ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Financial Statements

June 30, 2019

(With Independent Auditors' Report Thereon)

Performed as Special Assistant
Auditors for the Auditor General,
State of Illinois

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Table of Contents

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Table of Contents

The Uniform Guidance single audit report will be issued under separate cover.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Agency Officials

Executive Director (11/12/19)	Kristin Faust
Executive Director (2/22/16 – 8/15/19)	Audra Hamernik
Assist. Executive Director/Chief of Staff	Debra Olson
General Counsel	Maureen G. Ohle
Chief Financial Officer (10/19/19)	Tracy Grimm (Acting)
Chief Financial Officer (4/21/14 – 10/18/19)	Nandini Natarajan
Controller (1/22/19)	Timothy J. Hicks
Controller (6/20/16 – 1/21/19)	Vanessa Boykin (Acting)
Chief Internal Auditor	Kevin O'Connor

Agency Officials are located at:

111 E. Wacker Drive, Suite 1000
Chicago, Illinois 60601

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Financial Statement Report

Summary

The audit of the accompanying financial statements of the Illinois Housing Development Authority (A Component Unit of the State of Illinois) was performed by KPMG LLP.

Based on their audit, the auditors expressed unmodified opinions on the Authority's basic financial statements.

Summary of Findings

The auditors identified matters involving the Authority's internal control over financial reporting that they considered to be material weaknesses and a significant deficiency. The material weaknesses are described in the accompanying schedule of findings and responses listed in the table of contents as findings 2019-001 (Inaccurate Financial Reporting) and 2019-002 (Inaccurate Financial Reporting of Investments). The significant deficiency is described in the accompanying schedule of findings and responses listed in the table of contents as finding 2019-003 (Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process).

Exit Conference

On February 5, 2020, the Illinois Housing Development Authority waived the exit conference relating to the audit of the June 30, 2019 financial statements.

The responses to the recommendations were provided in correspondence from Debbie Olson, Chief of Staff, on February 6, 2020.

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
and
The Board of Directors
Illinois Housing Development Authority:

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General of the State of Illinois, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority, a component unit of the State of Illinois, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Authority's June 30, 2018 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated January 21, 2019. In our opinion, the summarized comparative information presented within note 8 to the financial statements as of June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 6 through 16 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 audit 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information on pages 73 through 83 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

/s/KPMG LLP

Chicago, Illinois
February 7, 2020

This Section of the Illinois Housing Development Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- Net position of the Authority increased $134.3 million, to $1,254.4 million as of June 30, 2019, from an increase in the Authority's governmental activities ($64.5 million) and an increase in business-type activities ($69.8 million).

- The increase in net position of the Authority's governmental activities increased $187.1 million from the prior year primarily due to higher federal revenue ($142.6 million), lower grant disbursements ($33.2 million), lower provision for estimated losses on program loans receivable ($20.4 million) offset by lower grants from the State of Illinois ($10.4 million).

- The increase in net position of the Authority's business-type activities increased $33.6 million from the prior year primarily due to increased investment income ($51.3 million), offset by lower interest earned on program loans ($4.2 million), lower tax credit reservation and monitoring fees and other ($2.4 million), higher salaries and benefits ($2.7 million), higher financing costs ($3.1 million) and lower provision for estimated losses on program loans receivable and mortgage participation certificate program ($4.0 million)

- Authority debt issuances during fiscal year 2019 totaled $1.5 billion. The Authority's debt outstanding (net of discounts and premiums) of $1.4 billion as of June 30, 2019 was $222.3 million above the amount outstanding as of June 30, 2018.

- The Authority issued three new series of fixed rate tax-exempt Revenue Bonds, and one new series of variable rate tax-exempt Revenue Bonds, totaling $280.3 million, to fund its homeownership loan program. The bonds are secured by Government National Mortgage Association (GNMA) certificates and Fannie Mae (FNMA) MBS. To hedge the interest rate on the variable rate series, the Authority entered into a long-term fixed payer interest rate swap with Bank of America N.A.

- The Authority issued two new series of fixed rate tax-exempt Homeowner Mortgage Revenue Bonds, and one new series of variable rate tax-exempt Homeowner Mortgage Revenue Bonds, totaling $120.6 million, to economically refund prior series of bonds and fund its homeownership loan program. The bonds are secured by GNMA certificates and FNMA MBS. To hedge the interest rate on the variable rate series, the Authority entered into a long-term fixed payer interest rate swap with the Royal Bank of Canada.

- The Authority issued two new series of variable rate short-term tax-exempt notes totaling $11.8 million to finance the acquisition, rehabilitation, construction and equipping of a 123-unit residential development in Chicago, Illinois. Both notes were directly purchased by PNC Bank, N.A.

- The Authority sold beneficial ownership interest in 8 loans for $56.0 million to finance an affordable multifamily development to the Federal Financing Bank (FFB), an arm of the United States Department of the Treasury. The loans are insured under the FHA-HFA Risk Sharing Program.

- Program loan originations for the year totaled $46.6 million and $31.7 million in the Authority's governmental and business-type activities, respectively, compared to fiscal year 2018 loan originations of $23.9 million and $45.5 million, respectively.
- During fiscal year 2019, the Authority has continued to boost home buying in the State, and particularly in ten Illinois counties hardest hit by the foreclosure crisis. Using funds provided by the United States Department of the Treasury's Hardest Hit Fund (HHF) program, the Authority disbursed $27.7 million in down payment assistance that helped 3,688 homebuyers buy their first home.
- The Authority continued to offer the ACCESS down payment assistance programs, during the fiscal year, that are available statewide, and come with an affordable, fixed interest rate and up to $10,000 to assist eligible borrowers with their down payment and closing costs for the purchase of a new or existing home. The source of down payment assistance funds, based on program structure and anticipated demand, include the Authority's Administrative Fund and excess revenues held under various Authority Bond Funds.

  The Authority has continued to address foreclosure issues throughout the State and has disbursed $53.7 million in direct mortgage assistance, using funds provided by the United States Department of the Treasury's Hardest Hit Fund Program (HHF), that enabled 2,061 households avoid foreclosure on their homes. The Authority disbursed approximately $11.8 million less in direct mortgage assistance in comparison to fiscal year 2018, and the average amount of assistance per household increased from $20,044 to $26,049 demonstrating the increasing need for such assistance throughout the State's hardest hit counties. Additionally, the Authority is one of two states in the nation to offer a refinance program that enables existing homeowners with underwater mortgages to write down the balance on their first mortgage loan and refinance their debt into an affordable loan with a smaller balance.

Overview of the Financial Statements

The financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the Authority:

- The first two statements are government-wide financial statements that provide information about the Authority's overall financial position and operations. These statements, which are presented on the accrual basis, consist of the statement of net position and the statement of activities.
- The remaining statements are fund financial statements of the Authority's thirteen governmental funds, for which activities are funded from State appropriation (grants), U.S. Department of Housing & Urban Development (HUD) and U.S. Treasury Programs, and which the Authority follows the modified accrual basis of accounting, and four proprietary funds, which operate similar to business activities and for which the Authority follows the accrual basis of accounting.
- The basic financial statements also include notes to the financial statements that explain some of the information in the government-wide and fund financial statements and provide more detailed data.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of these statements. The prior year results referred to throughout this section for comparison purposes are as previously reported.

(Continued)

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Most of the Authority's activities are business-type and are reported in its proprietary funds.

The fund financial statements provide more detailed information about the Authority's most significant funds and not the Authority as a whole. The Authority has two kinds of funds:

- Governmental funds – The Authority has thirteen governmental funds. The Authority is the administrator of these funds, the revenues of which are appropriated annually to the Illinois Department of Revenue except for revenues received directly from HUD and the U.S. Treasury for the purpose of making housing grants and loans. These fund statements focus on how cash and other financial assets flowing into the funds have been used.
- Proprietary funds – The Authority's primary activities are in its four enterprise funds; which activities are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of bonds, both tax-exempt and taxable, the proceeds of which are primarily used to make various types of loans to finance low and moderate-income housing. Funding from Nonmajor Proprietary Fund - IHDA Dispositions LLC is primarily rental income collected by the property until such time as disposition occurs. The net position of these funds represents accumulated earnings since their inception, of which $244.0 million is unrestricted.

Financial Analysis of the Authority as a Whole

Net Position

The combined net position of the Authority increased by $134.3 million, or 12% from the June 30, 2018 amount. The following table shows a summary of changes from prior year amounts.

Net Position
(In millions of dollars)

	Governmental activities		Business-type activities		Total		Increase/(Decrease)	
	2019	2018	2019	2018	2019	2018	Amount	Percentage
Current assets:								
Cash and investments – unrestricted	$ 216.5	125.7	494.5	387.3	711.0	513.0	198.0	38.6%
Investments - restricted	—	—	234.1	189.3	234.1	189.3	44.8	23.7%
Program loans receivable	14.3	20.3	38.1	59.8	52.4	80.1	(27.7)	(34.6)%
Other current assets	18.2	22.9	9.7	41.9	27.9	64.8	(36.9)	(56.9)%
Total current assets	249.0	168.9	776.4	678.3	1,025.4	847.2	178.2	21.0%
Noncurrent assets:								
Investments	10.1	27.5	135.8	222.4	145.9	249.9	(104.0)	(41.6)%
Investments – restricted	—	—	858.1	519.9	858.1	519.9	338.2	65.1%
Net program loans receivable	639.6	607.4	473.7	527.6	1,113.3	1,135.0	(21.7)	(1.9)%
Capital assets, net	—	0.1	27.0	26.7	27.0	26.8	0.2	0.7%
Other assets	0.3	0.3	93.5	96.2	93.8	96.5	(2.7)	(2.8)%
Total noncurrent assets	650.0	635.3	1,588.1	1,392.8	2,238.1	2,028.1	210.0	10.4%
Total assets	$ 899.0	804.2	2,364.5	2,071.1	3,263.5	2,875.3	388.2	13.5%
Deferred outflow of resources:								
Accumulated decrease in fair value of hedge derivatives	$ —	—	4.9	0.5	4.9	0.5	4.4	880.0%
Total deferred outflow of resources	$ —	—	4.9	0.5	4.9	0.5	4.4	880.0%
Current liabilities:								
Due to grantees	$ 63.6	66.9	—	—	63.6	66.9	(3.3)	(4.9)%
Due to State of Illinois	73.0	47.6	—	—	73.0	47.6	25.4	53.4%
Bonds and notes payable	—	—	73.8	177.4	73.8	177.4	(103.6)	(58.4)%
Deposits held in escrow	—	—	147.8	139.7	147.8	139.7	8.1	5.8%
Bank note cash collateral	—	—	6.5	21.5	6.5	21.5	(15.0)	(69.8)%
Other current liabilities	1.0	1.1	39.0	26.2	40.0	27.3	12.7	46.5%
Total current liabilities	137.6	115.6	267.1	364.8	404.7	480.4	(75.7)	(15.8)%
Noncurrent liabilities:								
Due to State of Illinois	284.7	276.4	—	—	284.7	276.4	8.3	3.0%
Bonds and notes payable	—	—	1,313.0	987.0	1,313.0	987.0	326.0	33.0%
Other liabilities	—	—	10.1	6.7	10.1	6.7	3.4	50.7%
Total noncurrent liabilities	284.7	276.4	1,323.1	993.7	1,607.8	1,270.1	337.7	26.6%
Total liabilities	$ 422.3	392.0	1,590.2	1,358.5	2,012.5	1,750.5	262.0	15.0%

Net Position
(In millions of dollars)

	Governmental activities		Business-type activities		Total		Increase/(Decrease)	
	2019	2018	2019	2018	2019	2018	Amount	Percentage
Deferred inflow of resources:								
Accumulated increase in fair value of hedging derivatives	$ —	—	0.1	0.3	0.1	0.3	(0.2)	(66.7)%
Unamortized gain on bond refunding	—	—	0.1	0.1	0.1	0.1	—	—%
Unearned revenue	—	—	1.3	4.8	1.3	4.8	(3.5)	(72.9)%
Total deferred inflows of resources	$ —	—	1.5	5.2	1.5	5.2	(3.7)	(71.2)%
Net position:								
Net investment in capital assets	$ —	0.1	4.8	2.5	4.8	2.6	2.2	84.6%
Restricted	476.7	412.1	528.9	475.2	1,005.6	887.3	118.3	13.3%
Unrestricted	—	—	244.0	230.2	244.0	230.2	13.8	6.0%
Total net position	$ 476.7	412.2	777.7	707.9	1,254.4	1,120.1	134.3	12.0%

Governmental Activities

Net position of the Authority's governmental activities increased $64.5 million, or 15.6%, to $476.7 million, mainly from increase of grant receipts in the Hardest Hit Fund (HHF) Program, and decreased grant disbursements between the HHF Program and Nonmajor Governmental Funds, partially offset by decreased grant disbursements in the Rental Housing Support Program. There is no net position of two of the Authority's governmental activities recorded on the Authority's financial statements. The equity of the Illinois Affordable Housing Trust Fund (Housing Program) is recorded as due to the State of Illinois. All revenues of the Rental Housing Support Program Fund are ultimately disbursed as grant or administrative expenses, and therefore no net position is recorded on the Authority's financial statements.

