	29,269	24,884
Accrued interest payable	16,793	15,754
Other liabilities	2,271	3,610
	<u>101,571</u>	<u>111,257</u>
<b>NONCURRENT LIABILITIES</b>		
Bonds payable, net	12,347	14,002
Refundable Federal program grants, net	313,033	321,217
Unearned compliance and commitment fees, net	8,670	7,976
	<u>334,050</u>	<u>343,195</u>
	<u>435,621</u>	<u>454,452</u>
<b>TOTAL LIABILITIES</b>		
<b>NET POSITION</b>		
Investment in capital assets, net	635	756
Restricted	135,480	122,348
Unrestricted	291,875	290,715
	<u>427,990</u>	<u>413,819</u>
	<u>\$ 863,611</u>	<u>\$ 868,271</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>		

See notes to the financial statements.

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(\$ in thousands)

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Interest on mortgage loans	\$ 3,824	\$ 5,203
Interest on mortgage-backed securities	5,469	6,516
Investment income	1,139	2,820
Net realized and unrealized gain (loss) on investments and mortgage servicing rights	6,181	(6,039)
Loan fees and other income	<u>38,710</u>	<u>49,129</u>
Total operating revenues	<u>55,323</u>	<u>57,629</u>
<b>OPERATING EXPENSES</b>		
Interest	1,445	2,697
Amortization of mortgage servicing rights Program, general, and administrative	8,350	9,964
	<u>38,640</u>	<u>42,438</u>
Total operating expenses	<u>48,435</u>	<u>55,099</u>
<b>OPERATING INCOME</b>	<u>6,888</u>	<u>2,530</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Federal program grants	20,182	20,948
Federal program expenditures	<u>(12,899)</u>	<u>(18,049)</u>
Net nonoperating revenues	<u>7,283</u>	<u>2,899</u>
<b>CHANGES IN NET POSITION</b>	<u>14,171</u>	<u>5,429</u>
<b>NET POSITION</b>		
Beginning of year	<u>413,819</u>	<u>408,390</u>
End of year	<u>\$ 427,990</u>	<u>\$ 413,819</u>

See notes to the financial statements.

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(\$ in thousands)

**INCREASE (DECREASE) IN CASH ON DEPOSIT**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Principal payments received on mortgage-backed securities	\$ 16,671	\$ 35,755
Purchase of mortgage loans	(29,141)	(47,570)
Principal payments received on mortgage loans	40,147	49,144
Purchase of mortgage loans held for sale	(1,185,460)	(1,239,597)
Proceeds from sale of mortgage loans held for sale	1,242,743	1,239,794
Purchase of mortgage servicing rights	(10,914)	(11,158)
Proceeds from sale of mortgage servicing rights, net	3,426	15,348
Interest received from mortgage loans	3,913	5,272
Interest received from mortgage-backed securities	5,679	6,644
Cash paid to suppliers for goods and services	(23,684)	(34,425)
Cash payments to employees for services	(9,027)	(8,739)
Loan fees, commitment fees, and other income received	39,279	49,257
Net cash provided by operating activities	<u>93,632</u>	<u>59,725</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Principal payments on bonds	(1,776)	(1,732)
Principal payments on repurchase agreements	(13,650)	(14,000)
Proceeds from Federal program grants, net	23,648	17,578
Interest paid	(1,527)	(2,714)
Net cash provided by (used in) noncapital financing activities	<u>6,695</u>	<u>(868)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of furniture and equipment	(298)	(270)
Net cash used in capital and related financing activities	<u>(298)</u>	<u>(270)</u>

See notes to the financial statements.

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(\$ in thousands)

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	\$ (642,600)	\$ (610,142)
Proceeds from sales of investments	554,884	559,572
Interest received from investments	6,189	6,644
Federal program mortgage loans funded, net	<u>(13,229)</u>	<u>(12,315)</u>
Net cash used in investing activities	<u>(94,756)</u>	<u>(56,241)</u>
<b>NET INCREASE IN CASH ON DEPOSIT</b>	5,273	2,346
<b>CASH ON DEPOSIT AT BEGINNING OF YEAR</b>	<u>21,406</u>	<u>19,060</u>
<b>CASH ON DEPOSIT AT END OF YEAR</b>	<u>\$ 26,679</u>	<u>\$ 21,406</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 6,888	\$ 2,530
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	418	522
Amortization and expense of mortgage servicing rights	10,071	11,632
Gross unrealized gain on mortgage-backed securities and investments	(1,309)	(1,616)
Gross unrealized (gain) loss on mortgage loans held for sale	105	(225)
Net change in unrealized (gain) loss on derivative instruments	109	(111)
Realized (gain) loss on mortgage servicing rights	(41)	11,829
Provision for loan losses, net	1,150	842
Interest received from investments	(6,189)	(6,644)
Interest paid on bonds	1,527	2,714
Changes in operating assets and liabilities:		
Accrued interest receivable	(824)	2,006
Mortgage loans receivable	11,006	1,574
Mortgage loans held for sale	57,283	197
Mortgage servicing rights, net	(10,873)	7,575
Mortgage-backed securities	16,671	35,755
Other assets and accounts receivable, net	7,838	(6,853)
Accrued interest payable	1,038	(1,833)
Net change in deferred inflows/outflows	(522)	(1,164)
Other liabilities	(1,408)	1,130
Unearned compliance and commitment fees, net	<u>694</u>	<u>(135)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 93,632</u>	<u>\$ 59,725</u>

See notes to the financial statements.

**ALABAMA HOUSING FINANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

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**1. AUTHORITY LEGISLATION**

The Alabama Housing Finance Authority (the Authority) is a public corporation created, organized, and existing under Act No. 80-585 (the Act) originally enacted by the Legislature of the State of Alabama at its 1980 regular session. Pursuant to the Act, as amended, the Authority is authorized, among other things, to issue bonds to finance residential housing for persons and families of low and moderate income in the State of Alabama. The Authority is a component unit of the State of Alabama.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Authority's accounts are organized as funds, which include accounts of the assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses of the Authority's single-family bond programs (Single Family Programs), Federal Programs, the Housing Assistance Fund, and the General Fund. Each Program Fund accounts for the proceeds from the bonds issued, the debt service requirements of the bonds and the related program investments, as required by the various bond resolutions established under the various trust indentures of each program.

The Authority uses the accrual method of accounting. The Authority's funds – Single Family Programs, Federal Programs, Housing Assistance, and General – have been presented on a combined basis, as the Authority is considered a single enterprise fund for financial reporting purposes. Current assets include cash and amounts convertible into cash during the next normal operating cycle or one year. Current liabilities include those obligations to be liquidated with current assets. All inter-fund balances and transactions have been eliminated in the accompanying financial statements. Revenues and expenses from the Single Family Programs, Housing Assistance, and General funds are reported as operating revenues and expenses.

All Federal funds received in connection with the Authority's administration of Federal Programs are reported as nonoperating revenues in the accompanying financial statements. Disbursements of Federal Program funds, whether for repayable or conditionally forgivable loans, are reported as nonoperating expenses, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Financial Assistance*.

