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California Housing Finance Agency

Audit Results

Year ended June 30, 2024

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

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.



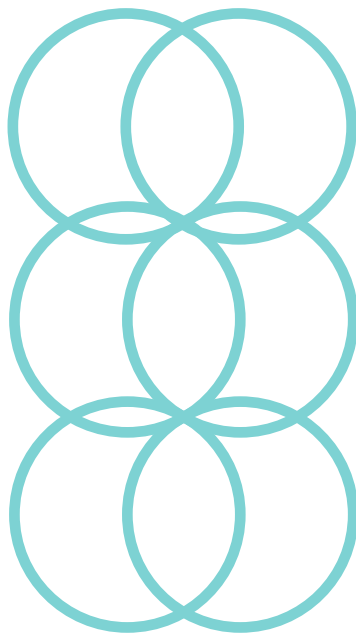
Governance Communications

Overall

- Auditors Responsibility under general accepted audit standards.
- No changes from planned scope.

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				
	2024	2023	2022	2024/2023	2023/2022
ASSETS					
Current Assets					
Cash and investments	\$ 1,743,295	\$ 1,660,383	\$ 1,504,562	\$ 82,912	\$ 155,821
Program loans receivable - net	60,056	61,956	66,330	(1,900)	(4,374)
Other	206,466	184,891	208,881	21,575	(23,990)
Total current assets	2,009,817	1,907,230	1,779,773	102,587	127,457
Noncurrent Assets					
Investments	400,917	299,399	236,080	101,518	63,319
Program loans receivable - net	2,079,072	2,020,416	1,916,651	58,656	103,765
Capital assets	20,885	23,163	26,098	(2,278)	(2,935)
Other noncurrent assets	47,910	27,578	14,262	20,332	13,316
Total noncurrent assets	2,548,784	2,370,556	2,193,091	178,228	177,465
Total Assets	4,558,601	4,277,786	3,972,864	280,815	304,922
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources	\$ 22,134	\$ 21,982	\$ 14,775	\$ 152	\$ 7,207

- \$82.9M increase in cash & investments is primarily due to the new bond issuance, AHRB, and increased money market accounts
- \$101.5M increase in investments primarily due to the purchase of additional mortgage backed securities (MBS)
- \$56.8M net increase in Program Loans Receivable primarily due to an increase in the MF Affordable Housing Revenue Bonds (AHRB) loan portfolio



Statement of Net Position cont.

	\$ CHANGE				
	2024	2023	2022	2024/2023	2023/2022
LIABILITIES					
Current Liabilities					
Bonds payable - net	\$ 4,396	\$ 430	\$ 21,725	\$ 3,966	\$ (21,295)
Notes payable	3,396	3,243	2,947	153	296
Loans payable	204,600	151,422	102,305	53,178	49,117
Other current liabilities	246,970	240,208	246,447	6,762	(6,239)
Total current liabilities	459,362	395,303	373,424	64,059	21,879
Noncurrent Liabilities					
Bonds payable - net	120,461	40,525	99,530	79,936	(59,005)
Notes payable	283,465	286,860	272,461	(3,395)	14,399
Loans payable	379	1,201	2,180	(822)	(979)
Other noncurrent liabilities	431,227	449,628	429,863	(18,401)	19,765
Total noncurrent liabilities	835,532	778,214	804,034	57,318	(25,820)
Total Liabilities	1,294,894	1,173,517	1,177,458	121,377	(3,941)
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources	64,993	46,489	41,609	18,504	4,880
NET POSITION					
Net invested in capital assets	(730)	(384)	305	(346)	(689)
Restricted net position	3,294,458	3,132,039	2,857,944	162,419	274,095
Unrestricted Net Position (deficit)	(72,880)	(51,893)	(89,677)	(20,987)	37,784
TOTAL NET POSITION	\$ 3,220,848	\$ 3,079,762	\$ 2,768,572	\$ 141,086	\$ 311,190

- \$53.2M increase in current loans payable primarily due to issuance of Credit Facility (Braeburn) and Federal Home Loan Bank multifamily loans.
- \$79.9M increase in bonds payable due to the issuance of the AHRB bonds.
- \$18.4M decrease in other noncurrent liabilities primarily due to a \$22M decrease in deferred revenue for the EBL and NMS programs, offset by a \$7.5M increase in OPEB liability



