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# California Housing Finance Agency

Audit Results

Year ended June 30, 2023

# *Agenda*

- Audit scope and process
- Audit opinions and communications
- Financial statement highlights
- Governance Communications
- Upcoming GASB Standards



# Audit Scope



Report on the Agency's financial statements



Report on internal control over financial reporting/compliance (GAS Report)



Report on internal control over compliance with major program requirements (federal awards)



Required governance communications letter



Data Collection Form submission



# Audit Process

RISK-BASED APPROACH

Internal controls

Revenue recognition

Significant estimates

Debt and covenants

Loans  
Receivable/Revenues

Adoption of GASB 96

Single Audit





## AUDIT OPINIONS

### Financial statement

Financial statement audit opinion is **unmodified**.

### Federal awards

Federal awards audit opinion is **unmodified**.



## AUDIT RESULTS

### Financial statement

No material weaknesses noted.  
No significant deficiencies noted.

### Federal awards

No material weaknesses noted.  
No significant deficiencies noted.



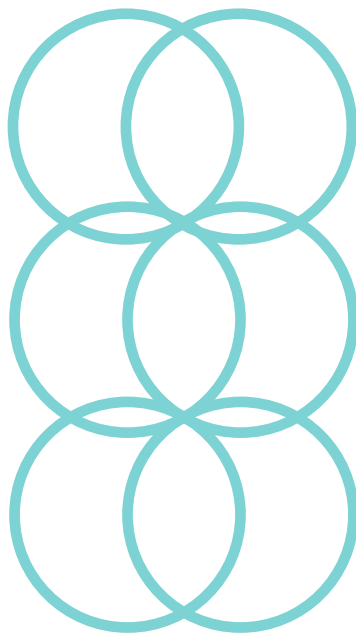
# Governance Communications

## Overall

- Auditors Responsibility under general accepted audit standards.
- No changes from planned scope.
- Adoption of GASB 96 – no impact for FY23

## Difficulties

- No significant difficulties
- No disagreements with management
- No management consultations with other accounting firms.



## Estimates

- We evaluated significant estimates and are comfortable with them
- Allowances on Loans Receivables, Depreciation, Pension and OPEB

## Other

- No audit adjustments
- No uncorrected misstatements



# Statement of Net Position

	\$ CHANGE				
	2023	2022	2021	2023/2022	2022/2021
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and investments	\$ 1,660,383	\$ 1,504,562	\$ 1,447,657	\$ 155,821	\$ 56,905
Other	184,891	208,881	144,474	(23,990)	64,407
Total current assets	<u>1,845,274</u>	<u>1,713,443</u>	<u>1,592,131</u>	<u>131,831</u>	<u>121,312</u>
<b>Noncurrent Assets</b>					
Investments	299,399	236,080	255,035	63,319	(18,955)
Program loans receivable - net	2,082,372	1,982,981	2,106,451	99,391	(123,470)
Capital assets	23,163	26,098	620	(2,935)	25,478
Other noncurrent assets	27,578	14,262	339	13,316	13,923
Total noncurrent assets	<u>2,432,512</u>	<u>2,259,421</u>	<u>2,362,445</u>	<u>173,091</u>	<u>(103,024)</u>
<b>Total Assets</b>	<u>4,277,786</u>	<u>3,972,864</u>	<u>3,954,576</u>	<u>304,922</u>	<u>18,288</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources	\$ 21,982	\$ 14,775	\$ 14,886	\$ 7,207	\$ (111)

- \$155.8M increase in cash & investments is primarily due to increased market rates and the receipt of funds for the SB2 (Building Homes & Jobs Program) & AB101 (Low-Moderate Income Program)
- \$99.4M increase in program loans receivable, net is primarily due to the funding of new loans