Total net program loans receivable (current and noncurrent), increased by $26.2 million, or 4.2%, to $653.9 million, attributable to increases in the Federal HOME Program Fund ($19.2 million), the Illinois Affordable Housing Trust Fund ($4.8 million) and the Non-Major Funds ($3.4 million), offset by decreases in the HHF Program ($1.2 million). Cash and investments increased by $73.4 million, or 47.9%, attributable to increases in the Illinois Affordable Housing Trust Fund ($30.1 million), the Rental Housing Support Program Fund ($3.5 million), HOME Program Fund ($2.4 million) and HHF Program ($39.0 million), offset by decrease in Nonmajor Governmental Funds ($1.6 million). State statute and federal regulations restrict the use of the governmental funds to program activities.

Due to the State of Illinois (current and noncurrent) increased $33.7 million. This item reflects a liability for the State of Illinois' interest in the equity of the Housing Program as the Authority acts only as the administrator of the Housing Program and accounts for the interest in the equity to be that of the State of Illinois.

Business-type Activities

Net position of the Authority's business-type activities increased $69.8 million, or 9.9%, to $777.7 million. Net program loans receivable (current and noncurrent) decreased $75.5 million, or 12.9%, to $511.8 million from decreases in the Single-Family Program Fund ($23.8 million), Mortgage Loan Program Fund ($43.7 million) and Administrative Fund ($8.0 million) due to loan repayments exceeding loan originations. The decrease in program loans receivable in the Single-Family Program Fund was due to Illinois whole loans being packaged into GNMA certificates and MBSs.

Cash and investments (current and noncurrent) increased $403.7 million, or 30.6%, from increases in the Mortgage Loan Program Fund ($33.7 million), Single Family Program Fund ($379.9) offset by a decrease in the Administrative Fund ($9.9 million).

Total bonds and notes payable (current and noncurrent) increased $222.3 million, or 19.1%, from increases in the Single-Family Program Fund ($320.4 million), offset by a decrease of ($57.8 million) in the Mortgage Loan Program Fund and Administrative Fund ($40.3 million).

Deposits held in escrow increased $8.0 million, or 5.7% due to higher required funding levels.

Bank note cash collateral decreased $15 million and represents amounts held on behalf of the purchaser of Authority issued short-term tax-exempt direct bank notes. The Authority repaid $21.5 million of outstanding collateral notes and issued $6.5 million during the fiscal year.

Restricted net position of the Authority's business-type activities increased $53.7 million, or 11.3%, of which $55.7 million were from net increases within the Authority's Mortgage Loan Program Fund and Single-Family Program Fund (Bond Funds). The net position of the Authority's Bond Funds is classified as restricted, except for a $3.1 million net position invested in capital assets within the Mortgage Loan Program Fund. The remaining restricted increases in net position were from the FAF program, earnings of which are recorded in the Authority's Administrative Fund.

Statement of Activities

The statement of activities shows the sources of the Authority's changes in net position as they arise through its various programs and functions.

The governmental activities consist of programs recorded in four major governmental funds: the Illinois Affordable Housing Trust Fund, the HOME Program Fund, the Rental Housing Support Program Fund and the Hardest Hit Fund. Other programs are recorded in Nonmajor Governmental Funds and consist of the Foreclosure Prevention Program Fund, the Community Development Block Grant Fund, the American Recovery and Reinvestment Act (ARRA) Fund, the Foreclosure Prevention Graduated Program Fund, the Build Illinois Bond Program Fund, the Neighborhood Stabilization Program Fund, the Abandoned Property Program Fund, the National Housing Trust Fund and the Section 811 Project Rental Assistance Demonstration Program Fund.

The business-type activities consist of two housing lending programs, the results of which are primarily recorded within the funds comprising the two major bond funds (the Mortgage Loan Program Fund and the Single Family Program Fund), Nonmajor Proprietary Fund - IHDA Dispositions LLC, which maintains and operates rental properties until such time as disposition occurs, and programs recorded in the Authority's Administrative Fund, which include federal assistance activities that involve the allocation of various federal subsidy funds directly to certain of the Authority's borrowers, tax credit authorization and monitoring, and the Financial Adjustment Factor (FAF) lending program.

A condensed summary of changes in net position for the fiscal year ended June 30, 2019 is shown in the following table.

Changes in Net Position
(In millions of dollars)

	Governmental activities		Business-type activities		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue:						
Program revenues:						
Charges for services	$ 6.9	5.5	124.2	76.0	131.1	81.5
Operating/grant/federal revenues	184.2	52.1	61.2	80.7	245.4	132.8
General revenues:						
Investment income	-	-	26.1	29.2	26.1	29.2
Total revenues	191.1	57.6	211.5	185.9	402.6	243.5
Expenses:						
Direct	110.2	163.4	120.4	130.8	230.6	294.2
Administrative	16.4	16.8	21.3	18.9	37.7	35.7
Total expenses	126.6	180.2	141.7	149.7	268.3	329.9
Increase (decrease) in net position before transfers and special items	64.5	(122.6)	69.8	36.2	134.3	(86.4)
Capital contributions	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	64.5	(122.6)	69.8	36.2	134.3	(86.4)
Net position at beginning of year	412.2	534.8	707.9	671.7	1,120.1	1,206.5
Net position at end of year	$ 476.7	412.2	777.7	707.9	1,254.4	1,120.1

(Continued)

Governmental Activities

Revenues of the Authority's governmental activities increased $133.5 million from the prior year, primarily due to increases in HHF ($127.8 million), HOME Program Fund ($14.7 million) and offset by decreases in Rental Housing Support Program Fund ($7.4 million) and in Nonmajor Governmental Funds ($2.9 million).

Direct expenses of the Authority's governmental activities decreased $53.2 million from the prior year, primarily due to decreases in HHF ($25.2 million), Nonmajor Governmental Funds ($4.3 million), the HOME program Fund ($17.4 million), and the Rental Housing Support Program Fund ($7.7 million), offset by increases in the Illinois Affordable Housing Trust Fund ($0.5 million). Administrative expenses decreased $0.4 million.

Business-Type Activities

Revenues of the Authority's business-type activities increased $25.6 million from the prior year from increases in charges for services ($48.1 million), lower operating grant/federal revenues ($19.5 million) and lower investment income ($3.0 million). Charges for services mainly consist of interest income on program loans ($25.9 million), program investment income ($62.5 million), servicing and development fees ($11.8 million), tax credit reservation and monitoring fees ($6.4 million) and other income ($16.9 million). Program investment income is that income earned within the Authority's bond funds, the investments and income of which is restricted to those funds. Such income increased by $54.3 million from the prior year due primarily to increase an in investments and in the fair value of investments.

Direct expenses of the Authority's business-type activities, which consist primarily of interest expense ($34.5 million) on Authority debt incurred to fund its various lending programs and the pass-through of federal assistance programs' funds ($60.7 million), decreased $10.4 million from the prior year, due mainly to lower federal assistance ($19.3 million), lower provision for estimated losses on program loans receivable ($2.5 million), lower change in accrual for estimated losses on mortgage participation certificate program ($1.7 million), partially offset by higher salaries and benefits ($2.7 million), financing costs ($3.1 million), program grants ($4.3 million), Mortgage Loan Program Fund and Single Family Program Fund financing costs ($1.3 million), other general and administrative $0.8 million), professional fees ($0.6 million) and increased provision for estimated losses on real estate held for sale ($0.1 million).

Program revenues of Multi-Family Mortgage Loan Programs exceeded direct expenses by $25.9 million (See the Statement of Activities). The Authority's business-type activities also generated $26.1 million of unrestricted investment income, which was used primarily to fund and finance single family loans through the use of FNMA MBSs and GNMA certificates, and to partially offset its administrative costs, and thus provided most of the Authority's increase in net position.

(Continued)

Proprietary Fund Results

Net position of the Authority's proprietary funds increased from the June 30, 2018 amount by $69.8 million, to $777.7 million. The following table summarizes the revenues, expenses, and changes in fund net position of the Authority's proprietary funds for the fiscal years ended June 30, 2019 and 2018.

Changes in Net Position/Proprietary Funds
(In millions of dollars)

	Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund		Nonmajor Proprietary Fund - IHDA Dispositions, LLC	
	2019	2018	2019	2018	2019	2018	2019	2018
Operating revenues:								
Interest earned on program loans	$ 1.4	2.0	15.6	17.5	9.0	10.6	—	—
Investment income	26.1	29.2	4.4	2.8	58.0	5.5	—	—
Federal assistance programs	60.6	80.0	0.1	0.1	—	—	—	—
Service fees	7.2	8.4	—	—	—	—	—	—
Development fees	4.6	3.7	—	—	—	—	—	—
HUD savings	0.6	0.7	—	—	—	—	—	—
Rental income and vacancies	—	—	—	—	—	—	—	0.1
Tax credit reservation and monitoring fees	6.4	8.1	—	—	—	—	—	—
Other	5.2	6.6	12.2	10.6	—	0.1	—	—
Total operating revenues	112.1	138.7	32.3	31.0	67.0	16.2	—	0.1
Operating expenses:								
Interest expense	0.9	1.2	9.1	10.4	24.5	18.9	—	—
Federal assistance programs	60.6	80.0	0.1	0.1	—	—	—	—
Salaries and benefits	22.8	20.0	—	—	—	—	—	—
Professional fees	2.9	2.3	—	—	—	—	—	—
Other general and administrative	2.8	2.7	5.9	5.1	0.2	0.4	—	0.1
Financing costs	2.3	0.5	0.2	0.6	4.3	2.6	—	—
Program grants	4.8	0.4	—	—	—	—	—	—
Change in accrual for estimated losses on mortgage participation certificate program	(0.1)	1.6	—	—	—	—	—	—
Provision for (reversal of) estimated losses on program loans receivable	(1.2)	1.6	1.0	1.0	(0.5)	(0.8)	—	—
Provision for estimated losses on real estate held for sale	—	—	0.2	0.2	0.8	0.7	—	—
Total operating expenses	95.8	110.3	16.5	17.4	29.3	21.8	—	0.1
Operating income (loss)	16.3	28.4	15.8	13.6	37.7	(5.6)	—	—
Capital contribution	—	—	—	—	—	—	—	—
Loss on disposition	—	—		—	—	—	—	(0.2)
Transfers	(2.2)	(1.7)	—	0.6	2.2	1.1	—	—
Change in net position	14.1	26.7	15.8	14.2	39.9	(4.5)	—	(0.2)
Net position at beginning of year	275.7	249.0	310.1	295.9	122.1	126.6	—	0.2
Net position at end of year	$ 289.8	275.7	325.9	310.1	162.0	122.1	—	—

Net position of the Administrative Fund increased $14.1 million, compared to the prior year increase of $26.7 million. Administrative Fund operating income was $16.3 million, a decrease of $12.1 million from the prior year, and net transfers out were $2.2 million compared to $1.7 million in the prior year. The fiscal year 2019 decrease in operating earnings was primarily from decreases in investment income ($3.0 million), higher salaries and benefits ($2.8 million), higher general and administrative expenses ($0.1 million) and decreased accrual for estimated losses in the mortgage participation certificate program ($1.7 million), partially offset by lower fees and other income ($3.7 million).

Net position of the Mortgage Loan Program Fund increased $15.8 million, compared to a prior year increase of $14.2 million. Operating income was higher than the prior year ($2.3 million), mainly due to increased general and administrative expenses ($0.9 million), lower interest expense ($1.3 million) and decreased financing costs ($0.3 million), partially offset by an increase in the provision for estimated losses on program loans receivable ($0.01 million).