**Use of Estimates in the Preparation of Financial Statements**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect 1) the reported amounts of assets and liabilities, 2) the disclosure of contingencies at the date of the financial statements, and 3) revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ALABAMA HOUSING FINANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Fair Value Application and Measurement**

Fair value is applied to assets and liabilities that the Authority holds primarily for the purpose of income or profit and that have a present service capacity based solely on their ability to generate cash or to be sold to generate cash. The Authority categorizes its fair value measurements within the value hierarchy established by generally accepted accounting principles (GAAP). The hierarchy is based upon valuation inputs used to measure the fair value of the respective asset or liability. Level 1 inputs include quoted prices in active markets for identical assets. Level 2 inputs include observable inputs other than quoted prices included in Level 1 inputs. Level 3 inputs include unobservable inputs.

**Cash on Deposit**

Cash on deposit represents funds on deposit with various financial institutions and uninvested funds held by the Trustees of the Authority's various bond programs. At September 30, 2020, all cash on deposit held by the Authority's trustees was in the name of the Authority. Cash on deposit consists of unrestricted and restricted cash totaling \$26,679,000 and \$21,406,000 as of September 30, 2020 and 2019, respectively. All cash on deposit at September 30, 2020 and 2019, was covered by federal depository insurance or collateralized by the various financial institutions.

**Investments**

The Act authorizes the Authority to invest in bonds or other obligations issued or guaranteed by the U.S. Government, any agency thereof, or the State of Alabama. In addition, the Authority may invest in interest-bearing bank and savings and loan association deposits, any obligations in which a State chartered savings and loan association may invest its funds, any agreement to repurchase any of the foregoing, or any combination thereof. Each of the trust indentures established under the Authority's bond programs contains further restrictions on the investment of nonexpended bond proceeds; however, each trust indenture must be consistent with the Authority's authorizing legislation with respect to the definition of eligible investments.

Investments consist of temporary and debt service reserve funds established under the provisions of various trust indentures and investments of the Authority's General and Housing Assistance funds. All investments are reported at fair value.

The Authority follows the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 addresses disclosures on deposits and investments, focusing on common investment risks related to interest rate risk, credit risk, custodial credit risk, foreign currency risk, and concentration of credit risk.

**Mortgage-Backed Securities**

Mortgage-backed securities consist of Ginnie Mae or Fannie Mae pass-through certificates, substantially all of which are pledged either as security for the mortgage revenue bonds or for obligations under reverse repurchase agreements. The fair value of program investments is based on quoted market prices obtained from an independent financial news and information service, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable investments.

**ALABAMA HOUSING FINANCE AUTHORITY  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Mortgage-Backed Securities – Continued**

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, investments, including mortgage-backed securities, are recorded at fair value, and unrealized gains or losses are reported in the statements of revenues, expenses, and changes in net position. The Authority records a portion of net unrealized gains on investment securities as a liability to the extent that such gains would be rebateable to the United States government under Section 103A of the Internal Revenue Code, as amended (the Code), for tax-exempt bond issues sold after 1981. The Code requires that such excess investment earnings be rebated to certain single-family borrowers upon payoff of their respective mortgages or remitted to the Internal Revenue Service. Gains on sales of securities in these bond issues would create excess rebateable earnings. There were no such rebateable earnings for the years ended September 30, 2020 or 2019.

**Commitment Fees**

Returnable commitment fees are deferred and recognized as income at the time they are no longer returnable. Commitment fees related to loans pooled and sold in secondary markets are recognized upon receipt.

**Mortgage Loans Receivable**

Mortgage loans that the Authority has the ability and intent to hold for the foreseeable future are carried at their unpaid principal balances less an allowance for loan losses. Management determines the allowance for loan losses based on historical losses and current economic conditions as well as its evaluation of the loan portfolio and the underlying security.

**Mortgage Loans Held for Sale**

Mortgage loans held for sale are recorded at the lower of cost or fair value. The Authority routinely enters into contracts with various investors to sell these loans in secondary markets and had commitments to deliver mortgage-backed securities at September 30, 2020. The fair value of committed loans is based upon commitment prices. See note 9, Derivative Instrument.

**Federal Programs Loans Receivable**

HOME Program loans are designed to assist very low-income tenants, and, as such, some mortgages originated under the program are structured in such a way that repayment will only occur in limited circumstances.

The TCAP Program, authorized by the American Recovery and Reinvestment Act of 2009, is designed to assist housing developments financed with Low-Income Housing Tax Credits.

The Hardest Hit Alabama Fund, authorized by the U.S. Department of Treasury, is designed to provide forgivable funds to help families in states hardest hit by the foreclosure crisis in conjunction with high unemployment rates. All Hardest Hit Alabama financial assistance will be forgiven at or before the program's projected closure in December 2021.



**ALABAMA HOUSING FINANCE AUTHORITY  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Debt Financing Costs**

The Authority follows the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Issuance costs on bonds are expensed as incurred.

**Mortgage Loan Servicing**

As of September 30, 2020 and 2019, the Authority serviced \$5,889,271,000 and \$7,924,532,000, respectively, in mortgage loans. Escrow balances associated with these loans are not included in the statements of net position of the Authority.

The mortgage loan servicing portfolio by state consisted of the following at September 30, 2020 (\$ in thousands):

Alabama	\$ 1,246,077	21%
Arkansas	238,131	4%
Mississippi	273,425	5%
Missouri	1,146,447	19%
North Carolina	2,982,597	51%
Other	<u>2,594</u>	<u>0%</u>
	<u>\$ 5,889,271</u>	<u>100%</u>

As a result of the novel coronavirus, the Federal Housing Administration (FHA) and the Federal Housing Finance Authority (FHFA) offered forbearance and implemented a moratorium on single family foreclosures and evictions. The Authority is working with homeowners who are experiencing financial hardships and anticipates these efforts to continue well into 2021.

**Mortgage Servicing Rights**

The Authority follows the provisions of GASB Statement No. 62, entitled *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. In accordance with those standards, the cost of mortgage servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenue. The amount originally capitalized is adjusted based on whether related loans are pooled and sold in secondary markets or maintained by the Authority.

On June 29, 2019, the Authority sold the mortgage servicing rights of the Washington portfolio of \$2,513,456,000. The Authority sub-serviced those mortgage loans until the mortgages were transferred on October 3, 2019. A loss of \$11,829,000 on sale of mortgage servicing rights is included in net realized and unrealized loss on investments and mortgage servicing rights at September 30, 2019.

**Other Real Estate Owned**

The Authority states its other real estate owned acquired through foreclosure without further obligation to security holders, which is included in noncurrent other assets, at the lower of cost or fair value at the date of foreclosure. Fair value is determined based on independent appraisals and other relevant factors. Any write-down to fair value is charged to the allowance for loan losses. The Authority held properties totaling approximately \$132,000 and \$135,000 at September 30, 2020 and 2019, respectively, net of the allowance for loan losses.

**ALABAMA HOUSING FINANCE AUTHORITY  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Pool Buyouts**

The Authority holds certain mortgages purchased out of respective Ginnie Mae, Freddie Mac, or Fannie Mae pooled loans being serviced by the Authority. These are insured loans that are in the process of foreclosure for which the Authority anticipates receiving claim proceeds from the respective investor or guarantor. These loans, net of reserve for loan losses, totaled \$0 and \$8,120,000 at September 30, 2020 and 2019, respectively.

**Deferred Outflows of Resources**

Deferred outflows of resources include pension-related deferred outflows, which result from the Authority's Employees' Pension Plan (Pension Plan). Pension-related deferred outflows represent differences between expected and actual experience, changes in assumptions and amounts resulting from timing differences of contributions made subsequent to the Pension Plan measurement dates but as of the date of the basic financial statements. Pension-related deferred outflows are recognized over a closed period and are amortized over the remaining average service life of all participating active and inactive employees.

