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California Housing Finance Agency

Audit Results

Year ended June 30, 2025

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 101
- Single Audit

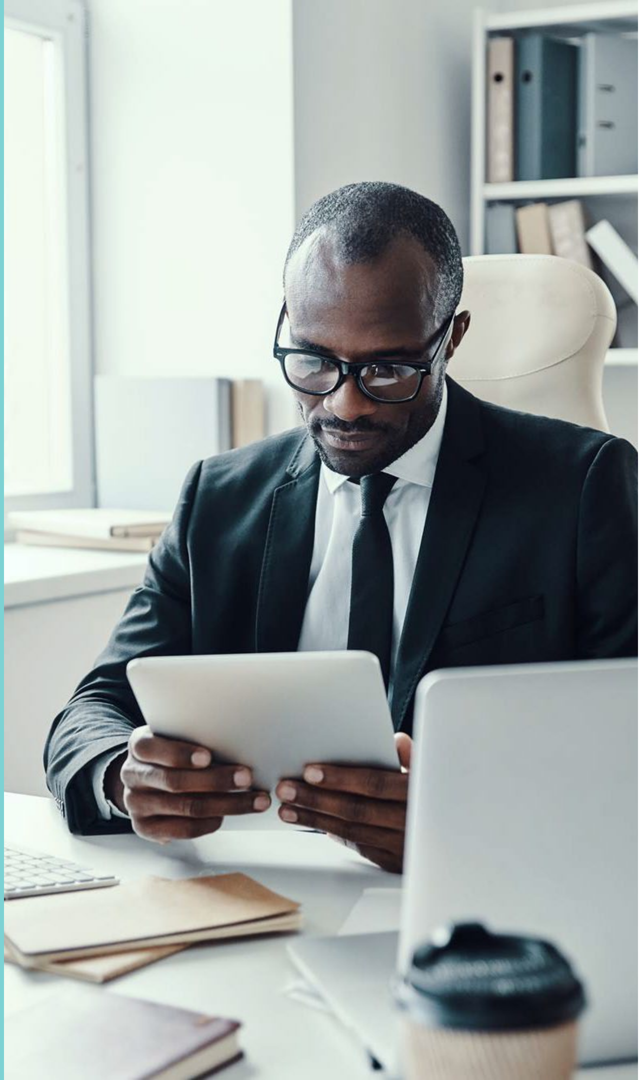
AUDIT OPINIONS

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 101 – no impact for FY25

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
- 1 uncorrected misstatement
    - Unamortized hedge termination is reported as part of the bonds payable balance instead of deferred inflows

Statement of Net Position

	2025	2024	2023	$ CHANGE 2025/2024	$ CHANGE 2024/2023
ASSETS					
Current Assets					
Cash and investments	$ 1,963,046	$ 1,743,295	$ 1,660,383	$ 219,751	$ 82,912
Program loans receivable - net	60,099	60,056	61,956	43	(1,900)
Other	186,518	206,466	184,891	(19,948)	21,575
Total current assets	2,209,663	2,009,817	1,907,230	199,846	102,587
Noncurrent Assets					
Investments	454,476	400,917	299,399	53,559	101,518
Program loans receivable - net	2,263,787	2,079,072	2,020,416	184,715	58,656
Capital assets	18,829	20,885	23,163	(2,056)	(2,278)
Other noncurrent assets	33,276	47,910	27,578	(14,634)	20,332
Total noncurrent assets	2,770,368	2,548,784	2,370,556	221,584	178,228
Total Assets	4,980,031	4,558,601	4,277,786	421,430	280,815
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources	$ 19,948	$ 22,134	$ 21,982	$ (2,186)	$ 152

- $273.3M increase in cash & investments is primarily due to loan repayments received and monthly transfers from the down payment assistance revenue account at US Bank.
- $184.8M increase in program loans receivable due to an increase in issuance of larger value loans.
- $34.6M decrease in other assets primarily due to a decrease in cash collateral due to the closure of the Braeburn LOC.
- $2.2M decrease in deferred outflows of resources primarily due to the $4.1M reduction in pension related outflows.

Statement of Net Position cont.

	2025	2024	2023	$ CHANGE 2025/2024	$ CHANGE 2024/2023
LIABILITIES					
Current Liabilities					
Bonds payable- Net	8,915	4,396	430	4,519	3,966
Notes payable	3,556	3,396	3,243	160	153
Loans payable	113,268	204,600	151,422	(91,332)	53,178
Other current liabilities	266,011	246,970	240,208	19,041	6,762
Total current liabilities	391,750	459,362	395,303	(67,612)	64,059
Noncurrent Liabilities					
Bonds payable - net	450,425	120,461	40,525	329,964	79,936
Notes payable	279,909	283,465	286,860	(3,556)	(3,395)
Loans payable	-	379	1,201	(379)	(822)
Other noncurrent liabilities	389,334	431,227	449,628	(41,893)	(18,401)
Total noncurrent liabilities	1,119,668	835,532	778,214	284,136	57,318
Total Liabilities	1,511,418	1,294,894	1,173,517	216,524	121,377
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources	45,643	64,993	46,489	(19,350)	18,504
NET POSITION					
Net invested in capital assets	(768)	(730)	(384)	(38)	(346)
Restricted net position	3,518,019	3,294,458	3,132,039	223,561	162,419
Unrestricted Net Position (deficit)	(74,333)	(72,880)	(51,893)	(1,453)	(20,987)
TOTAL NET POSITION	$ 3,442,918	$ 3,220,848	$ 3,079,762	$ 222,070	$ 141,086