Net position of the Single-Family Program Fund increased $39.9 million, compared to a prior year decrease of $4.5 million. Operating income was $43.2 million higher than prior year, primarily due to higher investment income ($52.5 million), lower other income ($0.1 million), decreased interest earned on program loans ($1.6 million) partially offset by higher interest expense ($5.6 million), an increase in provision for estimated losses on real estate held for sale ($0.1 million) and higher financing costs ($1.7 million).

Net position of the Nonmajor Proprietary Fund - IHDA Dispositions LLC is $0, as the property was sold during the fiscal year.

Authority Debt

Authority gross debt issuances during fiscal year 2019 totaled $1.5 billion with the issuance of Revenue Bonds ($280.3 million), premium on Revenue Bonds ($11.1 million), Homeowner Mortgage Revenue Bonds ($120.6 million), and premium on Homeowner Mortgage Revenue Bonds ($2.5 million) within the Single Family Program Fund, and direct bank notes ($11.8 million) and Federal Home Loan Bank Advances ($1.0 billion) within the Administrative Fund. Debt retirements within the Mortgage Loan Program, Single Family Program and Administrative Funds were $57.8 million, $94.0 million and $1.1 billion, respectively. Total bonds and notes payable increased $222.3 million. For additional information, see note 8, Bonds and Notes Payable in the Notes to the Financial Statements.

As of July 1, 2018, the Authority's Issuer Credit Ratings were A1 (Stable) by Moody's Investors Service, AA- (Stable) by Standard and Poor's and AA- (Stable) by Fitch Ratings.

The Authority's Issuer Credit Ratings by Moody's Investors Service, Standard and Poor's and Fitch Ratings remain unchanged.

Economic Factors

During fiscal year 2019, tax-exempt bond rates were favorable for new issuance, which provided the Authority an opportunity to issue fixed rate long-term bonds in the Single-Family Program in the amount of $400.9 million. The Authority correspondingly issued variable-rate short-term notes in support of its Multifamily program in the amount of $11.8 million.

Economic refunding of prior bonds was attractive as well due to historically low interest rates. The Authority optionally redeemed and refunded $23.1 million of bonds issued under the Mortgage Loan Program Fund.

During fiscal year 2019, the Authority continued to finance its activity relating to homeownership in the State of Illinois through the sale of mortgage-backed securities to the secondary market. The Authority uses forward commitments to lock in the price of securities related to secondary market sales.

Contacting the Authority's Financial Management

This financial report is designed to provide the citizens of Illinois, our constituents and investors with a general overview of the Authority's finances and to demonstrate the Authority's financial accountability over its resources. If you have questions about this report or need additional financial information, contact the Controller at the Illinois Housing Development Authority, 111 E. Wacker Drive, Suite 1000, Chicago, IL 60601 or visit our web site at: www.ihda.org.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Net Position
June 30, 2019

Assets	**Governmental activities**	**Business-type activities**	**Total**
Current assets:			
Cash and cash equivalents	$ 177,892,967	395,185,717	573,078,684
Funds held by State Treasurer	47,372	—	47,372
Investments	38,582,850	99,356,425	137,939,275
Investments – restricted	—	234,070,147	234,070,147
Investment income receivable	102,196	907,692	1,009,888
Investment income receivable – restricted	—	3,050,878	3,050,878
Program loans receivable	14,307,956	38,115,840	52,423,796
Grant receivable	19,621,621	—	19,621,621
Securities lending collateral	13,000	—	13,000
Interest receivable on program loans	302,677	1,933,401	2,236,078
Other	—	1,833,116	1,833,116
Internal balances	(1,910,489)	1,910,489	—
Total current assets	248,960,150	776,363,705	1,025,323,855
Noncurrent assets:			
Investments	10,138,560	135,753,976	145,892,536
Investments – restricted	—	858,050,995	858,050,995
Program loans receivable, net of current portion	701,290,837	483,329,947	1,184,620,784
Less allowance for estimated losses	(61,710,083)	(9,615,335)	(71,325,418)
Net program loans receivable	639,580,754	473,714,612	1,113,295,366
Real estate held for sale	168,156	2,072,119	2,240,275
Less allowance for estimated losses	—	(586,110)	(586,110)
Net real estate held for sale	168,156	1,486,009	1,654,165
Due from Fannie Mae	—	87,480,401	87,480,401
Due from Freddie Mac	—	4,308,060	4,308,060
Capital assets, net	41,515	27,039,494	27,081,009
Derivative instrument asset	—	13,693	13,693
Other	127,501	262,072	389,573
Total noncurrent assets	650,056,486	1,588,109,312	2,238,165,798
Total assets	899,016,636	2,364,473,017	3,263,489,653
Deferred Outflows of Resources			
Accumulated decrease in fair value of hedging derivatives	—	4,933,932	4,933,932
Total deferred outflows of resources	—	4,933,932	4,933,932

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Statement of Net Position

June 30, 2019

Liabilities	**Governmental activities**	**Business-type activities**	**Total**
Current liabilities:			
Due to grantees	$ 63,602,897	—	63,602,897
Due to State of Illinois	72,997,309	—	72,997,309
Securities lending collateral obligation	13,000	—	13,000
Bonds and notes payable	—	73,811,726	73,811,726
Accrued interest payable	—	11,423,731	11,423,731
Unearned revenue	—	3,360,254	3,360,254
Deposits held in escrow	—	147,791,446	147,791,446
Bank note cash collateral	—	6,500,000	6,500,000
Accrued liabilities and other	965,647	24,188,477	25,154,124
Total current liabilities	137,578,853	267,075,634	404,654,487
Noncurrent liabilities:			
Due to State of Illinois	284,692,741	—	284,692,741
Bonds and notes payable, net of current portion	—	1,312,909,291	1,312,909,291
Unearned revenue	—	5,289,161	5,289,161
Derivative instrument liability	—	4,933,932	4,933,932
Total noncurrent liabilities	284,692,741	1,323,132,384	1,607,825,125
Total liabilities	422,271,594	1,590,208,018	2,012,479,612
Deferred Inflows of Resources			
Accumulated increase in fair value of hedging derivatives	—	13,693	13,693
Unamortized gain on bond refunding	—	92,926	92,926
Unearned revenue	—	1,349,610	1,349,610
Total deferred inflows of resources	—	1,456,229	1,456,229
Net Position			
Net investment in capital assets	41,515	4,754,494	4,796,009
Restricted for bond resolution purposes	—	484,872,295	484,872,295
Restricted for loan and grant programs	476,703,527	44,082,897	520,786,424
Unrestricted	—	244,033,016	244,033,016
Total net position	$ 476,745,042	777,742,702	1,254,487,744

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Statement of Activities

Year ended June 30, 2019

Functions/programs	Expenses	Program revenues: Charges for services and interest income	Program revenues: Operating grant/federal revenues	Program revenues: Capital contributions	Net (expenses) revenues and changes in net position: Governmental activities	Net (expenses) revenues and changes in net position: Business-type activities	Net (expenses) revenues and changes in net position: Total
Governmental activities:							
Illinois Affordable Housing Trust Program	$ 8,764,155	450,917	8,313,238	—	—	—	—
HOME Program	(194,128)	2,236,608	18,493,713	—	20,924,449	—	20,924,449
Rental Housing Support Program	13,123,090	1,239,293	11,883,797	—	—	—	—
Hardest Hit Fund	89,840,917	1,827,122	126,996,015	—	38,982,220	—	38,982,220
Other Programs	14,994,649	1,122,066	18,564,313	—	4,691,730	—	4,691,730
Total governmental activities	126,528,683	6,876,006	184,251,076	—	64,598,399	—	64,598,399
Business-type activities:							
Administrative Programs	21,352,859	3,194,576	—	—	—	(18,158,283)	(18,158,283)
Multi-Family Mortgage Loan Programs	24,702,251	50,578,849	—		—	25,876,598	25,876,598
Multi-Family Federal Assistance Programs	60,702,300	—	60,702,300	—	—	—	—
Single-Family Mortgage Loan Programs	32,223,452	63,500,109	—	—	—	31,276,657	31,276,657
Tax Credit Authorization and Monitoring	2,721,506	6,799,304	—	—	—	4,077,798	4,077,798
FAF Lending Program	—	83,941	493,753	—	—	577,694	577,694
IHDA Dispositions LLC	57,834	21,945	—	—	—	(35,889)	(35,889)
Total business-type activities	141,760,202	124,178,724	61,196,053	—	—	43,614,575	43,614,575
Total Authority	$ 268,288,885	131,054,730	245,447,129	—	64,598,399	43,614,575	108,212,974
General revenues:							
Unrestricted investment income					—	26,187,738	26,187,738
Total general revenues					—	26,187,738	26,187,738
Change in net position					64,598,399	69,802,313	134,400,712
Net position at beginning of year					412,146,643	707,940,389	1,120,087,032
Net position at end of year					$ 476,745,042	777,742,702	1,254,487,744

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Governmental Funds

Balance Sheet

June 30, 2019

	Major Funds					
Assets	**Illinois Affordable Housing Trust Fund**	**HOME Program Fund**	**Rental Housing Support Program Fund**	**Hardest Hit Fund**	**Nonmajor Governmental Funds**	**Total**
Current assets:						
Cash and cash equivalents	$ 59,440,030	12,024,675	9,263,324	66,851,187	30,313,751	177,892,967
Funds held by State Treasurer	—	47,372	—	—	—	47,372
Investments	—	—	38,582,850	—	—	38,582,850
Investment income receivable	—	—	102,196	—	—	102,196
Program loans receivable	7,118,595	6,990,702	—	—	198,659	14,307,956
Grant receivable	5,789,030	—	5,646,021	—	8,186,570	19,621,621
Securities lending collateral	—	13,000	—	—	—	13,000
Interest receivable on program loans	135,796	145,408	—	6,065	15,408	302,677
Due from other funds	—	—	—	—	4,484	4,484
Total current assets	72,483,451	19,221,157	53,594,391	66,857,252	38,718,872	250,875,123
Noncurrent assets:						
Investments	—	—	10,138,560	—	—	10,138,560
Program loans receivable, net of current portion	319,771,904	286,288,759	—	788,007	94,442,167	701,290,837
Less allowance for estimated losses	(34,538,573)	(20,621,934)	—	—	(6,549,576)	(61,710,083)
Net program loans receivable	285,233,331	265,666,825	—	788,007	87,892,591	639,580,754
Real estate held for sale	—	—	—	168,156	—	168,156
Other	—	—	—	127,501	—	127,501
Total noncurrent assets	285,233,331	265,666,825	10,138,560	1,083,664	87,892,591	650,014,971
Total assets	$ 357,716,782	284,887,982	63,732,951	67,940,916	126,611,463	900,890,094
Liabilities and Fund Balances						
Current liabilities:						
Due to grantees	$ —	—	63,602,897	—	—	63,602,897
Due to State of Illinois	72,997,309	—	—	—	—	72,997,309
Securities lending collateral obligation	—	13,000	—	—	—	13,000
Unearned revenue	—	145,408	—	6,065	15,408	166,881
Accrued liabilities and other	—	403,678	—	559,473	2,496	965,647
Due to other funds	26,732	531,087	130,054	1,197,943	29,157	1,914,973
Total current liabilities	73,024,041	1,093,173	63,732,951	1,763,481	47,061	139,660,707
Noncurrent liabilities:						
Due to State of Illinois	284,692,741	—	—	—	—	284,692,741
Total liabilities	357,716,782	1,093,173	63,732,951	1,763,481	47,061	424,353,448
Fund balances:						
Restricted	—	283,794,809	—	66,177,435	126,564,402	476,536,646
Total fund balances	—	283,794,809	—	66,177,435	126,564,402	476,536,646
Total liabilities and fund balances	$ 357,716,782	284,887,982	63,732,951	67,940,916	126,611,463	
Amounts reported for governmental activities in the statement of net position are: different due to:						
Unearned interest receivable on certain program loans receivable						166,881
Capital assets						41,515
Net position of governmental activities						$ 476,745,042