**Deferred Inflows of Resources**

Deferred inflows of resources include pension-related deferred inflows, which represent the difference between projected and actual earnings on investments within the Pension Plan, are recognized over a closed period, and are amortized over a five-year period.

**Net Pension Liability**

Net pension liability represents the portion of the present value of projected benefit payments attributed to past periods of service to be provided through the Pension Plan to current active and inactive employees less the fiduciary net position of the Pension Plan. It represents the Authority's total pension liability minus the fiduciary net position available to pay that liability. Investments that comprise the fiduciary net position are reported at fair value.

**Pension Plan Expense**

The Authority is required to measure and disclose amounts relating to net pension liability, deferred outflows of resources and deferred inflows of resources, pension expense, and the fiduciary net position of the Pension Plan. Actuarially determined periodic contributions are made by the Authority in order to maintain sufficient assets to pay benefits when due.

**Reclassifications**

Certain amounts in the September 30, 2019 financial statements have been reclassified to conform to the September 30, 2020 presentation. The reclassifications had no effect on net position, results of operations or cash flows of the Authority as previously presented.

**Subsequent Events**

The Authority has evaluated subsequent events through, December 21, 2020, which is the date the financial statements were available to be issued.

**ALABAMA HOUSING FINANCE AUTHORITY  
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**3. MORTGAGE-BACKED SECURITIES**

Mortgage-backed securities held by the Authority include securitized mortgage obligations, backed by pools of single-family mortgage loans originated under the Authority's program guidelines. These securities are "fully modified pass-through" mortgage-backed securities which require monthly payments by an FHA-approved or a Fannie Mae-approved lender, as the issuers of the guaranteed securities, and are registered in the Authority's name. Ginnie Mae and Fannie Mae guarantee timely payment of principal and interest on guaranteed securities. At September 30, 2020, mortgage-backed securities consisted of program certificates with interest rates ranging from 1.06% to 8.06%. The cost of program investments at September 30, 2020 and 2019, was \$93,978,000 and \$110,648,000, respectively.

Fair value of the Authority's mortgage-backed securities are measured by Level 1 inputs based upon quoted prices in active markets. As a result of changes in the fair value of mortgage-backed securities, the Authority recorded net unrealized gains of \$1,221,000 and \$1,505,000 for the years ended September 30, 2020 and 2019, respectively. Interest rates may adversely affect the fair value of the mortgage-backed securities; however, it is the intention of the Authority to hold these securities until the underlying loans are paid in full.

**4. INVESTMENTS**

Investments consisted of the following at September 30 (\$ in thousands):

<u>Investment Type</u>	<u>2020</u>	<u>% of Total</u>	<u>2019</u>	<u>% of Total</u>
Money market funds	\$ 238,238	100%	\$ 150,443	99%
US Government Agency securities	975	0%	895	1%
Mortgage-backed securities	31	0%	104	0%
	<u>\$ 239,244</u>	<u>100%</u>	<u>\$ 151,442</u>	<u>100%</u>

**Fair Value**

The fair value of the Authority's investments is measured by Level 1 inputs based upon quoted prices in active markets and consisted of the following at September 30 (\$ in thousands):

<u>Investments</u>	<u>2020</u>	<u>2019</u>
Dreyfus US Treasury	\$ 8,973	\$ 6,026
Federated Government Obligations	158,302	79,349
Federated Money Market	283	270
First American Treasury Obligations	70,680	64,798
Mortgage-backed Securities	31	104
US Treasury Note	975	895
Total investments	<u>\$ 239,244</u>	<u>\$ 151,442</u>

**ALABAMA HOUSING FINANCE AUTHORITY  
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**4. INVESTMENTS – CONTINUED**

**Fair Value – Continued**

The cost of investments at September 30, 2020 and 2019, was \$239,102,000 and \$151,387,000, respectively. As a result of changes in the fair value of investments, the Authority recorded net unrealized gains of \$88,000 and \$114,000 for the years ended September 30, 2020 and 2019, respectively.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Authority. Investments for each bond issue are those permitted by the various bond indentures and rating agencies. (See "Summary of Significant Accounting Policies – Investments" for additional information concerning permitted investments of the Authority.) As of September 30, 2020, the Authority's money market, government and government agency investments were rated Aaa by Moody's Investor Services meeting the criteria of the Authority and the respective bond issue rating agencies.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of the investment portfolio. Investment maturities will coincide with anticipated debt service payment dates and expected cash flow obligations associated with the respective bond maturities and obligations for the Authority's bond programs and other funds. Trust indentures, market conditions, rates of return, interest rate spreads, and other factors influence maturity selection for all funds in excess of those required to meet projected cash flow obligations. Investments are generally designed to match the life of their related liabilities at fixed interest-rate spreads. Longer-term maturity investments provide sufficient monthly cash flows to meet any short-term obligations.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities in Years (\$ in thousands)</u>			
		<u>Less than 1</u>	<u>1–5</u>	<u>6–10</u>	<u>More than 10</u>
Money market funds	\$ 238,238	\$ 238,238	\$ -	\$ -	\$ -
US Government Agency securities	975	-	-	975	-
Mortgage-backed securities	31	-	31	-	-
	<u>\$ 239,244</u>	<u>\$ 238,238</u>	<u>\$ 31</u>	<u>\$ 975</u>	<u>\$ -</u>

**ALABAMA HOUSING FINANCE AUTHORITY  
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**4. INVESTMENTS – CONTINUED**

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the use of a custodial agent, the Authority may not be able to recover the value of its investments or collateral securities that are in possession of that outside party. All investments in the General and Housing Assistance funds are held in safekeeping or custodial accounts at approved safekeeping agents of the Authority in the Authority's name. All investments in the Authority's bond issues are registered in the name of the issues' designated trustee.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single type of security. The table below lists all investments by investment provider and type as of September 30, 2020 (\$ in thousands).

<u>Provider</u>	<u>Money Market Funds</u>	<u>Mortgage- Backed Securities</u>	<u>US Government Agency Securities</u>	<u>Total</u>	<u>Percent</u>
Dreyfus US Treasury	\$ 8,973	\$ -	\$ -	\$ 8,973	4%
Federated Government Obligations	158,302	-	-	158,302	66%
Federated Money Market	283	-	-	283	0%
First American Treasury Obligations	70,680	-	-	70,680	30%
Mortgage-backed Securities	-	31	-	31	0%
US Treasury Note	-	-	975	975	0%
<b>Total</b>	<u>\$ 238,238</u>	<u>\$ 31</u>	<u>\$ 975</u>	<u>\$ 239,244</u>	<u>100%</u>

Investments are classified in the accompanying statements of net position as follows (\$ in thousands):

	<u>2020</u>	<u>2019</u>
Current assets – investments	\$ 158,318	\$ 79,349
Current assets – restricted investments	79,936	71,094
Noncurrent assets – investments	15	104
Noncurrent assets – restricted investments	<u>975</u>	<u>895</u>
	<u>\$ 239,244</u>	<u>\$ 151,442</u>

**ALABAMA HOUSING FINANCE AUTHORITY  
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**5. MORTGAGE LOANS**

The Authority's single-family programs are designed to provide mortgage loans to qualified homebuyers within the State of Alabama. The Authority's guidelines generally require the mortgage loans to be either FHA-insured, guaranteed by the Department of Veterans Affairs, USDA Rural Development insured or conventionally financed with traditional primary mortgage insurance and, in the case of pre-1987 single-family programs, insured with mortgage pool policies.