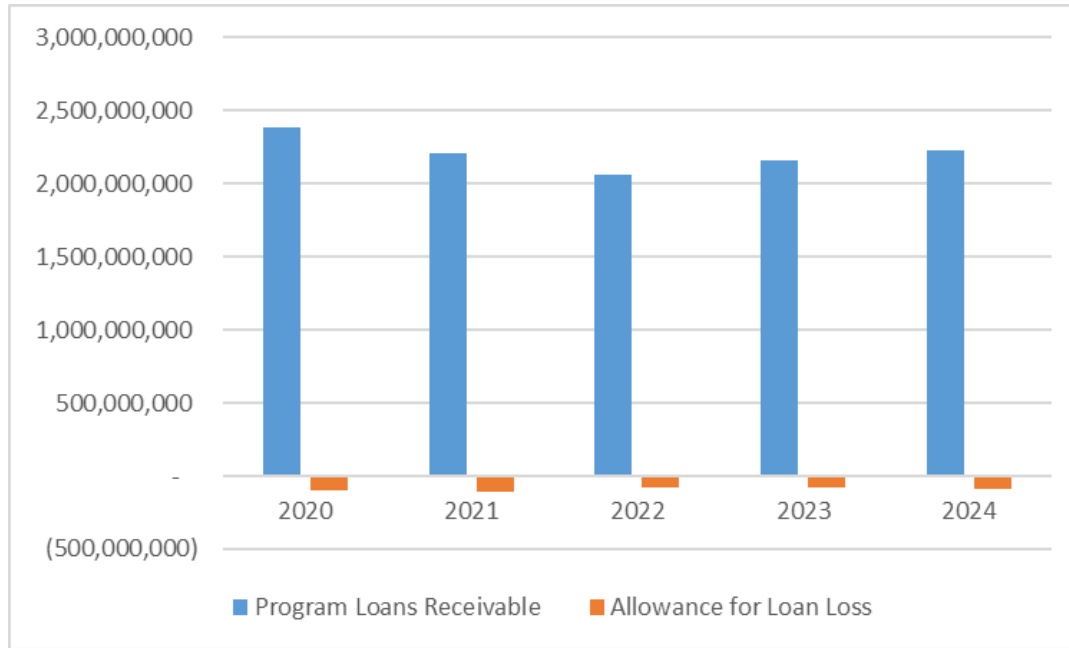
Statement of Revenues, Expenses & Changes in Net Position

	2024		2023		2022		2024/2023		2023/2022	
	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total
Operating Revenues:										
Interest income - program loans, net	\$ 83,786	35.34%	\$ 81,799	33.11%	\$ 95,402	42.86%	\$ 1,987	2.21%	\$ (13,603)	(14.53%)
Interest income - investments, net	72,884	30.75%	38,386	15.54%	10,676	4.80%	34,498	31.40%	27,710	25.03%
Realized gain on sale of securities	3,879	1.64%	6,999	2.83%	20,613	9.26%	(3,120)	(2.83%)	(13,614)	(12.41%)
Other loan fees	23,050	9.72%	40,802	16.51%	17,357	7.80%	(17,752)	(16.45%)	23,445	21.53%
Other revenues	51,559	21.75%	52,168	21.11%	22,407	10.07%	(609)	(0.56%)	29,761	27.34%
Total Operating Revenues	235,158		220,154		166,455		15,004		53,699	
Operating Expenses:										
Interest	24,338	19.82%	17,525	19.87%	14,351	28.17%	6,813	47.46%	3,174	18.25%
Mortgage servicing fees	1,925	1.57%	2,064	2.34%	2,334	4.58%	(139)	(6.63%)	(270)	(11.53%)
Salaries & general expenses	41,072	33.44%	13,194	14.96%	22,487	44.15%	27,878	124.37%	(9,293)	(41.35%)
Other expenses	55,477	45.17%	55,419	62.83%	11,766	23.10%	58	0.10%	43,653	78.74%
Total Operating Expenses	122,812		88,202		50,938		34,610		37,264	
Operating Income	112,346		131,952		115,517		(19,606)		16,435	
Non-operating Revenues & Expenses:										
Investment SWAP revenue (fair value)	-	0.00%	21,777	8.81%	45,685	20.53%	(21,777)	(47.69%)	(23,908)	(52.34%)
Prepayment penalty	1,743	0.74%	4,104	1.66%	10,269	4.61%	(2,361)	(23.00%)	(6,165)	(59.60%)
Other	151	0.06%	1,053	0.43%	167	0.08%	(902)	(540.12%)	886	530.54%
Total non-operating revenues & expenses	1,894		26,934		56,121		(25,040)		(29,187)	
Change in net position before transfers	114,240		158,886		171,638		(44,646)	(25.43%)	(12,752)	(7.40%)
Transfers in (out)	26,846		152,304		(221,889)		(125,458)	(47.91%)	374,193	168.00%
Increase (decrease) in net position	141,086		311,190		(50,251)		(170,104)	(121.31%)	361,441	277.60%
Net position at beginning of year	3,079,762		2,768,572		2,818,823		311,190	11.04%	(50,251)	(1.82%)
Net position at end of year	\$ 3,220,848		\$ 3,079,762		\$ 2,768,572		\$ 141,086		\$ 311,190	