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

June 30, 2019

	Major Funds					
	Illinois Affordable Housing Trust Fund	**HOME Program Fund**	**Rental Housing Support Program Fund**	**Hardest Hit Fund**	**Nonmajor Governmental Funds**	**Total**
Revenues:						
Grant from State of Illinois	$ 8,313,238	—	11,883,797	—	14,931,997	35,129,032
Federal funds	—	18,493,713	—	126,996,015	3,632,317	149,122,045
Interest and investment income	450,917	2,251,467	1,239,293	1,827,370	1,127,854	6,896,901
Total revenues	8,764,155	20,745,180	13,123,090	128,823,385	19,692,168	191,147,978
Expenditures:						
General and administrative	2,927,335	1,657,707	614,532	8,636,882	2,609,537	16,445,993
Grants	5,385,903	—	12,508,558	81,321,765	11,740,427	110,956,653
Program income transferred to State of Illinois	450,917	—	—	—	—	450,917
Provision for (reversal of) estimated losses on program loans receivable	—	(1,851,835)	—	(145,246)	644,685	(1,352,396)
Total expenditures	8,764,155	(194,128)	13,123,090	89,813,401	14,994,649	126,501,167
Excess of revenues over (under) expenditures	—	20,939,308	—	39,009,984	4,697,519	64,646,811
Net change in fund balances	—	20,939,308	—	39,009,984	4,697,519	64,646,811
Fund balances at beginning of year	—	262,855,501	—	27,167,451	121,866,883	
Fund balances at end of year	$ —	283,794,809	—	66,177,435	126,564,402	
Amounts reported for governmental activities in the statement of activities are different due to:						
Unearned interest receivable on certain program loans receivable						(20,895)
Depreciation on capital assets					.	(27,517)
Change in net position of governmental activities						$ 64,598,399

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Proprietary Funds

Statement of Net Position

June 30, 2019

	Major Funds			
Assets	**Administrative Fund**	**Mortgage Loan Program Fund**	**Single Family Program Fund**	**Total**
Current assets:				
Cash and cash equivalents	$ 184,712,661	111,721,416	98,751,640	395,185,717
Investments	99,356,425	—	—	99,356,425
Investments – restricted	15,280,576	143,819,751	74,969,820	234,070,147
Investment income receivable	907,692	—	—	907,692
Investment income receivable – restricted	248,967	121,020	2,680,891	3,050,878
Program loans receivable	11,400,320	16,329,344	10,386,176	38,115,840
Interest receivable on program loans	150,121	975,497	807,783	1,933,401
Due from other funds	2,326,900	7,926,640	6,203,711	16,457,251
Other	1,833,116	—	—	1,833,116
Total current assets	316,216,778	280,893,668	193,800,021	790,910,467
Noncurrent assets:				
Investments	135,753,976	—	—	135,753,976
Investments – restricted	11,693,465	26,670,784	819,686,746	858,050,995
Program loans receivable, net of current portion	57,046,678	274,904,771	151,378,498	483,329,947
Less allowance for estimated losses	(3,540,079)	(3,963,887)	(2,111,369)	(9,615,335)
Net program loans receivable	53,506,599	270,940,884	149,267,129	473,714,612
Real estate held for sale	—	74,465	1,997,654	2,072,119
Less allowance for estimated losses	—	—	(586,110)	(586,110)
Net real estate held for sale	—	74,465	1,411,544	1,486,009
Due from Fannie Mae	—	87,480,401	—	87,480,401
Due from Freddie Mac	—	4,308,060	—	4,308,060
Capital assets, net	1,690,268	25,349,226	—	27,039,494
Derivative instrument asset	—	13,693	—	13,693
Other	262,072	—	—	262,072
Total noncurrent assets	202,906,380	414,837,513	970,365,419	1,588,109,312
Total assets	519,123,158	695,731,181	1,164,165,440	2,379,019,779
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivatives	494,598	—	4,439,334	4,933,932
Total deferred outflows of resources	494,598	—	4,439,334	4,933,932

(Continued)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Proprietary Funds

Statement of Net Position

June 30, 2019

Liabilities	**Major Funds** Administrative Fund	**Major Funds** Mortgage Loan Program Fund	**Major Funds** Single Family Program Fund	**Total**
Current liabilities:				
Bonds and notes payable	$ 13,658,108	34,931,329	25,222,289	73,811,726
Accrued interest payable	—	3,353,801	8,069,930	11,423,731
Unearned revenue	3,303,634	56,620	—	3,360,254
Deposits held in escrow	147,791,446	—	—	147,791,446
Bank note cash collateral	6,500,000	—	—	6,500,000
Accrued liabilities and other	22,948,334	841,644	398,499	24,188,477
Due to other funds	14,134,835	347,623	64,304	14,546,762
Total current liabilities	208,336,357	39,531,017	33,755,022	281,622,396
Noncurrent liabilities:				
Bonds and notes payable, net of current portion	14,483,400	330,081,041	968,344,850	1,312,909,291
Unearned revenue	5,147,610	141,551	—	5,289,161
Derivative instrument liability	494,598	—	4,439,334	4,933,932
Total noncurrent liabilities	20,125,608	330,222,592	972,784,184	1,323,132,384
Total liabilities	228,461,965	369,753,609	1,006,539,206	1,604,754,780
Deferred Inflows of Resources				
Accumulated increase in fair value of hedging derivatives	—	13,693	—	13,693
Unamortized gain on bond refunding	—	92,926	—	92,926
Unearned revenue	1,349,610	—	—	1,349,610
Total deferred inflows of resources	1,349,610	106,619	—	1,456,229
Net Position				
Net investment in capital assets	1,690,268	3,064,226	—	4,754,494
Restricted for bond resolution purposes	—	322,806,727	162,065,568	484,872,295
Restricted for loan and grant programs	44,082,897	—	—	44,082,897
Unrestricted	244,033,016	—	—	244,033,016
Total net position	$ 289,806,181	325,870,953	162,065,568	777,742,702

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Proprietary Funds

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

Year ended June 30, 2019

	Major Funds				
	Administrative Fund	**Mortgage Loan Program Fund**	**Single Family Program Fund**	**Nonmajor Proprietary Fund - IHDA Dispositions LLC**	**Total**
Operating revenues:					
Interest and other investment income	$ 25,182,132	5,115,840	27,992,777	—	58,290,749
Net increase (decrease) in fair value of investments	1,005,606	(662,421)	30,036,764	—	30,379,949
Total investment income	26,187,738	4,453,419	58,029,541	—	88,670,698
Interest earned on program loans	1,356,372	15,592,180	8,976,445	—	25,924,997
State assistance programs	428,551	—	—	—	428,551
Federal assistance programs	60,641,761	60,539	—	—	60,702,300
Service fees	7,228,447	—	—	—	7,228,447
Development fees	4,557,921	—	—	—	4,557,921
HUD savings	598,235	—	—	—	598,235
Rental income	—	—	—	21,945	21,945
Tax credit reservation and monitoring fees	6,448,477	—	—	—	6,448,477
Other	4,746,051	12,206,803	28,090	—	16,980,944
Total operating revenues	112,193,553	32,312,941	67,034,076	21,945	211,562,515
Operating expenses:					
Interest expense	872,464	9,107,440	24,568,409	—	34,548,313
Federal assistance programs	60,641,761	60,539	—	—	60,702,300
Salaries and benefits	22,753,645	—	—	—	22,753,645
Professional fees	2,947,651	—	—	—	2,947,651
Other general and administrative	2,773,953	5,945,262	219,169	20,970	8,959,354
Financing costs	2,314,172	240,780	4,268,008	—	6,822,960
Program grants	4,805,279	—	—	—	4,805,279
Change in accrual for estimated losses on mortgage participation certificate program	(96,028)	—	—	—	(96,028)
Provision for (reversal of) estimated losses on program loans receivable	(1,204,673)	1,030,781	(495,111)	—	(669,003)
Provision for (reversal of) estimated losses real estate held for sale	(1,000)	136,889	812,978	11,864	960,731
Total operating expenses	95,807,224	16,521,691	29,373,453	32,834	141,735,202
Operating income (loss)	16,386,329	15,791,250	37,660,623	(10,889)	69,827,313
Nonoperating revenues (expenses):					
Loss on disposition	—	—	—	(25,000)	(25,000)
Total nonoperating expenses	—	—	—	(25,000)	(25,000)
Income (loss) before transfers	16,386,329	15,791,250	37,660,623	(35,889)	69,802,313
Transfers in	2,480,003	—	4,721,392	—	7,201,395
Transfers out	(4,721,392)	—	(2,480,003)	—	(7,201,395)
Total transfers	(2,241,389)	—	2,241,389	—	—
Change in net position	14,144,940	15,791,250	39,902,012	(35,889)	69,802,313
Net position at beginning of year	275,661,241	310,079,703	122,163,556	35,889	707,940,389
Net position at end of year	$ 289,806,181	325,870,953	162,065,568	—	777,742,702

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2019

	Major Funds				
	Administrative Fund	**Mortgage Loan Program Fund**	**Single Family Program Fund**	**Nonmajor Proprietary Fund - IHDA Dispositions LLC**	**Total**
Cash flows from operating activities:					
Receipts for program loans, interest, and service fees	$ 51,420,705	74,379,556	34,197,808	—	159,998,069
Receipts for rental operations	—	—	—	31,265	31,265
Payments for program loans	(15,646,543)	(14,703,487)	(1,393,580)	—	(31,743,610)
Receipts for federal assistance programs	60,641,761	60,539	—	—	60,702,300
Payments for federal assistance programs	(60,641,761)	(60,539)	—	—	(60,702,300)
Receipts for credit enhancements	—	1,530,042	—	—	1,530,042
Payments for program grants	(4,805,279)	—	—	—	(4,805,279)
Payments to suppliers	(4,135,044)	(6,101,279)	(4,417,203)	—	(14,653,526)
Payments to employees	(22,753,645)	—	—	—	(22,753,645)
Payments for rental operations	—	—	—	(32,834)	(32,834)
Receipts for tax credit reservations and monitoring fees	6,448,477	—	—	—	6,448,477
Other receipts	5,772,838	12,206,803	28,090	—	18,007,731
Net cash provided by (used in) operating activities	16,301,509	67,311,635	28,415,115	(1,569)	112,026,690
Cash flows from noncapital financing activities:					
Interest paid on revenue bonds and notes	(982,880)	(10,023,029)	(22,241,291)	—	(33,247,200)
Payment of bank note cash collateral	(14,950,000)	—	—	—	(14,950,000)
Due to other funds	3,281,850	(2,386,942)	(884,580)	—	10,328
Due from other funds	2,986,598	2,169,846	(5,025,637)	—	130,807
Proceeds from sale of bonds and notes	1,057,940,000	—	414,442,702	—	1,472,382,702
Principal paid on bonds and notes	(1,098,230,710)	(57,811,669)	(94,044,030)	—	(1,250,086,409)
Transfers in	2,480,003	—	4,893,738	—	7,373,741
Transfers out	(4,721,392)	—	(2,652,350)	—	(7,373,742)
Net cash provided by (used in) noncapital financing activities	(52,196,531)	(68,051,794)	294,488,552	—	174,240,227
Cash flows from capital financing and related activities:					
Acquisition of capital assets	(367,129)	(1,478,681)	—	—	(1,845,810)
Net cash provided by (used in) capital financing and related activities	(367,129)	(1,478,681)	—	—	(1,845,810)
Cash flows from investing activities:					
Purchase of investment securities	(1,126,430,508)	(547,851,118)	(740,792,559)	—	(2,415,074,185)
Proceeds from sales and maturities of investment securities	1,185,418,958	498,602,545	470,932,514	—	2,154,954,017
Interest received on investments	4,101,760	1,837,116	27,841,422	—	33,780,298
Net cash provided by (used in) investing activities	63,090,210	(47,411,457)	(242,018,623)	—	(226,339,870)
Net increase (decrease) in cash and cash equivalents	26,828,059	(49,630,297)	80,885,044	(1,569)	58,081,237
Cash and cash equivalents, beginning of year	157,884,602	161,351,713	17,866,596	1,569	337,104,480
Cash and cash equivalents, end of year	$ 184,712,661	111,721,416	98,751,640	—	395,185,717

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2019

	Major Funds				
	Administrative Fund	**Mortgage Loan Program Fund**	**Single Family Program Fund**	**Nonmajor Proprietary Fund - IHDA Dispositions LLC**	**Total**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 16,386,329	15,791,250	37,660,623	(10,889)	69,827,313
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Loss on disposition	—	—	—	(25,000)	(25,000)
Investment income	(26,187,738)	(4,453,419)	(58,029,541)	—	(88,670,698)
Interest expense	872,464	9,107,442	24,568,407	—	34,548,313
Depreciation and amortization	401,811	1,111,810	—	—	1,513,621
Change in accrual for estimated losses on mortgage participation certificate program	(96,028)	—	—	—	(96,028)
Changes in provision for (reversal of) estimated losses on program loans receivable	(1,204,673)	(1,896,081)	(1,406,709)	—	(4,507,463)
Changes in assets and liabilities:					
Program loans receivable	9,289,544	45,981,578	25,406,334	—	80,677,456
Interest receivable on program loans	(1,943)	165,766	146,025	—	309,848
Other liabilities	13,891,063	(26,752)	69,976	—	13,934,287
Other assets	2,950,680	—	—	34,320	2,985,000
Due from Fannie Mae	—	1,454,462	—	—	1,454,462
Due from Freddie Mac	—	75,579	—	—	75,579
Total adjustments	(84,820)	51,520,385	(9,245,508)	9,320	42,199,377
Net cash provided by (used in) operating activities	$ 16,301,509	67,311,635	28,415,115	(1,569)	112,026,690
Noncash investing capital and financing activities:					
Transfer of foreclosed assets	$ (36,809)	(33,925)	2,317,931	—	2,247,197
Increase (decrease) in the fair value of investments	$ 1,877,018	2,935,756	34,186,757	—	38,999,531

See accompanying notes to financial statements.