The Authority's single-family financing program guidelines allow for down payment assistance of up to 3.5% of the sales price and a maximum amount of \$7,500. Current program guidelines require the loan to bear the same interest rate as the first mortgage of the property being purchased and be amortized over a 10-year period with 120 equal monthly principal and interest payments.

The Authority provides permanent financing of home mortgages to Alabama Habitat for Humanity affiliates to help further the affiliates goal of providing safe, decent, and affordable housing to low-income Alabamians. The loans bear an interest rate of 0% and require equal monthly principal payments over the life of the loan and must not exceed a 30-year term.

Mortgage loans receivable, net of the allowance for loan losses consisted of the following at September 30 (\$ in thousands):

	<u>2020</u>	<u>2019</u>
Mortgage loans receivable (0% to 9.125%):		
Conventional	\$ 2,255	\$ 876
Down payment assistance/Habitat for Humanity loans (0% to 7.33%)	<u>32,717</u>	<u>36,602</u>
	34,972	37,478
Less allowance for loan losses	<u>(3,710)</u>	<u>(2,193)</u>
Total mortgage loans receivable, net	<u>\$ 31,262</u>	<u>\$ 35,285</u>

Mortgage loans receivable are classified in the accompanying statements of net position as follows (\$ in thousands):

	<u>2020</u>	<u>2019</u>
Current assets – Mortgage loans receivable, net	\$ 4,790	\$ 4,500
Noncurrent assets – Mortgage loans receivable, net	<u>26,472</u>	<u>30,785</u>
	<u>\$ 31,262</u>	<u>\$ 35,285</u>

**ALABAMA HOUSING FINANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
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**5. MORTGAGE LOANS – CONTINUED**

Mortgage loans held for sale to be securitized as mortgage-backed securities and sold for the Authority are reported at fair value measured by Level 2 inputs based on observable quoted prices of similar assets. Mortgage loans held for sale to be securitized as mortgage-backed securities for other entities are reported at cost. Mortgage loans held for sale were \$44,659,000 and \$102,185,000 as of the years ended September 30, 2020 and 2019, respectively.

**6. OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS**

Obligations under reverse repurchase agreements represent obligations whereby the Authority enters into a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The Authority had obligations under reverse repurchase agreements of \$52,350,000 and \$66,000,000 as of September 30, 2020 and 2019, respectively, which were collateralized by securities with fair values totaling \$62,007,000 and \$70,233,000, as of the years ended September 30, 2020 and 2019, respectively.

The market value of the securities underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealer a margin against a decline in the market value of the securities. If the dealer defaults on their obligation to resell these securities to the Authority or provide securities or cash of equal value, the Authority would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. There was no credit exposure as of September 30, 2020 and 2019.

**7. BONDS PAYABLE**

Bonds payable are limited obligations of the Authority and are not a debt or liability of the State of Alabama or any subdivision thereof. Each bond issue is secured, as described in the applicable trust indenture, by all revenues, moneys, investments, mortgage loans, and other assets in the funds and accounts of the program under which such bonds were issued. The provisions of the applicable trust indentures require or allow for redemption of bonds through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans and program certificates. All outstanding bonds are subject to redemption at the option of the Authority, in whole or in part at any time after certain dates, as specified in the respective series indentures.

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**7. BONDS PAYABLE – CONTINUED**

Bonds payable consisted of the following at September 30 (\$ in thousands):

	<b>Aggregate Principal Outstanding</b>		<b>Original Maturity Value</b>
	<b><u>2020</u></b>	<b><u>2019</u></b>	
Single-family bond programs:			
2000/2003 Step Up Program (4.42% to 7.80%), due 2032 to 2036	\$ 12,124	\$ 13,895	\$ 128,927
2016 Series A (2.43%), due 2026	1,000	1,000	1,000
2003 First Step Program (4.82% to 5.09%), due 2036	<u>111</u>	<u>116</u>	793
	13,235	15,011	
Less current maturities	<u>(888)</u>	<u>(1,009)</u>	
Noncurrent maturities	<u><u>\$ 12,347</u></u>	<u><u>\$ 14,002</u></u>	

Principal and interest payments on bonds after 2020 are scheduled as follows (\$ in thousands):

<b><u>Fiscal Year Ending September 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2021	\$ 888	\$ 706
2022	-	706
2023	-	706
2024	-	706
2025	-	706
Thereafter	<u>12,347</u>	<u>6,088</u>
	<u><u>\$ 13,235</u></u>	<u><u>\$ 9,618</u></u>



**ALABAMA HOUSING FINANCE AUTHORITY  
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**8. NET POSITION**

The Authority's net position is comprised of the various net earnings from operating and nonoperating revenues, expenses, and contributions of capital. The net position is classified in the following three components: investment in capital assets, net of related debt; restricted net position; and unrestricted net position. Investment in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other net position not included in the above categories.

The various trust indentures generally permit transfers to the Authority's General fund for administrative fees and reimbursements of costs associated with the administration of the bond programs. Otherwise, the cash and investments of the various program funds are retained in the trust indentures to satisfy debt service obligations with respect to the applicable bonds, and are restricted to this purpose. Such amounts are reflected as restricted components of net position.

**9. DERIVATIVE INSTRUMENTS**

At September 30, 2020, the Authority had \$10,000,000 in forward sales commitments to issue Ginnie Mae and Freddie Mac securities securitized by single-family loans. These instruments are utilized to hedge changes in fair value of mortgage loans held for sale and interest rate risk on commitments to purchase mortgage loans from originating mortgage lenders. The Authority is subject to market value fluctuations in the event that mortgage loans are not originated as expected and the committed securities cannot be delivered.

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**9. DERIVATIVE INSTRUMENTS – CONTINUED**

The Authority is subject to credit risk with respect to counterparties to the forward sales commitment contracts summarized as follows (\$ in thousands):

<u>Delivery Date</u>	<u>Coupon Rate</u>	<u>Outstanding Notional Amount</u>	<u>Fair Values</u>	<u>Counterparty Credit Rating</u>
<i>Ginnie Mae</i>				
October 2020	2.5%	\$ 3,000	\$ 4	A1
October 2020	2.5%	3,000	(9)	A1
November 2020	2.5%	2,000	5	BBB-
November 2020	2.5%	2,000	3	Aaa
		<u>\$ 10,000</u>	<u>\$ 3</u>	

**10. CONDUIT DEBT**

From time to time, the Authority issues bonds to provide multifamily housing for the citizens of Alabama. The Authority functions as a conduit to provide tax-exempt financing. These bonds do not constitute a debt or pledge of the faith and credit of the Authority or the State of Alabama, and accordingly, have not been reported in the accompanying financial statements.

The Authority does not actively monitor the operating performance or financial condition of the multifamily properties financed by the bonds. Multifamily mortgage loans are collateralized by varying methods, including first liens on multifamily residential rental properties located within the State of Alabama, short-term investments, letters of credit, surety bonds, and guarantees provided by third parties. The Authority has no obligation for the bonds beyond these resources.

All variable rate bonds bear interest at a weekly rate until maturity or earlier redemption. The remarketing agent for each bond issue establishes the weekly rate according to each indenture's remarketing agreement. The weekly rates are communicated to the various bond trustees for preparation of debt service payments. The weekly rate, as set by the remarketing agent, allows the bonds to trade in the secondary market at a price equal to 100% of the principal amount of the bonds outstanding, with each rate not exceeding maximum rates permitted by law.