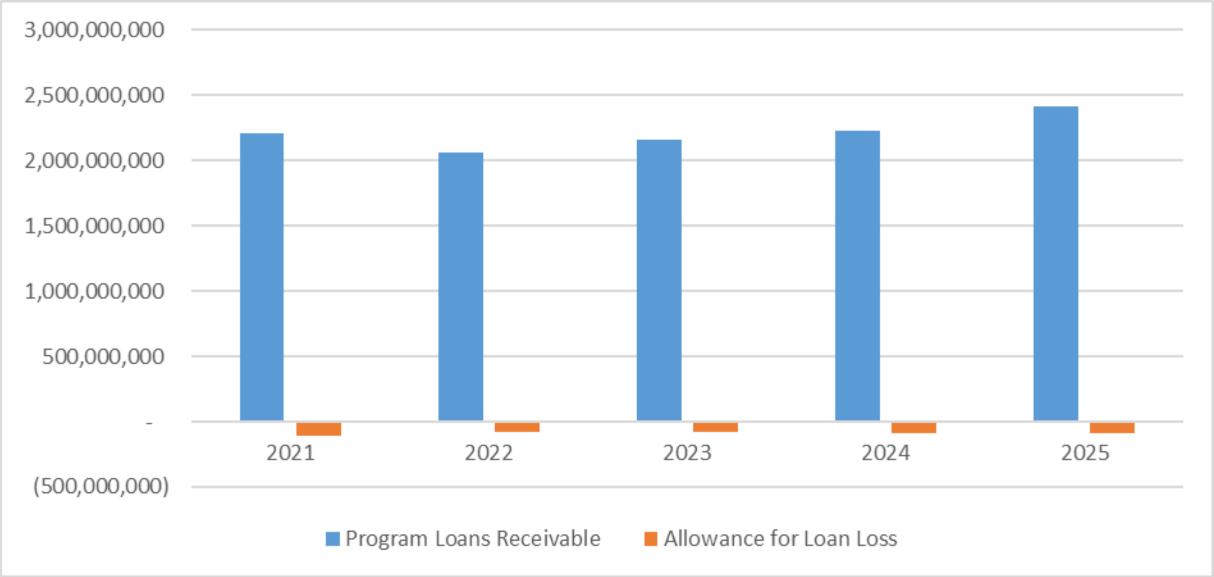
- $334.5M increase in bond payable primarily due to issuance of new bonds and unamortized bond premiums.
- $91.3M decrease in current loans payable due to the termination of the Braeburn LOC.
- $19.0M increase in other current liabilities, primarily due to an increase in the deposit liability for the impound and equity, NIBP refundable fees and HUD risk share loan loss reserve
- $41.9M decrease in other noncurrent liabilities due to recognizing grant revenues for the ADU and EBL programs.
- $19.4M decrease in deferred inflows primarily due to a decrease in the fair value of hedging derivatives, as well as current year changes to Pension & OPEB.

Statement of Revenues, Expenses & Changes in Net Position

	2025	% of Total	2024	% of Total	2023	% of Total	$ CHANGE 2025/2024	$ CHANGE 2024/2023
Operating Revenues:								
Interest income - program loans, net	$ 85,651	27.87%	$ 83,786	35.34%	$ 81,799	33.11%	$ 1,865	$ 1,987
Interest income - investments, net	83,720	27.24%	72,884	30.75%	38,386	15.54%	10,836	34,498
Realized gain on sale of securities	23,887	7.77%	3,879	1.64%	6,999	2.83%	20,008	(3,120)
Other loan fees	29,978	9.75%	23,050	9.72%	40,802	16.51%	6,928	(17,752)
Other revenues	61,816	20.11%	51,559	21.75%	52,168	21.11%	10,257	(609)
Total Operating Revenues	285,052		235,158		220,154		49,894	15,004
Operating Expenses:								
Interest	26,976	21.83%	24,338	19.82%	17,525	19.87%	2,638	6,813
Mortgage servicing fees	1,732	1.40%	1,925	1.57%	2,064	2.34%	(193)	(139)
Salaries & general expenses	38,044	30.78%	41,072	33.44%	13,194	14.96%	(3,028)	27,878
Other expenses	56,849	45.99%	55,477	45.17%	55,419	62.83%	1,372	58
Total Operating Expenses	123,601		122,812		88,202		789	34,610
Operating Income	161,451		112,346		131,952		49,105	(19,606)
Non-operating Revenues & Expenses:								
Interest - positive arbitrage	(64)	-0.02%	-	0.00%	-	0.00%	(64)	-
Investment SWAP revenue (fair value)	-	0.00%	-	0.00%	21,777	8.81%	-	(21,777)
Prepayment penalty	3,044	0.99%	1,743	0.74%	4,104	1.66%	1,301	(2,361)
Other	19,293	6.28%	151	0.06%	1,053	0.43%	19,142	(902)
Total non-operating revenues & expenses	22,273		1,894		26,934		20,379	(25,040)
Change in net position before transfers	183,724		114,240		158,886		69,484	(44,646)
Transfers in (out)	38,346		26,846		152,304		11,500	(125,458)
Increase (decrease) in net position	222,070		141,086		311,190		80,984	(170,104)
Net position at beginning of year	3,220,848		3,079,762		2,768,572		141,086	311,190
Net position at end of year	$ 3,442,918		$ 3,220,848		$ 3,079,762		$ 222,070	$ 141,086