(1) Authorizing Legislation

The Illinois Housing Development Authority (the Authority) is a body politic and corporate of the State of Illinois (the State) created by the Illinois Housing Development Act, as amended (the Act), for the purposes of assisting in the financing of decent, safe, and sanitary housing for persons and families of low and moderate income in the State and assisting in the financing of residential mortgages in the State. To accomplish its purposes, the Authority is authorized by the Act to make mortgage or other loans to nonprofit corporations and limited profit entities for the acquisition, construction, or rehabilitation of dwelling accommodations and to acquire, and to contract and enter into advance commitments to acquire, residential mortgage loans from lending institutions. The Act also authorizes the Authority to issue its bonds and notes to fulfill corporate purposes, including the financing of mortgage and construction loans, the acquisition of residential mortgage loans and the making of loans for housing related commercial facilities. The Authority has issued various bonds and notes to finance mortgage loans and construction loans, to purchase residential mortgage loans from lending institutions, and to make loans to private lending institutions for making new residential mortgage loans.

The bonds and notes outstanding as of June 30, 2019, as shown on the Authority's financial statements consist of both general and special limited obligations of the Authority (see note 8). The full faith and credit of the Authority are pledged for payment of general obligation bonds and notes. The Authority has the power under the Act to have up to $3.6 billion of general and special limited obligation bonds and notes outstanding, excluding those issued to refund outstanding bonds and notes. At June 30, 2019, amounts outstanding against this limitation were approximately $2.5 billion.

(2) Summary of Significant Accounting Policies

The following summarizes the significant accounting policies of the Authority:

(a) Reporting Entity

As defined by U.S. generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

(a) Appointment of a voting majority of the component unit's board, and either a) the ability of the primary government to impose its will, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(b) Fiscal dependency on the primary government.

For financial reporting purposes, the Authority is a component unit of the State of Illinois. The Authority has one component unit, the IHDA Dispositions LLC (the LLC). Separate financial statements are not prepared for the LLC.

The LLC was organized on September 25, 2012 as a member-managed limited liability company under the Illinois Limited Liability Company Act. The LLC was organized by, and is a component unit of, the Authority, a body politic and corporate of the State of Illinois. The sole member of the LLC is the Authority. To the extent provided by the Illinois Limited Liability Company Act, the Authority's liability is limited. The LLC maintains, improves and disposes of multi-family properties, acquired through foreclosure or deed-in-lieu of foreclosure, that are owned by single asset entity LLC's of which the LLC will be the sole member. Since the LLC qualifies as a disregarded entity-single member LLC, income from the LLC would pass through to the 100% owner, the Authority.

With the creation of the LLC, a separate legal entity of the Authority, the criteria for reporting component units was considered. Under Generally Accepted Accounting Principles (GAAP), a component unit can be reported as a discretely presented or blended component unit of the primary government. In considering the criteria of both presentations, the Authority found the LLC to be a component unit of the Authority and should be reported as a blended component unit based on the following criteria defined as:

(a) The Authority and the LLC share a common governing body. GAAP requires that the boards be "substantively the same" need not be identical and there is sufficient representation whereas the voting majority of the component unit's board also functions as a voting majority of the primary government's board.

(b) There is an exclusive or almost exclusive benefit or burden to the Authority, as the LLC (1) provides service entirely or almost entirely to the primary government; or (2) otherwise exclusively or almost exclusively benefits or burdens the primary government even though it does not provide services directly to it.

(b) Basis of Presentation

Government-Wide Statements – The government-wide statement of net position and statement of activities report the overall financial activity of the Authority. Eliminations have been made to help minimize the double-counting of internal activities of the Authority. These statements distinguish between the governmental and business-type activities of the Authority. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Authority and for each function of the Authority's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the Authority's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis on fund financial statements is on major and nonmajor governmental and proprietary (enterprise) funds, each displayed in a separate column.

The Authority reports the following major governmental funds:

Illinois Affordable Housing Trust Fund

The Authority is designated administrator of the Illinois Affordable Housing Program (the Housing Program). The program is funded by the Illinois Affordable Housing Trust Fund with funds generated from a portion of the State real estate transfer tax collected by the Illinois Department of Revenue and held within the State Treasury. The funds are appropriated annually to the Illinois Department of Revenue by the General Assembly. In accordance with State statute, the Authority makes grants and low or no interest mortgages or other loans, some with deferred repayment terms, to acquire, construct, rehabilitate, develop, operate, insure, and retain affordable single family and Multi-Family housing for low and very low income households.

As the administrator of the Housing Program, the Authority considers the interest in equity of the Housing Program to be that of the State of Illinois and the Authority records a liability to the State of Illinois for their equity share. Additionally, the Authority records amounts received to administer the Housing Program as grant revenue.

HOME Program Fund

The Authority is the designated program administrator and the Participating Jurisdiction for the federally funded HOME Investment Partnerships Program (the HOME Program) for the State of Illinois. HOME funds are utilized for a variety of housing activities, according to local housing needs. Eligible uses of funds include tenant-based rental assistance; housing rehabilitation; assistance to homebuyers; and new construction of housing. HOME funding may also be used for site acquisition, site improvements, demolition, relocation, and other necessary and reasonable activities related to the development of non-luxury housing.

Rental Housing Support Program Fund

The Authority is designated administrator of the Rental Housing Support Program (the Support Program). The program is funded by a surcharge for the recording of any real estate-related document. The funds are appropriated to the Illinois Department of Revenue by the General Assembly. The Authority awards funds to local administering agencies, which will contract with local landlords to make rental units affordable to households who earn less than 30% of the area median income.

As the administrator of the Support Program, the Authority initially records amounts received as revenue and a due to grantee liability is recorded. As funds are disbursed from the program, the Authority reduces the liability.

Hardest Hit Fund

The Authority is designated program administrator for the Hardest Hit Fund (HHF) for grants appropriated to the State of Illinois by the United States Department of the Treasury (the Treasury) as authorized by the Emergency Economic Stabilization Act of 2008 (Public Law 110-343), as amended, as the same may be amended from time to time (EESA). The funds are used to help prevent foreclosure and stabilize housing markets through programs that provide interim mortgage payment assistance and principal reduction for distressed homeowners, down payment assistance for homebuyers in targeted areas, and assistance to demolish vacant, blighted structures.

The Authority reports the following major proprietary funds:

Administrative Fund

Development fee and financing fee income related to Multi-Family mortgage loans, income from service fees, and operating expenses of the Authority are accounted for in the Administrative Fund. In addition, the Administrative Fund has provided for supplemental financing of certain developments through

(Continued)

residual income loans and below market financing for various developments through the Authority's Housing Partnership Program (see note 5), and its lending program in conjunction with a debt service savings sharing agreement (the FAF Savings Program) with the United States Department of Housing and Urban Development (HUD) (see note 13).

The Administrative Fund's net position that is classified as restricted by contractual agreement for loan and grant programs consist of the FAF Savings Program and income from insurance proceeds that was required to be disbursed as a loan to Lake Grove Village (ML-248).

Mortgage Loan Program Fund

The Mortgage Loan Program Fund accounts for the financing of low and moderate income housing developments from the proceeds of Housing Bonds, Multifamily Initiative Bonds, Multifamily Revenue Bonds and Affordable Housing Program Trust Fund Bonds, and for the retirement of such obligations.

The Authority holds first mortgage liens on such developments. Affordable Housing Program Trust Fund Bond accounts include a transfer of funds from the Illinois Affordable Housing Trust Fund.

Single Family Program Fund

The Single-Family Program Fund accounts for the proceeds of Homeowner Mortgage Revenue Bonds, Housing Revenue Bonds, Revenue Bonds and Residential Mortgage Revenue Bonds issued to provide funds for the purchase from lending institutions of mortgage loans on owner-occupied, one to four unit dwellings acquired by eligible buyers.

The use of tax-exempt financing to provide eligible borrowers with affordable-rate mortgage loans involves federal restrictions on expenses chargeable to the program. Unless described otherwise in the indenture, any expenses incurred in the program in excess of such maximum amounts are absorbed by the Administrative Fund.

(c) Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Authority receives value without directly giving equal value in exchange, include federal and state grant revenue. Revenue from these sources is recognized in the fiscal year in which all eligibility requirements have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Separate fund financial statements are provided for governmental and proprietary funds. Major governmental and proprietary funds are reported as separate columns in the fund financial statements.

The accounting policies and financial reporting practices of the Authority conform to GAAP, as promulgated in pronouncements of GASB.

(d) Fund Balances

In the fund financial statements, governmental funds report fund balances in the following categories:

Nonspendable – This consists of amounts that cannot be spent because they are either a) not in spendable form, or b) legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation.

Committed – This consists of amounts constrained by limitations that the Authority imposes upon itself through resolution by its board of directors. The commitment amount will be binding unless removed or amended in the same manner.

Assigned – This consists of net amounts that are constrained by the Authority's intent to be used for specific purposes, but that are neither restricted nor committed.

Unassigned – This consists of residual deficit fund balances.

In instances where restricted, committed, and assigned fund balances are available for use, the Authority's policy is to use restricted resources first, followed by committed resources, then assigned resources, as needed. Currently, all of the Authority's governmental funds fund balances are restricted.

(e) Net Position

In the government-wide and proprietary fund financial statements, net position is displayed in the following components:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation and related debt.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

All net position of the governmental activities column of the government-wide financial statements is restricted with respect to the use of cash, investments and loan amounts that are to be repaid to the Authority. (See note 5 for schedules of aging for the loans made under these programs.)

The use of assets of each of the proprietary fund program funds is restricted by the related bond and note resolutions of the Authority. Certain amounts in the above program funds are considered subject to the restriction that they be applied to the financing of housing for the respective program purposes or to the retirement of obligations issued for such purposes; these amounts may include certain investment earnings attributable to the respective fund net position. When both restricted and

(Continued)

unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net position that does not meet the criteria of the two preceding categories.

Designations of net position represents tentative plans by the Authority for financial resource utilization in a future period as documented in the minutes or budgeting process for a succeeding year. Such plans are subject to change from original authorizations and may never result in expenditures.

A portion of the Authority's Administrative Fund unrestricted net position as of June 30, 2019 is designated as follows:

Homeownership Mortgage Loan Program Provide funds to support Single Family Homeownership in the State of Illinois through second lien position loans and/or grants	$	65,000,000
Multi-Family Mortgage Loan Program To pay possible losses arising in the Multi-Family Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans		25,000,000
Homeownership Mortgage Loan Program To pay possible losses arising in the Homeownership Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans		5,000,000
Homeownership Mortgage Loan Program Provide funds to purchase homeownership mortgage loans and/or mortgage-backed securities under the Program which may eventually be purchased with proceeds from future issuances of Authority debt or sold in the secondary market		105,000,000
Multi-Family Mortgage Loan Program Provide funds to finance Multi-Family loans originated under the Program		10,000,000
Provide funds for the Authority's planned technology enhancements		10,000,000
	$	220,000,000

The designations of the Administrative Fund unrestricted net position may be amended or rescinded by the board members of the Authority.