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**10. CONDUIT DEBT – CONTINUED**

Conduit debt consisted of the following at September 30 (\$ in thousands):

	<b>Aggregate Principal Outstanding</b>		<b>Original Maturity Value</b>
	<b>2020</b>	<b>2019</b>	
2000 Series A (variable), due 2030	\$ 5,100	\$ 5,400	\$ 6,000
2002 Series C (variable), due 2035	-	8,005	8,500
2003 Series A (variable), due 2036	8,440	8,440	8,710
2004 Series C (6.65%), due 2035	-	5,605	7,500
2005 Series E & F (variable), due 2035 and 2038	21,550	21,550	21,550
2007 Series B, C & E (variable), due 2022 to 2040	12,407	12,610	16,800
2008 Series A & B (variable), due 2030	4,656	4,835	6,410
2012 Series A (4.96%), due 2032	2,445	2,498	13,000
2015 Series A (4.15%), due 2032	5,646	6,003	7,280
2017 Series A (5.00%), due 2034	11,504	11,612	12,460
2019 Series A & B (1.5% to 4.43%), due 2022 and 2037	<u>19,600</u>	<u>9,600</u>	19,600
	<u>\$ 91,348</u>	<u>\$ 96,158</u>	

Principal and interest payments on conduit debt after 2020 are scheduled as follows (\$ in thousands):

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 11,802	\$ 1,902
2022	1,055	1,950
2023	11,781	1,826
2024	1,015	1,711
2025	1,064	1,672
Thereafter	<u>64,631</u>	<u>14,259</u>
	<u>\$ 91,348</u>	<u>\$ 23,320</u>

**ALABAMA HOUSING FINANCE AUTHORITY  
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## **11. RETIREMENT PLANS**

### **Defined Contribution Plan**

Substantially all full-time employees of the Authority participate in a defined contribution retirement plan, the Alabama Housing Finance Authority Retirement Plan (the Retirement Plan), which provides retirement benefits to participants. The Retirement Plan is administered by Corporate Financial Services, LLC, an independent, third-party administrator. To be eligible, an employee must meet certain age and service requirements. Once an employee is eligible, participation is mandatory. Each employee must contribute 5% of their compensation to the Retirement Plan annually. The Authority contributes an amount equal to 7% of each participant's compensation annually. The Authority's contributions to the Retirement Plan were \$642,000 and \$628,000, in fiscal 2020 and 2019, respectively. The employees' contributions to the Retirement Plan were \$459,000 and \$448,000, in fiscal 2020 and 2019, respectively. The employees vest in the Authority's contribution based upon a six-year vesting schedule.

### **Defined Benefit Plan**

#### **Plan Description**

The Authority established the Alabama Housing Finance Authority Employees' Pension Plan (the Pension Plan), a single-employer defined benefit pension plan, on September 26, 2002. All Pension Plan investments are reported at fair value. The Pension Plan provides retirement, death, disability, and termination benefits to participants and beneficiaries.

Benefit provisions are established by the Board of Directors (the Board) under a formal, written plan document and assets are held under a separate tax-qualified plan trust. Those provisions can only be amended by the Board. The plan and trust information can be obtained from the Alabama Housing Finance Authority, 7460 Halcyon Pointe Drive, Suite 200, Montgomery, AL 36117. A separate stand-alone financial report for the Pension Plan is available.

#### **Benefits Provided**

An employee is eligible to participate in the Pension Plan on the next October 1 or April 1 following the completion of six months service and attainment of age 21. A participant's normal retirement date is age 65, or five years' participation, if later. A participant is eligible for early retirement upon attainment of age 55 and 10 years of service. In addition, a participant is entitled to a vested benefit based on years of service as follows: 3 years 20%, 4 years 40%, 5 years 60%, 6 years 80%, and 7 or more years 100%. In addition, in the event of death or qualifying disability, benefits are 100% vested and are available to be paid immediately.

A participant's normal retirement benefit payable at normal retirement as a life annuity is equal to 2% of an employee's average compensation multiplied by years of credited service. Average compensation is based on the 36 highest consecutive months that results in the highest average. Credited service is based on 1,000 hours per plan year and is determined from date of hire (with maximum of 25 years). Certain special service rules applied before May 1, 2015. Normal retirement benefits are paid monthly and can be paid in other forms of annuities as elected by the participant including single payment lump sums.

**ALABAMA HOUSING FINANCE AUTHORITY  
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**11. RETIREMENT PLANS – CONTINUED**

**Defined Benefit Plan – Continued**

**Benefits Provided – Continued**

Benefits paid at early retirement are the actuarial equivalent normal retirement benefit. Benefits payable at death, disability, or vested benefits are the actuarial equivalent single sum value of the normal retirement benefit. Lump sums are based on the actuarial equivalent factors, or the IRS minimum lump sum basis, if higher.

	<b>2020</b>	<b>2019</b>
Inactive employees receiving benefits	-	-
Inactive employees entitled to but not receiving benefits	1	1
Active employees	144	144
	145	145

**Contributions**

Contribution requirements and benefit provisions of the Pension Plan are established by the Board. The funding policy provides for actuarially determined periodic contributions of amounts that will enable sufficient assets to pay benefits when due. The funding basis has been the range of contributions from the minimum (Minimum Required Contribution) to maximum deductible under federal pension laws related to applicable pension plans. Contributions have been determined under the funding laws under the Pension Protection Act of 2006 and later related funding law changes.

Contributions were \$1,660,000 and \$1,356,000, equaling approximately 17.80% and 15.14% of payroll of covered participants for the years ended September 30, 2020 and 2019, respectively.

**Investments**

Policies pertaining to the allocation of investments within the Pension Plan are established by the Authority. It is the policy of the Authority to invest pension assets in securities that provide growth and income while maintaining a balanced level of risk tolerance. The following illustrates the approved asset allocation policy for the years ended September 30, 2020 and 2019:

	<b>% Range of Allocation</b>		
	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
<b>Investment Type:</b>			
Large cap domestic equity securities	15%	30%	50%
Small-Mid cap domestic equities	0%	10%	20%
International equity	0%	10%	20%
Fixed income and cash equivalent securities	30%	50%	60%
Alternatives	0%	0%	15%

**ALABAMA HOUSING FINANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

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**11. RETIREMENT PLANS – CONTINUED**

**Defined Benefit Plan – Continued**

**Investments – Continued**

Permitted securities in which assets of the Pension Plan may be invested include any of the following:

Equity Securities

- US common and preferred stocks
- US equity mutual funds
- Equity exchange traded funds
- International equity mutual funds

Fixed Income Securities/Cash Equivalents

- US government
- US mortgage and asset-backed
- US corporate bonds
- Taxable municipal bonds
- Fixed income mutual funds
- Fixed income exchange traded funds
- Money market mutual funds
- Money market exchange traded funds
- Cash

Alternatives

- Real estate mutual funds
- Real estate exchange traded funds
- Multi-alternatives strategy mutual funds
- Multi-alternative strategy exchange traded funds

The fair value of investments is determined by market prices.

As of September 30, 2020 and 2019, there were no concentrations of investments in any organization that represented 5% or more of the Pension Plan's fiduciary net position.