- $12.7M net increase in interest income is primarily due to increase in mortgage-backed securities and the surplus money investment fund
- $20.0M increase in realized gain on sale of securities due to gains from securitizations in the TBA Market Rate Program and changes in the fair value of investments
- $10.3M increase in other revenues primarily due to an increase in Pool Pay-up sale of securities, offset by a decrease in ADU revenue
- $2.6M increase in interest expenses primarily due to the rise of bond interest expense associated with new bond issuances
- $3.0M decrease in salaries and general expenses primarily due to current year changes to the OPEB calculation

Program Loans Receivable & Related Allowance



New GASB Standards

GASB 103 Financial Reporting Model Improvements

Effective date

June 30, 2026

Summary:

Improves key components of the financial reporting model to enhance effectiveness in providing essential information to the readers. This includes updates to the following:

- MD&A
- Unusual or infrequent items
- Noncapital subsidies section (new)
- Statistical section

CLA can help by

assisting with or evaluating financial statement updates

Management's Discussion and Analysis

GASB 34 (old)	GASB 103 (new)
• Government wide and fund analyses – Include reasons for significant changes and discussion of economic factors • Budgetary Variations – Discussion of significant general fund budgetary variances required • Capital Assets – Activity, Commitments • Long Term Debt – Activity, Changes in Credit Ratings and Debt Limitations • Currently Known Facts, Decisions, and Conditions – no explicit guidance	• Government wide and fund analyses – Reasons for change, economic factors, **significant policy changes and economic factors** • Budgetary Variations - No longer required to be in MD&A • Capital Assets - **Additions/disposals**, **Changes to** Commitments, **Policy Changes and Economic Factors** • Long Term **Financing** – Activity, Changes in Credit Ratings and Debt Limitations, **Policy Changes and Economic Factors, Explicitly includes Leases, SBITA, PPP** • Currently Known Facts, Decisions, and Conditions – **Economic/demographic trends, subsequent year's budget, expected changes in budgetary net position or fund balance, actions after end of reporting period by both the government and other parties**

Unusual and Infrequent Items

GASB 34/62 (old)	GASB 103 (new)
• Extraordinary or special depending upon certain factors relating to whether an event is unusual or infrequent • Shown prior to transfers on Statement of Activities • Disclose unusual/infrequent items NOT within management's control	• **Unusual or infrequent** • **Last item** prior to net change on government-wide, governmental fund, and proprietary fund statements of resource flows • Explicit requirement **not** to net inflows/outflows • Disclose whether unusual/infrequent items **are** within management's control • Disclose the **program, function, or identifiable activity** to which an unusual/infrequent item is related

Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position

GASB 34, as amended (old)	GASB 103 (new)
• Operating revenues/expenses - Follow established policy for defining • Nonoperating revenues and expenses - Items not meeting definition of operating, typically capital and noncapital related financing, and investing activities • Subsidies – not defined in technical guidance	• Operating revenues and expenses = revenues and expenses **other than nonoperating** • Nonoperating revenues and expenses = **Subsidies**, financing related, capital asset/inventory disposals, investment income/expenses, contributions to permanent/term endowments (Exceptions apply if such transactions constitute the fund's principal ongoing operations)

Proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Position - GASB 103

<u>Operating revenues (detailed)</u>
    Total operating revenues
<u>Operating expenses (detailed)</u>
    Total operating expenses
        Operating income (loss)
<u>Noncapital subsidies (detailed)</u> NEW
    Total noncapital subsidies
        Operating income (loss) and noncapital subsidies
<u>Other nonoperating revenues and expenses (detailed)</u>
    Total other nonoperating revenues and expenses
        Income (loss) before unusual or infrequent items
NEW <u>Unusual or infrequent items (detailed)</u>
    Increase (decrease) in fund net position
<u>Fund net position—beginning of period</u>
<u>Fund net position—end of period</u>

Statistical Section

GASBs 34 and 37, as amended (old)	GASB 103 (new)
• No explicit requirement to distinguish revenue types when only business-type or business-type/fiduciary activities	• Governments engaged only in business-type/business-type and fiduciary activities – present revenues by **major source** for business-type activities • **Distinguish between operating, noncapital subsidy, and other nonoperating revenue/expenses**

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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