(f) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from the estimates.

(g) Deferred Inflow/Outflow of Resources

A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period and a deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources has a negative impact on net position similar to liabilities but is required to be reported within the statement of net position in a separate section following liabilities. A deferred outflow of resources has a positive effect on net position similar to assets but is required to be reported in the statement of net position in a separate section following assets.

Deferred outflows/inflows of resources include: (i) unamortized losses/gains on bond refundings, which are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt, (ii) amounts reported as accumulated decrease/increase in fair value of hedging derivatives, which represent the anticipated future utilization of the net position of interest rate swap agreements deemed to be effective hedging derivatives, and (iii) unearned revenue for fees earned from the buy down of homeowner mortgage interest rates to below market levels and amortized over the forgivable loan period of the down payment assistance provided.

(h) Risks and Uncertainties

The Authority invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. Such changes could materially affect the amounts reported in the financial statements.

The allowances for estimated losses on loans are reported based on certain assumptions pertaining to the Authority's periodic review and evaluation of the loan portfolio, which is subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

(i) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash, certificates of deposits, time deposits, and short-term repurchase agreements with original maturity dates of three months or less from date of purchase to be cash equivalents.

(j) Investments

Investments of the Authority are reported at fair value. Fair value is determined by reference to public market prices and quotations from a securities pricing service. The Authority records investment transactions based on trade date.

The investment of funds is restricted by various bond and note resolutions of the Authority and the Act, generally, to direct obligations of the United States government; specific bank obligations, certain of which are fully secured as required by the bond and note resolutions; and obligations of other governmental entities that meet defined standards. The type of collateral instruments that secure the demand repurchase agreements held by the Authority is subject to the same restrictions described above. Generally, collateral instruments are held by third-party institutions.

(k) Program Loans Receivable

Program loans receivable include mortgage loans receivable, advances receivable, and residual income loans receivable. Mortgage loans receivable include certain amounts of interest and fees that have been charged by the Authority and added to the loan balance. The due dates for advances and residual income loans receivable are dependent upon future events as specified in the related loan or advance agreements.

(l) Capital Assets

Capital assets in the Administrative Fund consist of investments in furniture, fixtures, and equipment; computer hardware; computer software; and leasehold improvements and are defined by the Authority as assets with an initial, individual historical cost of $5,000 or more, except for computers, camera and video equipment, which are capitalized at any cost. Depreciation and amortization are on a straight-line basis over a period of five to ten years, depending upon the nature of the asset. Leasehold improvements are amortized over the term of the lease.

The Authority records depreciation against Lakeshore Plaza (ML-181) on a straight-line basis over forty years. At June 30, 2019, the net carrying value of ML-181 was $25,349,226 which is net of accumulated depreciation of $23,500,620. Depreciation expense for fiscal year 2019 was $1,111,810. Although the Authority does not regularly own and operate properties as part of its normal business operations for the benefit of furthering their affordable housing mission it is within their scope to do so. Since its acquisition ML-181 has continued to be owned and operated by the Authority as part of its business operations and therefore is reported as a capital asset of the Mortgage Loan Program Fund. The Authority will continue to evaluate the operation of ML-181 and its impact on operations accordingly.

Capital assets for governmental activities, having a net carrying value of $41,515 at June 30, 2019 are used in the Hardest Hit Fund. Depreciation and amortization for these items are recorded on a straight-line basis over three years and amounted to $27,517 during fiscal year 2019.

(m) IHDA Dispositions LLC Real Estate Held for Sale

Property name	Net carrying value	Total no. of units	Out-of-service units	Estimated annual real estate taxes	FY 2019 management fees
Delta Terrace Apartments	$ —	10	5	$ —	$ 9,600

LLC properties are subject to one or more land use restriction agreements (LURA) that restrict occupancy to households that are low income, very low income, or extremely low income. The Authority recorded the LURA against each property at the time it originally provided financing and enforces the LURA until it disposes of the properties. Delta Terrace Apartments sale was finalized on February 22, 2019.

(n) Real Estate Held for Sale

Real estate held for sale arises from foreclosures or other mortgage default-related actions on properties pledged as collateral on mortgage loans. Real estate held for sale is recorded at the unpaid principal balance plus accrued interest on the loans as of the date the loans become real estate owned, plus subsequent expenses incurred less any insurance or other loan-related payments received. Since several loans covered by pool insurance have reached maximum reimbursements allowable for loss claims and other loans in the portfolio are uninsured, it is anticipated that proceeds arising from the sale of such property and certain insurance proceeds may not fully cover any losses experienced. Therefore, the Authority has established a provision for estimated losses on real estate held for sale based on a periodic review of such conditions which considers factors as interest costs, holding costs, sales proceeds, mortgage insurance and pool insurance recoveries to estimate losses.

(o) Bond Premium/Discount, Issuance Costs and Gain/Loss on Refunding

Premium/discount on bonds is netted with bonds payable and amortized using a method approximating the effective interest method over the life of the bonds. Debt issuance costs are recorded as an expense in the period incurred. Unamortized gains and losses on refunding are reported as deferred inflows and outflows of resources, respectively, and are amortized over the shorter of the life of the old or new debt as a component of interest expense.

(p) Operations

Proprietary funds loan origination fees, development fee, and financing fee income are recognized as revenue in the period received. Fees earned on loans, which the Authority does not directly originate, such as loans financed through other financings (see note 8(f)), are recognized as income in the Administrative Fund generally at the time of initial closing.

Proprietary funds annual service fees charged by the Authority to loan recipients, which are deposited in the respective program funds or added to program loans receivable, are recorded as income in the Administrative Fund through interfund accounts.

Proprietary funds rental revenue, reported in the LLC, is principally derived from one-year leases on apartment units, which are accounted for as operating leases. Accordingly, rental revenue is recognized when the rentals become due. Rentals received in advance are accounted for as prepaid rent.

Proprietary funds operating expenses include general and administrative expenses of the Authority; salaries and benefits; costs and expenses incurred in connection with the amortization, issuance, and sale of certain bonds and notes; fees and expenses of trustees and depository and paying agents; and costs related to analyses, surveys, appraisals, and other matters pertaining to maintenance and evaluation of program loans receivable. Operating costs and expenses are charged to expense as incurred.

Proprietary funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund including interest income, service fees, and development fees. Exchange transactions are those in which each party receives and gives up essentially equal values.

A portion of the Authority’s operating expenses of administering the Illinois Affordable Housing Trust Fund, HOME Program, Rental Housing Support Program, HHF, and Nonmajor Governmental Funds are recorded within these governmental funds. Similarly, other related special assistance programs and resolutions of various bond programs allow for these program accounts to record a certain level of operating expenses. Expenses in excess of the allowable ceilings set forth in the resolutions are charged to the Administrative Fund.

Direct expenses as shown in the statement of activities include allocations of Administrative Fund expenses of Authority departments directly involved in the production or monitoring activities associated with the programs, as well as certain costs, both internally and externally incurred, associated with these

(Continued)

programs. Administrative costs include certain administrative and supportive functions and all overhead expenses.

(q) Compensated Absences

The Authority grants vacation and sick leave to all employees and accrues for unused compensated absences. Vacations are allotted on a calendar year basis and are intended to be taken during that year. Unused sick leave allowance is carried forward and accumulated. In the event of termination, employees are paid for all earned but unused vacation time, and one-half of unused accumulated sick leave earned, to a maximum of 30 days. The Authority has no other post-employment benefits (OPEB).

The following is the activity for the compensated absences recorded as accrued liabilities and other:

Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due within one year
$ 651,014	2,236,431	(2,011,056)	876,389	876,389

These amounts are recorded as accrued liabilities and other and liquidated from the Proprietary Fund Administrative Fund.

(r) Provision for Estimated Losses on Program Loans

The Authority provides for estimated losses on program loans in its proprietary and governmental funds based upon the periodic review and evaluation of the Multi-Family and developer loan portfolios and provides additional amounts, if it deems necessary, for estimated losses for individual loans in the funds. In making such review and evaluation, the Authority considers current economic conditions, occupancy and rental level projections, financial statement analyses, onsite inspections, independent appraisals of certain developments, insurance coverage, and such other factors as it deems necessary. The estimated losses of the single-family loan portfolio are based upon a periodic review and evaluation of the whole loan portfolio, including real estate owned properties and considers such factors as delinquencies, interest costs, holding costs, sales proceeds, mortgage insurance and pool insurance recoveries for estimating losses.

(s) Income Taxes

The Authority is a component unit of the State of Illinois and is generally exempt from Federal, State, and local income taxes.

(3) Cash and Investments

The Authority's Financial Management Policy (the Policy) contains the following stated objectives:

- Safety of principal – Preservation and safety of principal is the foremost objective of the Authority's investments. Each investment transaction shall seek to ensure that capital losses within the investment portfolio are avoided, whether they are from securities defaults or erosion of market value.
- Liquidity – The investments portfolio shall remain sufficiently flexible to enable the Authority to meet all operating requirements that may be reasonably anticipated in any fund. This is accomplished by

structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demand.

- Maximum rate of return – The investment portfolio shall be designed with the purpose of regularly exceeding the average return of U.S. Treasury obligations of comparable maturities. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. The Authority's policy does not limit the maturity of investments as a means of managing its exposure to fair value losses arising from an increasing rate environment.

All of the LLC's deposits are in commercial checking and bank money market accounts that are not subject to maturity and therefore do not have interest rate risk.

As of June 30, 2019, the Authority had cash & cash equivalents totaling $573,078,684, which consists of cash of $271,670,105 and cash equivalents held in investments of $301,408,579 as noted below:

		Investment maturities (in days)			
Investment	**Carrying amount**	**Less than 7**	**Less than 30**	**Less than 60**	**Less than 90**
Sweep accounts-money market fund	$ 301,408,579	301,408,579	—	—	—

Money market funds are collateralized by obligations of the U.S. Government or its agencies, or direct investments of such obligations overnight and funds are available the next day.

As of June 30, 2019, the Authority had the following investments:

		Investment maturities (in years)			
Investment	**Carrying amount**	**Less than 1**	**1–5**	**6–10**	**More than 10**
Certificate of Deposit	$ 6,600,716	6,600,716	—	—	—
Commercial Paper	281,592,542	281,592,542	—	—	—
Federal Home Loan Bank Bonds	51,940,402	20,123,572	31,816,830	—	—
Federal Farm Credit Bank Bonds	25,721,234	5,883,871	19,837,363	—	—
Federal Home Loan Mortgage Corp.	71,649,843	18,869,460	51,193,161	—	1,587,222
Federal National Mortgage Assn. Benchmark Notes	1,669,473	—	—	1,669,473	—
Federal Home Loan Bank Discount Notes	20,901,468	20,901,468	—	—	—
Government National Mortgage Association	552,629,151	—	—	—	552,629,151
Federal National Mortgage Assn.	334,199,327	11,558,112	24,124,544	10,156,584	288,360,087
Municipal Bonds	251,380	251,380	—	—	—
U.S. Treasury Bills	123,609	123,609	—	—	—
U.S. Treasury Strips	1,536,881	—	—	1,448,683	88,198
U.S. Treasury Bonds	5,779,707	159,319	5,620,388	—	—
U.S. Treasury Notes	21,357,220	5,945,373	15,411,847	—	—
	$ 1,375,952,953	372,009,422	148,004,133	13,274,740	842,664,658

(b) Credit Risk

Credit risk is the risk the Authority will not recover its investments due to the inability of the counterparty to fulfill its obligation. Statutes of the State and resolutions of the Authority authorize the Authority to invest in obligations of the U.S. Government, agencies, and instrumentalities of the U.S. Government, demand repurchase agreements, and other banking arrangements. The Authority may also invest its funds in such investments as may be lawful for fiduciaries in the State. All funds are held outside of the State Treasury in various banks and financial institutions, except for approximately $47,372 for the HOME Program Fund.

The Authority's investments in U.S. Government and Agency Obligations are rated Aaa by Moody's and/or AA+ by Standard & Poor's.