# Statement of Net Position cont.

	\$ CHANGE				
	2023	2022	2021	2023/2022	2022/2021
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Notes payable	\$ 3,243	\$ 2,947	\$ 2,363	\$ 296	\$ 584
Loans payable	151,422	102,305	36,666	49,117	65,639
Other current liabilities	240,208	246,447	358,262	(6,239)	(111,815)
Total current liabilities	<u>394,873</u>	<u>351,699</u>	<u>397,291</u>	<u>43,174</u>	<u>(45,592)</u>
<b>Noncurrent Liabilities</b>					
Bonds payable - net	40,955	121,255	312,037	(80,300)	(190,782)
Notes payable	286,860	272,461	225,351	14,399	47,110
Loans payable	1,201	2,180	3,177	(979)	(997)
Other noncurrent liabilities	449,628	429,863	193,727	19,765	236,136
Total noncurrent liabilities	<u>778,644</u>	<u>825,759</u>	<u>734,292</u>	<u>(47,115)</u>	<u>91,467</u>
<b>Total Liabilities</b>	<u>1,173,517</u>	<u>1,177,458</u>	<u>1,131,583</u>	<u>(3,941)</u>	<u>45,875</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of Resources	46,489	41,609	19,056	4,880	22,553
<b>NET POSITION</b>					
Net invested in capital assets	(384)	305	620	(689)	(315)
Restricted net position	3,132,039	2,857,944	2,914,124	274,095	(56,180)
Unrestricted Net Position (deficit)	(51,893)	(89,677)	(95,921)	37,784	6,244
<b>TOTAL NET POSITION</b>	<u>\$ 3,079,762</u>	<u>\$ 2,768,572</u>	<u>\$ 2,818,823</u>	<u>\$ 311,190</u>	<u>\$ (50,251)</u>

- \$49.1M increase in current loans payable primarily due to issuance of Federal Finance Bank and Credit Facility (Braeburn) and Federal Home Loan Bank multifamily loans.
- \$6.2M decrease in other current liabilities due to termination of swaps.
- \$80.3M decrease in bonds payable due to HMRB special redemptions.





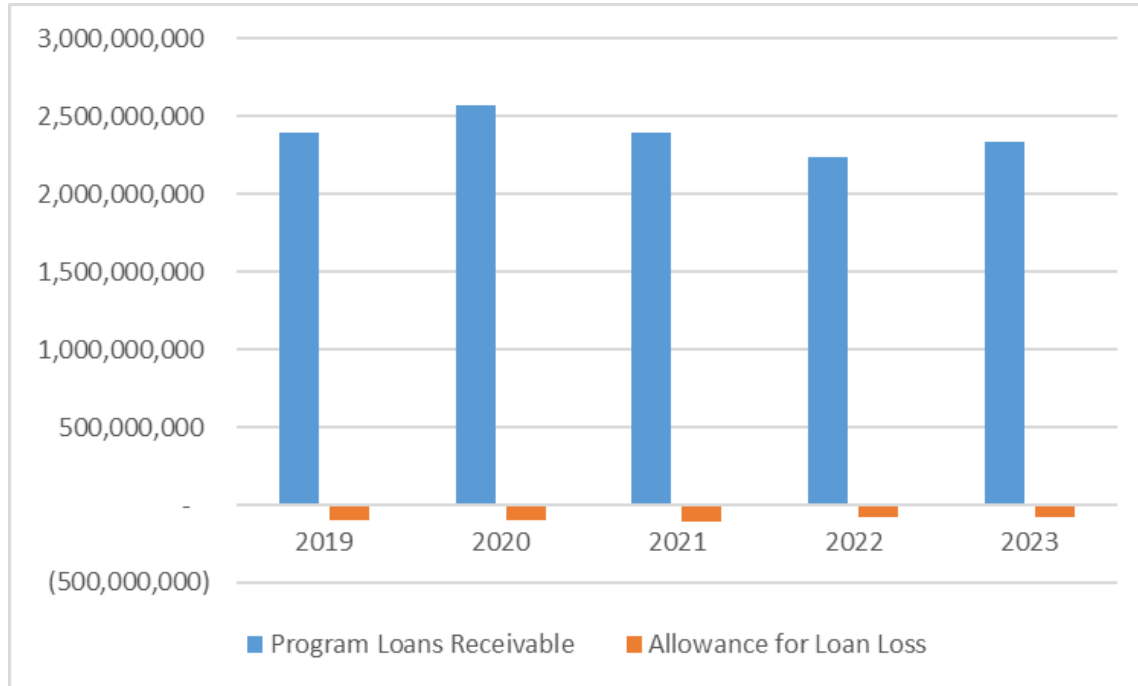
# Statement of Revenues, Expenses & Changes in Net Position