For years ended September 30, 2020 and 2019, the estimated annual weighted rate of return based on the Bankers Index Method (BAI) was 6.18% and 4.91%, respectively. The BAI rate of return expresses investment performance, net of investment expense, adjusted for the amounts actually invested with contributions and disbursements deemed to be made uniformly throughout the year.

The assumed discount rate related to plan investments was 7.00%.

**ALABAMA HOUSING FINANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

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**11. RETIREMENT PLANS – CONTINUED**

**Defined Benefit Plan – Continued**

**Investments – Continued**

The fiduciary net position of the Pension Plan at September 30, 2020 and 2019 was invested as follows (\$ in thousands):

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ 235	\$ 434
Equity securities	10,525	8,789
Fixed income securities	<u>10,464</u>	<u>9,315</u>
 Total	 <u>\$ 21,224</u>	 <u>\$ 18,538</u>

**Actuarial Assumptions**

The Pension Plan was measured as of September 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates.

The total pension liability in the September 30, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Rate</u>
Inflation	3.00%
Salary increases	4.50%
Investment rate of return	7.00%

Mortality rates used in the September 30, 2020 actuarial valuation were based on the 2020 Applicable Mortality Table for small plans under the minimum funding requirements of IRC Section 430. Mortality rates used in the September 30, 2019 actuarial valuation were based on the 2019 Applicable Mortality Table for small plans under the minimum funding requirements of IRC Section 430. Retirements were assumed based on each participant’s normal retirement date with benefits payable in the form of a lump sum based on applicable lump sum rates. Prior to retirement, turnover was based on the T-1 withdrawal rates which reflects lower turnover.

The long-term expected rate of return on the Pension Plan, based on using best-estimate ranges of expected future real rates of return (expected returns, net of inflation), was developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding future inflation.

**ALABAMA HOUSING FINANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

**11. RETIREMENT PLANS – CONTINUED**

**Defined Benefit Plan – Continued**

**Actuarial Assumptions – Continued**

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the years ended September 30, 2020 and 2019 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Long-Term Rate of Return</u>
Equity	50%	5% – 8%
Fixed Income	50%	2% – 5%

The discount rate used to measure the total pension liability at September 30, 2020 and 2019 was 7.00%. The Pension Plan's fiduciary net positions are projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension (Asset) Liability (\$ in thousands)**

	<u>Total Pension Liability (A)</u>	<u>Pension Fiduciary Net Position (B)</u>	<u>Net Pension (Asset) Liability (A) - (B)</u>
Balances at October 1, 2019	\$ 16,523	\$ 18,765	\$ (2,242)
Service cost	1,595	-	1,595
Interest cost	1,268	-	1,268
Differences between expected and actual experience	869	-	869
Changes in assumptions	(2)	-	(2)
Contributions – employer	-	1,660	(1,660)
Net investment income	-	1,209	(1,209)
Benefit payments, including refunds of member contributions	(39)	(39)	-
Net changes	<u>3,691</u>	<u>2,830</u>	<u>861</u>
Balances at September 30, 2020	<u>\$ 20,214</u>	<u>\$ 21,595</u>	<u>\$ (1,381)</u>



**ALABAMA HOUSING FINANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

**11. RETIREMENT PLANS – CONTINUED**

**Defined Benefit Plan – Continued**

**Changes in the Net Pension (Asset) Liability (\$ in thousands) – Continued**

	<u>Total Pension Liability (A)</u>	<u>Pension Fiduciary Net Position (B)</u>	<u>Net Pension (Asset) Liability (A) - (B)</u>
Balances at October 1, 2018	\$ 12,980	\$ 16,653	\$ (3,673)
Service cost	1,422	-	1,422
Interest cost	1,008	-	1,008
Differences between expected and actual experience	1,101	-	1,101
Changes in assumptions	74	-	74
Contributions – employer	-	1,356	(1,356)
Net investment income	-	818	(818)
Benefit payments, including refunds of member contributions	(62)	(62)	-
Net changes	<u>3,543</u>	<u>2,112</u>	<u>1,431</u>
Balances at September 30, 2019	<u>\$ 16,523</u>	<u>\$ 18,765</u>	<u>\$ (2,242)</u>

The change in assumptions reflected in the changes in net pension (asset) liability for the years ended September 30, 2020 and 2019 was the result of basing the valuation on the 2019 and 2018 Applicable Mortality Tables in lieu of the 2020 and 2019 Applicable Mortality Tables.

**Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate**

The following information presents the net pension (asset) liability calculated using the discount rate of 7.00% as well as net pension (asset) liability using a discount rate that is 1.00% lower or 1.00% higher than the current rate for the years ended September 30:

	<u>1% Decrease (6%)</u>	<u>Current Discount Rate (7%)</u>	<u>Maximum 1% Increase (8%)</u>
2020	\$ (143)	\$ (1,381)	\$ (2,555)
2019	(1,194)	(2,242)	(3,235)

**ALABAMA HOUSING FINANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

**11. RETIREMENT PLANS – CONTINUED**

**Defined Benefit Plan – Continued**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the years ended September 30, 2020 and 2019, the Pension Plan recognized pension expense of \$341,000 and \$266,000, respectively. At September 30, 2020 and 2019, the Authority reported deferred outflows of resources related to the Pension Plan from the following sources (\$ in thousands):

	<b>2020</b>	<b>2019</b>
<b>Deferred Outflows</b>		
Differences between expected and actual experience	\$ 5,295	\$ 4,709
Net differences between projected and actual earnings on investments	538	621
Changes in assumptions	164	145
Total	<b>\$ 5,997</b>	<b>\$ 5,475</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (\$ in thousands):

2021	\$ 373
2022	453
2023	498
2024	421
2025	342
Thereafter	3,910

**ALABAMA HOUSING FINANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

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**12. OPERATING LEASES**

The Authority leases office space under an operating lease expiring in December 2029. Rent expense for the years ended September 30, 2020 and 2019, totaled \$900,000 and \$1,017,000, respectively. These amounts are included in program, general, and administrative expenses in the accompanying financial statements. Future minimum rental payments required under these leases for the years ending September 30 are as follows (\$ in thousands):

2021	\$	1,015
2022		1,043
2023		1,077
2024		1,106
2025		1,141
Thereafter		<u>4,918</u>
	\$	<u>10,300</u>

**13. EARLY RETIREMENT OF BONDS**

The Authority's mortgage revenue bonds are subject to certain extraordinary redemption provisions. During the years ended September 30, 2020 and 2019, the Authority called approximately \$1,776,000 and \$1,732,000 (net of unamortized discounts), respectively, of single-family bonds in advance of their scheduled maturities.

**14. SUBSEQUENT EVENTS**

The Authority has called approximately \$8,440,000 of multi-family bond conduit debt.

The Authority has awarded Federal funds totaling \$6,844,000 under the HOME and HTF Programs.

The outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant volatility in financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to the Authority, its performance and its financial results.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ALABAMA HOUSING FINANCE AUTHORITY**  
**SCHEDULES OF CHANGES IN THE AUTHORITY'S NET PENSION**  
**LIABILITY AND RELATED RATIOS**  
**SEPTEMBER 30, 2020 – 2015**  
**(\$ in thousands)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 1,595	\$ 1,422	\$ 1,215	\$ 1,041	\$ 577	\$ 595
Interest	1,268	1,008	873	795	768	704
Differences between expected and actual experience	869	1,101	162	2,072	1,736	(25)
Changes in assumptions	(2)	74	16	21	16	20
Benefit payments	<u>(39)</u>	<u>(62)</u>	<u>(543)</u>	<u>(2,991)</u>	<u>(3,169)</u>	<u>(367)</u>
Net change in total pension liability	3,691	3,543	1,723	938	(72)	927
Total pension liability – beginning	<u>16,523</u>	<u>12,980</u>	<u>11,257</u>	<u>10,319</u>	<u>10,391</u>	<u>9,464</u>
Total pension liability – ending (A)	<u>20,214</u>	<u>16,523</u>	<u>12,980</u>	<u>11,257</u>	<u>10,319</u>	<u>10,391</u>
<b>PENSION FIDUCIARY NET POSITION</b>						
Contributions – employer	1,660	1,356	2,264	2,293	1,497	1,352
Net investment income (loss)	1,209	818	670	1,166	1,333	(103)
Benefit payments	<u>(39)</u>	<u>(62)</u>	<u>(543)</u>	<u>(2,991)</u>	<u>(3,169)</u>	<u>(367)</u>
Net change in pensions fiduciary net position	2,830	2,112	2,391	468	(339)	882
Pensions fiduciary net position – beginning	<u>18,765</u>	<u>16,653</u>	<u>14,262</u>	<u>13,794</u>	<u>14,133</u>	<u>13,251</u>
Pensions fiduciary net position – ending (B)	<u>21,595</u>	<u>18,765</u>	<u>16,653</u>	<u>14,262</u>	<u>13,794</u>	<u>14,133</u>
<b>NET PENSION ASSET (A) - (B)</b>	<u>\$ (1,381)</u>	<u>\$ (2,242)</u>	<u>\$ (3,673)</u>	<u>\$ (3,005)</u>	<u>\$ (3,475)</u>	<u>\$ (3,742)</u>
<b>COVERED EMPLOYEE PAYROLL</b>	\$ 9,325	\$ 8,957	\$ 8,565	\$ 8,000	\$ 7,415	\$ 5,938
<b>NET PENSION ASSET AS A PERCENTAGE OF COVERED PAYROLL</b>	14.81%	25.03%	42.88%	37.56%	46.86%	63.02%
<b>NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	106.83%	113.57%	128.30%	126.69%	133.68%	136.01%

See independent auditors' report.

**ALABAMA HOUSING FINANCE AUTHORITY**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS TO AUTHORITY**  
**EMPLOYEES' PENSION PLAN**  
(\$ in thousands)

<u>Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions From Authority</u>	<u>Contribution (Deficiency)/ Excess</u>	<u>Covered Employee Payroll</u>	<u>Contribution as a % of Payroll</u>
2011	\$ 917	\$ 1,570	\$ 653	\$ 3,991	39.34%
2012	895	1,370	475	4,226	32.42%
2013	802	1,187	385	4,413	26.90%
2014	742	1,282	540	5,125	25.01%
2015	852	1,352	500	5,938	22.77%
2016	997	1,497	500	7,415	20.19%
2017	1,293	2,293	1,000	8,000	28.66%
2018	1,464	2,264	800	8,565	26.43%
2019	1,356	1,356	-	8,957	15.14%
2020	1,660	1,660	-	9,325	17.80%

**Notes to Schedule:**

Valuation Date: Actuarially determined contribution rates are determined as of October 1, the beginning of the plan year.

Methods and Assumptions: The actuarial valuation is performed under the requirements of IRC Section 430; pursuant to the Pension Protection Act of 2006 (PPA) and subsequent pension laws MAP-21 and HAFTA. The valuation is calculated using PPA actuarial funding methods and prescribed discounts segmented rates. The applicable discount rates for the 2020 actuarial valuation were 4.15% (0-5 years), 5.94% (6-20 years), and 6.79% (for 20+ years). The salary increase assumption was 4.5% per year.

Other assumptions included the Applicable Mortality Table, low turnover table, Table T1, and 100% lump sum elections. The prior years' actuarial reports outline the applicable funding rates for the applicable years.

See independent auditors' report.

## **OTHER FINANCIAL INFORMATION**

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**SINGLE-FAMILY BOND SERIES**  
**ADDITIONAL SEGMENT DATA**  
**SEPTEMBER 30, 2020**  
**(\$ in thousands)**

	<u>2000/2003</u> <u>Step Up</u>	<u>2003</u> <u>First Step</u>	<u>2002 D,</u> <u>2016 A</u>	<u>Combined</u> <u>Single-Family</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash on deposit	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-
Accrued interest receivable	-	-	-	-
Mortgage loans receivable, net	-	-	-	-
Mortgage loans held for sale	-	-	-	-
Investments	-	-	-	-
Derivative instruments	-	-	-	-
Other assets	-	-	-	-
Restricted:				
Cash on deposit	-	-	146	146
Accrued interest receivable	74	1	510	585
Investments	395	36	70,532	70,963
Other assets	-	-	-	-
Federal program loans receivable, net	-	-	-	-
Total current assets	<u>469</u>	<u>37</u>	<u>71,188</u>	<u>71,694</u>
<b>NONCURRENT ASSETS</b>				
Mortgage loans receivable, net	-	-	-	-
Investments	-	-	-	-
Other assets, net	-	-	-	-
Mortgage servicing rights, net	-	-	-	-
Restricted:				
Mortgage-backed securities	13,091	120	92,152	105,363
Investments	-	-	975	975
Other assets	-	-	-	-
Federal program loans receivable, net	-	-	-	-
Total noncurrent assets	<u>13,091</u>	<u>120</u>	<u>93,127</u>	<u>106,338</u>
<b>TOTAL ASSETS</b>	<u>13,560</u>	<u>157</u>	<u>164,315</u>	<u>178,032</u>
<b>DEFERRED OUTFLOWS</b>				
Pension-related deferred outflows	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 13,560</u>	<u>\$ 157</u>	<u>\$ 164,315</u>	<u>\$ 178,032</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Bonds payable, net	\$ 888	\$ -	\$ -	\$ 888
Obligations under reverse repurchase agreements	-	-	52,350	52,350
Refundable Federal program grants	-	-	-	-
Accrued interest payable	57	-	16	73
Other liabilities	-	-	-	-
Total current liabilities	<u>945</u>	<u>-</u>	<u>52,366</u>	<u>53,311</u>
<b>NONCURRENT LIABILITIES</b>				
Bonds payable, net	11,236	111	1,000	12,347
Refundable Federal program grants, net	-	-	-	-
Unearned compliance and commitment fees, net	-	-	-	-
Total noncurrent liabilities	<u>11,236</u>	<u>111</u>	<u>1,000</u>	<u>12,347</u>
<b>TOTAL LIABILITIES</b>	<u>12,181</u>	<u>111</u>	<u>53,366</u>	<u>65,658</u>
<b>NET POSITION</b>				
Investment in capital assets, net	-	-	-	-
Restricted	1,379	46	110,949	112,374
Unrestricted	-	-	-	-
Total net position	<u>1,379</u>	<u>46</u>	<u>110,949</u>	<u>112,374</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 13,560</u>	<u>\$ 157</u>	<u>\$ 164,315</u>	<u>\$ 178,032</u>

See independent auditors' report.