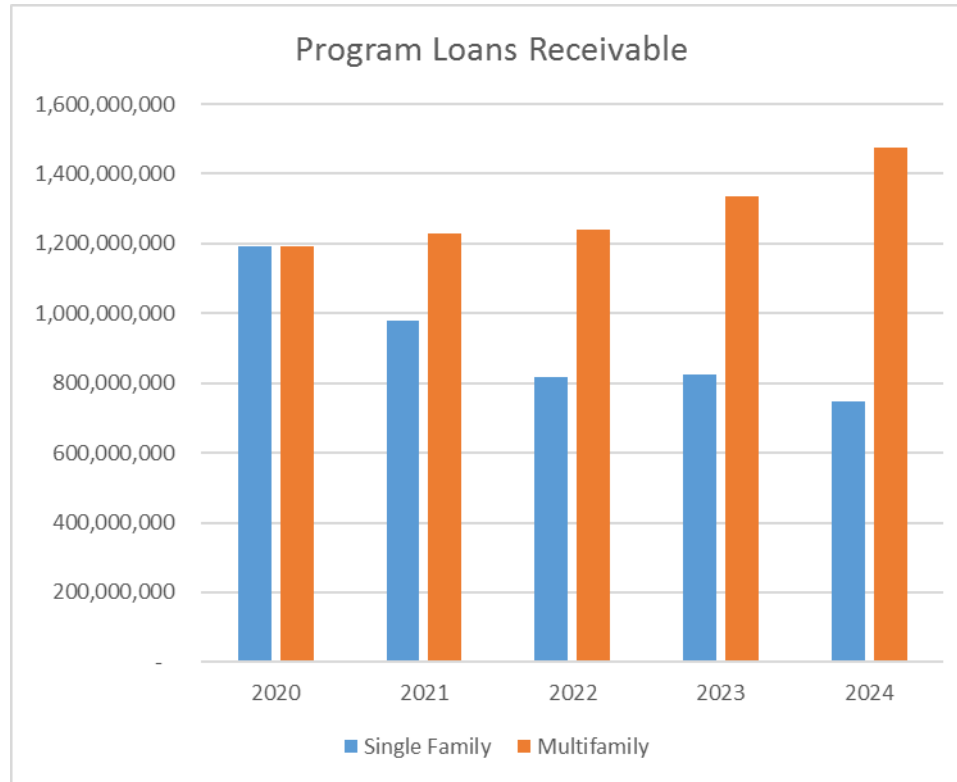
- \$36.5M net increase in interest income is primarily due to more favorable rates
- \$17.8M decrease in loan fees, due to decreased loan production (4% decrease in number of loans)
- \$27.9M increase in salaries and general expenses, primarily due to changes in Pension & OPEB for FY24
- \$21.8M decrease in Investment Swap Revenue (Fair value) due to market conditions
- \$125.5M decrease in net transfers in/out due to a reduction in funds received and transferred for the SB2 program and Low & Moderate Income program



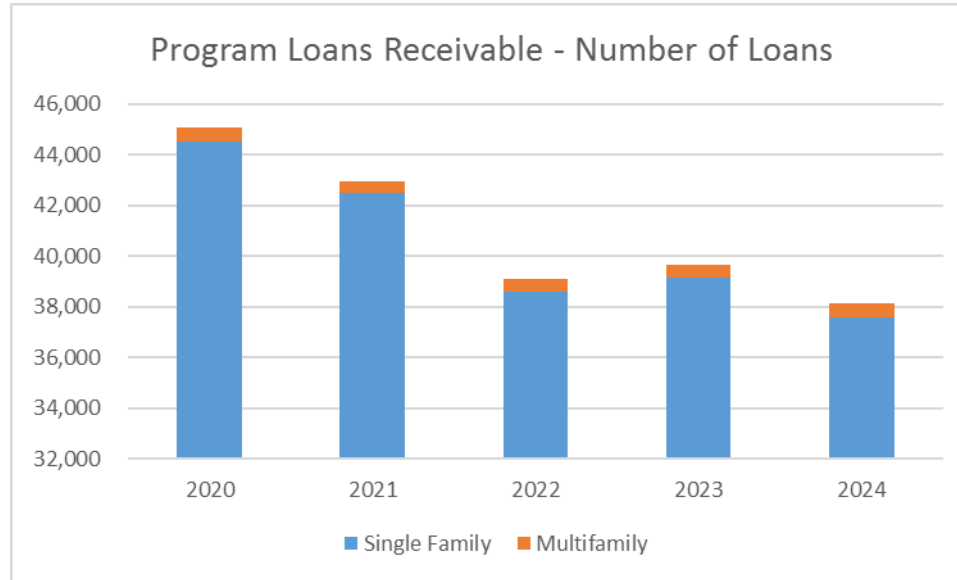
Program Loans Receivable & Related Allowance



Program Loans Receivable – Single Family & Multifamily Breakout



Program Loans Receivable – Single Family & Multifamily Breakout





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 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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