(c) Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The Authority's cash carrying value balance totaled $271,670,105 at June 30, 2019, and the cash bank balance totaled $271,686,188, which was fully insured or collateralized. Additionally, the Authority's cash equivalents at June 30, 2019, consisted of sweep accounts, held in the Authority's name, with the funds in these accounts invested in money market funds that invest in U.S. Treasury securities, or were held in accounts that were either FDIC insured or collateralized with U.S. government obligations. The Authority's investments at June 30, 2019 were held in the Authority's name in separate Authority custodial accounts. Collateral is pledged in the Authority's name and consists of U.S. Treasury obligations.

(d) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. The Authority's policy does not limit the amounts the Authority may invest in any one issuer. The Authority is considered to have a concentration of credit risk if its investments in any one single issuer (other than securities explicitly guaranteed by the U.S. government) are greater than 5% of total investments. Investments which comprise more than 5% of the Authority's investments as of June 30, 2019 are as follows:

Federal Home Loan Bank	$	144,491,713
Federal National Mortgage Association		335,868,800

(e) Forward Commitments

The Authority sells forward commitments to deliver Government National Mortgage Association (GNMA) certificates and Fannie Mae (FNMA) mortgage-backed securities (MBS). Commitments are sold as mortgage loan reservations are taken to hedge against market fluctuations prior to loan origination and securitization. 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. A net decrease in fair value of $65,433 on these forward commitments, classified as investment derivative instruments, has been recorded in investment income in the Administrative Fund for the year ended June 30, 2019. In addition, $647,682 of forward commitments is recorded on the statement of net position as accrued liabilities and other current liabilities at June 30, 2019.

The Authority is subject to credit risk with respect to counterparties for the forward commitment contracts, summarized below with their credit ratings as of June 30, 2019.

Counterparty	Rating (1)	Number of Contracts		Par Amount
Bank of New York Mellon	AA-/A-1+ (Stable); Aa1(cr)/P-1(cr) (Stable)	9	$	30,122,213
Citigroup Global Markets	BBB+/A-2 (Stable); A3 / (Stable)	22		37,120,889
Jefferies LLC	BBB-/BBB – (Stable); Baa3/Baa3 (Stable)	9		18,888,231
Morgan Stanley	BBB+ (Stable); A3 / P-2 (Stable)	20		8,636,749
Piper Jaffray	BBB+ / A-2 (Stable) A3 / P-2 (Stable)	4		7,100,000
Raymond James & Associates, Inc.	BBB+ (Stable); Baa1 (Stable)	13		19,258,649
Fannie Mae	AA+u/A-1+u (Stable); Aaa /P-1 (Stable)	17		32,796,833
Wells Fargo Securities, LLC	A+ / A-1 (Stable); Aa1(cr)/P-1(cr) (Neg)	13		25,467,482
Total forward commitments		107	$	179,391,046

(1) S&P; Moody's

(f) Fair Value Measurements

GASB Statement No. 72 explains that the government could determine the market price of an asset in one of three ways: 1) actual market transactions for identical or similar items (market approach); 2) the current cost to replace the service capacity of an asset (cost approach); or 3) discounting the current value of future cash flows (income approach). It also establishes a three-tier hierarchy of input quality as follows:

- Level 1 inputs are quoted prices in active markets for identical items;
- Level 2 inputs are all inputs that are directly or indirectly observable, but not on Level 1; and
- Level 3 inputs are all inputs that are unobservable.

The statement directs governments to maximize their use of observable inputs and to minimize the use of unobservable inputs.

Fair value is most frequently applied to investments which GASB Statement No. 72 defines as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following is a description of the valuation methods and assumptions used by the Authority to estimate the fair value of its financial instruments. There have been no changes in the methods and assumptions used at June 30, 2019. The Authority management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Agency securities classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar securities.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates and foreign exchange rates.

Investments and derivative instruments measured at fair value as of June 30, 2019 are as follows:

		Fair value measurements using		
	At June 30, 2019	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable (Level 3)**
Investments:				
Certificate of Deposit	$ 6,600,716	6,600,716	—	—
Commercial Paper	281,592,542		281,592,542	—
Federal Home Loan Bank Bonds	51,940,402	—	51,940,402	—
Federal Farm Credit Bank Bonds	25,721,234	—	25,721,234	—
Federal Home Loan Mortgage	71,649,843		71,649,843	—
Corp.	—	—		
Federal National Mortgage Assn.	1,669,473		1,669,473	—
Benchmark Notes	—	—		
Federal Home Loan Bank	20,901,468		20,901,468	—
Discount Notes	—	—		
Government National Mortgage	552,629,151		552,629,151	—
Association	—	—		
Federal National Mortgage Assn.	334,199,327	—	334,199,327	—
Municipal Bonds	251,380		251,380	—
U.S. Treasury Bills	123,609	123,609	—	—
U.S. Treasury Strips	1,536,881	1,536,881	—	—
U.S. Treasury Bonds	5,779,707	5,779,707	—	—
U.S. Treasury Notes	21,357,220	21,357,220	—	—
	$ 1,375,952,953	35,398,133	1,340,554,820	—
Derivative Instruments:				
Interest rate caps	$ 13,693	—	13,693	—
Interest rate swap	(4,933,932)	—	(4,933,932)	—
Forward Commitments	(647,682)	—	(647,682)	—
	$ (5,567,921)	—	(5,567,921)	—

(g) *Securities Lending Transactions*

The HOME Program Fund records deposits of loan repayments and grant recaptures within the Funds Held by the Illinois State Treasurer (the Treasurer) representing the Authority's proportionate share of HOME Program funds held and maintained by the Treasurer. As the Treasurer also participates in securities lending activities, the Authority additionally records its proportionate share of such securities lending activities.

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2019, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during fiscal year 2019 on the amount of loans amounts of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during fiscal year 2019 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2019, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 100%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2019 were $3,103,274,125 and $3,064,814,670, respectively. The Authority recorded a share of the securities lending cash collateral and associated liability in the HOME Program Fund in the amount of $13,000 as of June 30, 2019.

(4) Interfund Receivables, Payables, and Transfers

Interfund Balances

The Authority reports interfund balances among its funds. These balances generally consist of accruals for various revenues or expenses due to a fund, but received or paid to another, and subsidy transfers between funds. These amounts are generally paid or received within the subsequent fiscal year. Interfund accounts receivable (payable) balances at June 30, 2019 consisted of the following:

Receivable to		Illinois Affordable Housing Trust Fund	HOME Program Fund	Rental Housing Support Program Fund	Hardest Hit Fund	Nonmajor Governmental Funds	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Governmental Funds:										
Nonmajor Governmental Funds	$	—	—	—	—	—	4,484	—	—	4,484
Proprietary Funds:										
Administrative Fund		26,732	531,087	130,054	1,197,943	29,157		347,623	64,304	2,326,900
Mortgage Loan Program Fund		—	—	—	—	—	7,926,640	—	—	7,926,640
Single Family Program Fund		—	—	—	—	—	6,203,711	—	—	6,203,711
	$	26,732	531,087	130,054	1,197,943	29,157	14,134,835	347,623	64,304	16,461,735

The interfund accounts receivable (payable) between the Mortgage Loan Program Fund and the Administrative Fund primarily consist of a fiscal year 2000 operating transfer of $10.4 million to Multi-Family Housing Revenue Bond Accounts made from the Administrative Fund in conjunction with the issuance of the Multi-Family Housing Revenue Bonds, Series 2000A (Lakeshore Plaza Development) and the corresponding transfer of the carrying value of the real estate investment, ML-181, to these accounts, partially reversed by a $5.4 million fiscal year 2006 transfer to the Administrative Fund, plus interfund accounts receivable related to mortgage assistance provided to a previously distressed loan, Larkin Village ($2.8 million). The Authority intends to reverse the remaining amounts of the transfers upon the dispositions of Lakeshore Plaza and Larkin Village. Other interfund payables from the Administrative Fund to governmental and proprietary funds primarily consist of deposits of loan debt service payments that will be transferred subsequent to the fiscal year end.

Transfers

The Authority records transfers between program funds for various purposes including fund closings, earnings transfers, program subsidies, and equity contributions for the initial financing of the Authority's programs.

Transfers for the year ended June 30, 2019 consisted of the following:

		Transfers Out		
		Proprietary Funds		
Transfers in		**Administrative Fund**	**Single Family Program Fund**	**Total**
Proprietary Funds:				
Administrative Fund	$	—	2,480,003	2,480,003
Single Family Program Fund		4,721,392	—	4,721,392
	$	4,721,392	2,480,003	7,201,395

Transfers totaling $4,721,392 from the Administrative Fund to the Single-Family Program Fund funded costs related to issuance of Homeowner Mortgage Revenue Bonds ($2.2 million) and Revenue Bonds ($1.6 million).

Transfers totaling $2,480,003 from the Single Family Program Funds to the Administrative Fund funded costs related to the issuance of Homeowner Mortgage Revenue Bonds.

(5) Program Loans Receivable

The following summarizes program loans receivable, net of allowance for estimated losses, activity for the Authority for the year ended June 30, 2019:

	Net program loans receivable June 30, 2018	Loan disbursements	Loan repayments	(Increase)/ decrease in loan loss allowance	Net program loans receivable June 30, 2019
			(Dollars in thousands)		
Governmental Funds:					
Illinois Affordable Housing Trust Fund	$ 287,492	20,671	(15,547)	(264)	292,352
HOME Program Fund	253,462	21,583	(7,791)	5,404	272,658
Hardest Hit Fund	1,968	—	(1,325)	145	788
Nonmajor governmental funds	84,712	4,362	(339)	(644)	88,091
Total Governmental Funds	$ 627,634	46,616	(25,002)	4,641	653,889
Proprietary Funds:					
Administrative Fund	$ 72,955	15,646	(24,899)	1,205	64,907
Mortgage Loan Program Fund:					
Housing Bonds	234,583	5,970	(48,692)	(92)	191,769
Multifamily Initiative Bonds	41,669	—	(972)	20	40,717
Multifamily Revenue Bonds	46,844	8,660	(6,986)	(1,096)	47,422
Affordable Housing Program Trust Fund Bonds	7,842	—	(3,343)	2,863	7,362
Total Mortgage Loan Program Fund	330,938	14,630	(59,993)	1,695	287,270
Single Family Program Fund:					
Homeowner Mortgage Revenue Bonds	182,959	1,393	(25,595)	495	159,252
Revenue Bonds	533	—	(132)	—	401
Total Single Family Program Fund	183,492	1,393	(25,727)	495	159,653
Total Proprietary Funds	$ 587,385	31,669	(110,619)	3,395	511,830

Loans receivable in the Mortgage Loan Program Fund are secured by first mortgage liens on the related developments. Each development is subject to a regulatory agreement under which the Authority has certain powers relating to rents, profits, occupancy, management, and operations. Monies are required to be deposited in reserve accounts monthly by all mortgagors for real estate tax reserves and by substantially all mortgagors for insurance and replacement reserves. See note 9 regarding these reserves and other deposits held in escrow.

The ability of the mortgagors to make required payments on the mortgage loans receivable depends principally upon the related developments achieving and sustaining sufficient occupancy and rental levels to support such payments. With respect to most developments financed from proceeds of Housing Bonds, the Authority, HUD, and the owners of the developments have entered into agreements whereby HUD will make, under its Section 8 Program, housing assistance payments for the developments. With respect to a portion of loans within its Housing Bond accounts, the Authority has made loans to finance developments entitled to interest reduction payments by HUD under Section 236 of the National Housing Act for all or a portion of the dwelling units in the developments. Such federal subsidies, together with the rents to be paid by the tenants, are estimated by the Authority prior to its issuing an initial mortgage loan commitment, to provide sufficient funds to pay the costs of operation, maintenance, administration, mortgage payments, and Authority fees with respect to each of the developments.

At June 30, 2019, for loans financed under the Mortgage Loan Program Fund, two loans were in arrears in amounts equal to more than three months debt service payments or required deposits to tax and insurance and/or replacement reserves, totaling $357,013 and $620,432, respectively.

For certain past delinquencies, the related developments have not been able to generate net rental income sufficient to pay scheduled debt service and reserve deposits in full. In the opinion of the Authority, these deficiencies of net rental income have arisen for various reasons including (i) the existence of physical defects in the development which have caused operational problems, (ii) higher than anticipated operating expenses of the development, and (iii) depressed rental market conditions in the development’s local area.