**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**SINGLE-FAMILY BOND SERIES**  
**ADDITIONAL SEGMENT DATA**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**  
**(\$ in thousands)**

	2000/2003 Step Up	2003 First Step	2002 D, 2016 A	Combined Single-Family
<b>OPERATING REVENUES</b>				
Interest on mortgage loans	\$ -	\$ -	\$ -	\$ -
Interest on mortgage-backed securities	706	6	4,757	5,469
Investment income	2	-	509	511
Net realized and unrealized gain on investments and mortgage servicing rights	198	3	1,109	1,310
Loan fees and other income	12	-	-	12
Total operating revenues	<u>918</u>	<u>9</u>	<u>6,375</u>	<u>7,302</u>
<b>OPERATING EXPENSES</b>				
Interest	716	6	723	1,445
Amortization of mortgage servicing rights	-	-	3	3
Program, general, and administrative	14	-	15	29
Total operating expenses	<u>730</u>	<u>6</u>	<u>741</u>	<u>1,477</u>
<b>OPERATING INCOME</b>	<u>188</u>	<u>3</u>	<u>5,634</u>	<u>5,825</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal program grants	-	-	-	-
Federal program expenditures	-	-	-	-
Net nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>INCOME BEFORE TRANSFERS</b>	188	3	5,634	5,825
Transfers in (out)	-	-	-	-
<b>CHANGES IN NET POSITION</b>	188	3	5,634	5,825
<b>NET POSITION</b>				
Beginning of year	1,191	43	105,315	106,549
End of year	<u>\$ 1,379</u>	<u>\$ 46</u>	<u>\$ 110,949</u>	<u>\$ 112,374</u>

See independent auditors' report.

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**COMBINING ALL FUNDS**  
**ADDITIONAL SEGMENT DATA**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**  
**(\$ in thousands)**

	Combined Single- Family	Federal Programs	Housing Assistance Fund	General Fund	Combined
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash on deposit	\$ -	\$ -	\$ 306	\$ 7,032	\$ 7,338
Accounts receivable, net	-	-	-	295	295
Accrued interest receivable	-	-	66	45	111
Mortgage loans receivable, net	-	-	4,780	10	4,790
Mortgage loans held for sale	-	-	-	44,659	44,659
Investments	-	-	25,422	132,896	158,318
Derivative instruments	-	-	-	3	3
Other assets	-	-	-	5,461	5,461
Restricted:					
Cash on deposit	146	19,195	-	-	19,341
Accrued interest receivable	585	16,720	-	-	17,305
Investments	70,963	8,973	-	-	79,936
Other assets	-	235	-	-	235
Federal program loans receivable, net	-	29,269	-	-	29,269
Total current assets	<u>71,694</u>	<u>74,392</u>	<u>30,574</u>	<u>190,401</u>	<u>367,061</u>
<b>NONCURRENT ASSETS</b>					
Mortgage loans receivable, net	-	-	26,228	244	26,472
Investments	-	-	-	15	15
Other assets, net	-	-	-	1,502	1,502
Mortgage servicing rights, net	-	-	-	47,564	47,564
Restricted:					
Mortgage-backed securities	105,363	-	-	-	105,363
Investments	975	-	-	-	975
Other assets	-	7	-	628	635
Federal program loans receivable, net	-	308,027	-	-	308,027
Total noncurrent assets	<u>106,338</u>	<u>308,034</u>	<u>26,228</u>	<u>49,953</u>	<u>490,553</u>
<b>TOTAL ASSETS</b>	<u>178,032</u>	<u>382,426</u>	<u>56,802</u>	<u>240,354</u>	<u>857,614</u>
<b>DEFERRED OUTFLOWS</b>					
Pension-related deferred outflows	-	-	-	5,997	5,997
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 178,032</u>	<u>\$ 382,426</u>	<u>\$ 56,802</u>	<u>\$ 246,351</u>	<u>\$ 863,611</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Bonds payable, net	\$ 888	\$ -	\$ -	\$ -	\$ 888
Obligations under reverse repurchase agreements	52,350	-	-	-	52,350
Refundable Federal program grants	-	29,269	-	-	29,269
Accrued interest payable	73	16,720	-	-	16,793
Other liabilities	-	291	2,133	(153)	2,271
Total current liabilities	<u>53,311</u>	<u>46,280</u>	<u>2,133</u>	<u>(153)</u>	<u>101,571</u>
<b>NONCURRENT LIABILITIES</b>					
Bonds payable, net	12,347	-	-	-	12,347
Refundable Federal program grants, net	-	313,033	-	-	313,033
Unearned compliance and commitment fees, net	-	-	-	8,670	8,670
Total noncurrent liabilities	<u>12,347</u>	<u>313,033</u>	<u>-</u>	<u>8,670</u>	<u>334,050</u>
<b>TOTAL LIABILITIES</b>	<u>65,658</u>	<u>359,313</u>	<u>2,133</u>	<u>8,517</u>	<u>435,621</u>
<b>NET POSITION</b>					
Investment in capital assets, net	-	7	-	628	635
Restricted	112,374	23,106	-	-	135,480
Unrestricted	-	-	54,669	237,206	291,875
Total net position	<u>112,374</u>	<u>23,113</u>	<u>54,669</u>	<u>237,834</u>	<u>427,990</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 178,032</u>	<u>\$ 382,426</u>	<u>\$ 56,802</u>	<u>\$ 246,351</u>	<u>\$ 863,611</u>

See independent auditors' report.

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**COMBINING ALL FUNDS**  
**ADDITIONAL SEGMENT DATA**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**  
**(\$ in thousands)**

	<b>Combined Single- Family</b>	<b>Federal Programs</b>	<b>Housing Assistance Fund</b>	<b>General Fund</b>	<b>Combined Totals</b>
<b>OPERATING REVENUES</b>					
Interest on mortgage loans	\$ -	\$ -	\$ 949	\$ 2,875	\$ 3,824
Interest on mortgage-backed securities	5,469	-	-	-	5,469
Investment income	511	23	164	441	1,139
Net realized and unrealized gain on investments and mortgage servicing rights	1,310	-	-	4,871	6,181
Loan fees and other income	12	-	299	38,399	38,710
Total operating revenues	<u>7,302</u>	<u>23</u>	<u>1,412</u>	<u>46,586</u>	<u>55,323</u>
<b>OPERATING EXPENSES</b>					
Interest	1,445	-	-	-	1,445
Amortization of mortgage servicing rights Program, general, and administrative	3	-	-	8,347	8,350
	29	-	405	38,206	38,640
Total operating expenses	<u>1,477</u>	<u>-</u>	<u>405</u>	<u>46,553</u>	<u>48,435</u>
<b>OPERATING INCOME</b>	<u>5,825</u>	<u>23</u>	<u>1,007</u>	<u>33</u>	<u>6,888</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Federal program grants	-	20,182	-	-	20,182
Federal program expenditures	-	(12,899)	-	-	(12,899)
Net nonoperating revenues (expenses)	<u>-</u>	<u>7,283</u>	<u>-</u>	<u>-</u>	<u>7,283</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>5,825</u>	<u>7,306</u>	<u>1,007</u>	<u>33</u>	<u>14,171</u>
Transfers in (out)	-	-	-	-	-
<b>CHANGES IN NET POSITION</b>	<u>5,825</u>	<u>7,306</u>	<u>1,007</u>	<u>33</u>	<u>14,171</u>
<b>NET POSITION</b>					
Beginning of year	<u>106,549</u>	<u>15,807</u>	<u>53,662</u>	<u>237,801</u>	<u>413,819</u>
End of year	<u>\$ 112,374</u>	<u>\$ 23,113</u>	<u>\$ 54,669</u>	<u>\$ 237,834</u>	<u>\$ 427,990</u>

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