	2023		% of Total		2022		% of Total		2021		% of Total		\$ CHANGE	
													2023/2022	2022/2021
<b>Operating Revenues:</b>														
Interest income - program loans, net	\$	81,799	33.11%	\$	95,402	42.86%	\$	94,965	32.45%	\$	(13,603)	\$	437	
Interest income - investments, net		38,386	15.54%		10,676	4.80%		11,746	4.01%		27,710		(1,070)	
Realized gain on sale of securities		6,999	2.83%		20,613	9.26%		97,352	33.26%		(13,614)		(76,739)	
Other loan fees		40,802	16.51%		17,357	7.80%		22,807	7.79%		23,445		(5,450)	
Other revenues		52,168	21.11%		22,407	10.07%		27,330	9.34%		29,761		(4,923)	
<b>Total Operating Revenues</b>		<b>220,154</b>			<b>166,455</b>			<b>254,200</b>			<b>53,699</b>		<b>(87,745)</b>	
<b>Operating Expenses:</b>														
Interest		17,525	19.87%		14,351	28.17%		21,428	20.87%		3,174		(7,077)	
Mortgage servicing fees		2,064	2.34%		2,334	4.58%		3,102	3.02%		(270)		(768)	
Salaries & general expenses		13,194	14.96%		22,487	44.15%		23,838	23.22%		(9,293)		(1,351)	
Other expenses		55,419	62.83%		11,766	23.10%		54,315	52.90%		43,653		(42,549)	
<b>Total Operating Expenses</b>		<b>88,202</b>			<b>50,938</b>			<b>102,683</b>			<b>37,264</b>		<b>(51,745)</b>	
<b>Operating Income</b>		<b>131,952</b>			<b>115,517</b>			<b>151,517</b>			<b>16,435</b>		<b>(36,000)</b>	
<b>Non-operating Revenues &amp; Expenses:</b>														
Investment SWAP revenue (fair value)		21,777	8.81%		45,685	20.53%		31,223	10.67%		(23,908)		14,462	
Prepayment penalty		4,104	1.66%		10,269	4.61%		6,820	2.33%		(6,165)		3,449	
Other		1,053	0.43%		167	0.08%		427	0.15%		886		(260)	
<b>Total non-operating revenues &amp; expenses</b>		<b>26,934</b>			<b>56,121</b>			<b>38,470</b>			<b>(29,187)</b>		<b>17,651</b>	
Change in net position before transfers		158,886			171,638			189,987			(12,752)		(18,349)	
Transfers in (out)		152,304			(221,889)			428,955			374,193		(650,844)	
Increase (decrease) in net position		311,190			(50,251)			618,942			361,441		(669,193)	
Net position at beginning of year		2,768,572			2,818,823			2,199,881			(50,251)		618,942	
<b>Net position at end of year</b>	<b>\$</b>	<b>3,079,762</b>		<b>\$</b>	<b>2,768,572</b>		<b>\$</b>	<b>2,818,823</b>		<b>\$</b>	<b>311,190</b>	<b>\$</b>	<b>(50,251)</b>	

- \$14.1M net increase in interest income is primarily due to more favorable rates
- \$23.4M increase in loan fees mainly due to increase in the Single Family loan production
- \$43.7M increase in other expenses primarily due to costs for contract administration programs and TBA loan securitization program.



# Program Loans Receivable & Related Allowance





## SIGNIFICANT AUDIT CHANGES

### **What changed**

Auditing standards (SAS 143-145) were modernized for evolving business environment

Effective for the 6/30/2024 year-end audit

### **New requirements**

Enhanced risk assessment and understanding of estimates

Deeper IT understanding; more inquiries; data requests and testing

### **Audit impact**

More time evaluating controls; more use of IT specialists

Potential for additional recommendations

Greater impact on complex IT systems





# New GASB Standards



# GASB 100 Accounting for Changes and Error Corrections



Effective date  
**June 30, 2024**



## **New requirements:**

Updated disclosure guidance for:

- Accounting principles
- Accounting estimates
- Correction of errors

Required to disclose line items impacted by the change even if beginning balances remain the same



**CLA can help by**  
assisting with or evaluating  
financial statement  
disclosure updates



# GASB 101 Compensated Absences



Effective date  
**December 31, 2024**



## Updated framework

- Reevaluate leave policies
- Liability must include any accumulated leave that is unused or used but unpaid
- Footnote disclosures will be enhanced



## Examples include

- Sick leave not paid at termination
- Parental leave
- Military leave and jury duty that has commenced



**CLA can help by** evaluating the standard related to compensated absences and assisting with or evaluating in financial statement disclosures



# *Insights*

Stay informed and  
prepare for what's next.





# *Questions and Feedback*

We appreciate the opportunity to serve you and welcome any feedback relative to our performance and to the engagement.







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