In certain cases, cash deficiencies of developments, including certain developments as to which the related mortgage loans are not delinquent as to scheduled debt service payments or required reserve deposits, have been funded in part by advances from the owners of the respective developments. However, there generally can be no assurance that the owners will make additional advances for this purpose. For certain mortgage loans, the Authority holds reserve deposits and letters of credit that may be applied toward delinquencies.

The Authority has pursued actions available under the mortgage and regulatory agreements to cure certain delinquencies. With respect to some developments, the need for capital improvements, repairs, marketing campaigns and other expenditures may be indicated. Where necessary and appropriate, the Authority has committed and/or advanced residual income loans from the Administrative Fund or mortgage loan increases from the related program account to finance these expenditures. In certain instances, the Authority has initiated actions to effect necessary changes in the management of the developments. In addition, the Authority has, in some cases, filed suit against the applicable general contractors and/or bonding companies seeking corrections of the development’s physical defects and has instituted foreclosure proceedings for certain developments.

The Authority’s policy for converting mortgage loans, except for loans financed under the Single-Family Mortgage Loan Program, to nonaccrual status is to discontinue the accrual of interest when a loan becomes 90 days past due. In addition, the Authority does not accrue interest income on loans in which payments are to be made from residual receipts of the development. Payments on such loans are recognized only as received. For loans receivable within the Single-Family Mortgage Loan Program, the Authority accrues interest income on all loans unless they become real estate owned properties, at which time the accrual is suspended.

The Authority does not accrue interest income on approximately $6.4 million of mortgage loans recorded in the Administrative Fund. Payments made on such loans, which generally are payable from residual receipts, if any, of the affected development funds, are recognized only as received. The annual amount of interest on these loans is approximately $123,000.

The Authority, through its Housing Partnership Program, provides loans to not-for-profit organizations, community groups and cities to finance the rehabilitation of existing housing and for the construction of new housing for low and moderate income persons and families. The program's activities are recorded in the Administrative Fund. At June 30, 2019, there is one loan receivable under this program in the amount of $84,539.

Under Section 542 (c) of the Housing and Community Development Act of 1992, HUD is permitted to provide federal credit enhancement through the Federal Housing Administration (FHA) for loans for affordable multifamily developments (FHA-HFA Risk Sharing Program). In June 1994, the Authority entered into a Risk Sharing Agreement (the Agreement) with HUD that permitted the Authority to participate in the FHA-HFA Risk Sharing Program, which has since been converted to a permanent program. Under this program, HUD will insure certain mortgage loans on Multi-Family housing developments (the Risk Sharing Loans) through a system of risk-sharing agreements. HUD has authorized the Authority to make an unlimited amount of loans for such developments. Under the Agreement, the Authority will underwrite the Risk Sharing Loans following its underwriting guidelines. HUD will insure the Risk Sharing Loans and will bear 10% to 90% of the loss as elected by the Authority, in the event of a foreclosure. The Authority will bear the remainder of the risk. The program's service and insurance fee incomes are recorded in the Administrative Fund.

In fiscal year 2016, the Authority entered into a new financing agreement with the Federal Financing Bank (FFB), an arm of the United States Department of Treasury, for selling beneficial ownership interests in mortgage loans originated by housing finance agencies and insured under the FHA-HFA Risk Sharing Program. The Authority sells beneficial ownership interest in its mortgages under this program to FFB. Beneficial ownership interest in mortgage loans that the Authority sells to the FFB will be evidenced by certificates of participation from the Authority. The monthly mortgage payments from the borrower will be used to repay the interest to the FFB and principal payments will reflect the scheduled mortgage principal payments. Through fiscal year 2019, the Authority sold beneficial ownership interests in loans for fourteen affordable multifamily developments totaling $111.93 million to the FFB. For one of these developments as of June 30, 2019, the Authority issued short-term tax-exempt direct bank notes in connection with the financing of a construction loan in an amount of $6.5 million and $5.34 million. An amount equal to the principal balance of the $6.5 million short-term note is being held as a restricted investment in the Administrative Fund, with a corresponding liability to the bank reported as Bank Note Cash Collateral and is expected to repay the purchaser of the note upon its maturity.

The Authority, as of June 30, 2019, has outstanding forty-three Risk Sharing Loans totaling $243,509,219 and elected that HUD assume 10% to 90% of the loss with respect to those loans. Three of these loans totaling $16,721,365 were financed through the issuance of the Authority's Housing Bonds, eight loans totaling $40,994,535 were financed through the issuance of the Authority's Multi-Family Initiative Bonds, seven loans totaling $53,501,842 were financed through the issuance of the Authority's Multifamily Revenue Bonds and three loans totaling $12,336,070 were financed by the Administrative Fund. The remaining twenty-two loans totaling $119,955,406 are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties.

At June 30, 2019 for loans financed under the FHA-HFA Risk Sharing Program where the Authority sold 100% participation interests in the loans to outside parties, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

As of June 30, 2019, for mortgage loans insured with Ambac Assurance Corporation (Ambac Loans) on Multi-Family housing developments under the Authority's Mortgage Participation Certificate Program, the Authority has outstanding four Ambac Loans totaling $13,560,504. These loans are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties. Ambac has guaranteed repayment of principal and interest due on a timely or accelerated basis in accordance with the agreement between the Authority and Ambac. The agreement allows (or provides) the Authority to share its risk with Ambac on the aggregate loan portfolio after the satisfaction of certain requirements and thresholds.

At June 30, 2019, for loans financed under the Mortgage Participation Certificate Program where the Authority sold 100% participation interests in the loans to outside parties, one loan was in arrears in amounts equal to more than three months debt service payments and required deposits to tax and insurance and/or replacement reserves, totaling $9,061 and $152,541, respectively. The loss reserve for loans financed under this program, totaling $2,233,549 as of June 30, 2019, is recorded in accrued liabilities (and other) is recorded in the Administrative Fund.

With respect to the mortgage loans funded by the Homeowner Mortgage Revenue Bonds, a substantial majority of all delinquent mortgage loans receivable at June 30, 2019, were covered by pool insurance policies which provide for loss claim reimbursement up to an aggregate limit equal to 3.5% of the aggregate original principal amount of mortgage loans so covered. With respect to these pool insurance policies, some have reached the maximum reimbursements allowable for loss claims and as a result may not fully cover any losses experienced, and therefore the Authority establishes a provision for estimated losses related to such conditions.

The Authority has reviewed each program loan receivable, including those for developments in the construction or rent-up phases, for the purpose of determining ultimate collectability. The Authority believes that the allowances for estimated losses at June 30, 2019 in the accompanying financial statements are adequate to cover estimated losses of the various funds. The following summarizes the changes in the allowance for estimated losses on program loans receivable during the year ended June 30, 2019:

		Allowance for estimated losses June 30, 2018	Provision for/ (reversal of) estimated losses	Write-offs of uncollectible losses, net of recoveries	Allowance for estimated losses June 30, 2019
			(Dollars in thousands)		
Governmental Funds:					
Illinois Affordable Housing Trust Fund	$	34,274	2,304	(2,040)	34,538
HOME Program Fund		26,027	(1,851)	(3,553)	20,623
Hardest Hit Fund		145	(145)	—	—
Nonmajor Governmental Funds		5,905	644	—	6,549
Total governmental funds	$	66,351	952	(5,593)	61,710
Proprietary Funds:					
Administrative Fund	$	4,745	(1,205)	—	3,540
Mortgage Loan Program Fund		5,659	1,030	(2,725)	3,964
Single Family Program Fund		2,606	(495)	—	2,111
Total proprietary funds	$	13,010	(670)	(2,725)	9,615

The provision for estimated losses for the Illinois Affordable Housing Trust Fund is recorded as a reduction to the amount due to the State of Illinois to reflect the State of Illinois equity interest in the program.

State statute requires that all uncollected receivables due that exceed $1,000 be submitted to the Illinois Attorney General to be certified as uncollectible before the Authority can delete such receivables from its records. As of June 30, 2019, the Authority has requested three certifications totaling $1,160,569 for loans within the Illinois Affordable Housing Trust Fund. Additional certification requests are anticipated to be filed as loss amounts are determined following the conclusion of foreclosure or other loss mitigation activities. The Authority has established provisions for estimated losses against such loans requested and to be requested for such certifications in amounts equal to the outstanding principal balances of the loans.

Scheduled receipts of principal on gross program loans receivable in certain government funds and proprietary funds in the five years subsequent to June 30, 2019 and thereafter are as follows (dollars in thousands):

Governmental Funds:

	Illinois Affordable Housing Trust Fund	HOME Program Fund	ARRA Fund
2020	$ 7,119	$ 6,991	$ 196
2021	5,675	6,002	204
2022	9,503	3,480	212
2023	13,174	10,884	220
2024	12,272	19,713	229
After 2024	279,148	246,210	73,209
	$ 326,891	$ 293,280	$ 74,270

Proprietary Funds:

2020	$ 38,116
2021	20,139
2022	18,982
2023	18,544
2024	18,903
After 2024	406,762
	$ 521,446

Amounts recorded as due from FNMA (Fannie Mae) and the Federal Home Loan Mortgage Corporation (FHLMC/Freddie Mac) in the Mortgage Loan Program Fund represent the disbursed bond proceeds and accrued interest on certain bond issues which are secured by credit enhancements provided by FNMA and FHLMC. Under these obligations, the bond trustee may draw funds directly from FNMA and FHLMC when needed and in amounts sufficient to make timely payments of principal and interest on the bond issues when due and payable.

(Continued)

(6) Real Estate Held for Sale

An analysis of real estate held for sale, net of allowance for estimated losses as of June 30, 2019 is as follows:

Governmental Funds:

	Hardest Hit Fund
Balance at June 30, 2018	$ 166,228
Transfers of loans	1,928
Proceeds received/write-offs	—
Change in loan loss allowance	—
Balance at June 30, 2019	$ 168,156

Proprietary Funds:

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	IHDA Dispositions LLC	Total
Balance at June 30, 2018	$ 36,809	491,896	1,572,310	25,000	2,126,015
Transfers of loans	(36,809)	(33,925)	2,317,930	—	2,247,196
Proceeds received/write-offs	—	(584,705)	(2,804,183)	(25,000)	(3,413,888)
Change in loan loss allowance	—	201,199	325,487	—	526,686
Balance at June 30, 2019	$ —	74,465	1,411,544	—	1,486,009

(7) Capital Assets

Capital asset activity for the year ended June 30, 2019 for governmental activities was as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets being depreciated				
Furniture and equipment	$ 153,099	—	—	153,099
Total capital assets being depreciated	153,099	—	—	153,099
Accumulated depreciation				
Furniture and equipment	84,067	27,517	—	111,584
Total accumulated depreciation	84,067	27,517	—	111,584
Capital assets, net of depreciation	$ 69,032	(27,517)	—	41,515

(Continued)

Capital asset activity for the year ended June 30, 2019 for business-type activities was as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets being depreciated				
Administrative Fund				
Furniture and equipment	$ 5,124,122	504,801	(137,672)	5,491,251
Mortgage Loan Program Fund				
Real estate	47,371,165	1,478,681	—	48,849,846
Total capital assets being depreciated	52,495,287	1,983,482	(137,672)	54,341,097
Total capital assets	52,495,287	1,983,482	(137,672)	54,341,097
Accumulated depreciation				
Administrative Fund				
Furniture and equipment	3,399,172	529,786	(127,975)	3,800,983
Mortgage Loan Program Fund				
Real estate	22,388,810	1,111,810	—	23,500,620
Total accumulated depreciation	25,787,982	1,641,596	(127,975)	27,301,603
Capital assets, net of depreciation	$ 26,707,305	341,886	(9,697)	27,039,494

(Continued)

(8) Bonds and Notes Payable

The following summarizes the debt activity for the Authority's proprietary funds for the year ended June 30, 2019:

	June 30, 2018	Additions	Deductions	June 30, 2019	Amount due within one year
Administrative Fund:					
Direct Borrowing					
Direct Bank Notes	$ 22,083,000	11,840,000	(22,083,000)	11,840,000	11,840,000
Federal Home Loan Bank Advances	46,349,218	1,046,100,000	(1,076,147,710)	16,301,508	1,818,108
Total Administrative Fund	68,432,218	1,057,940,000	(1,098,230,710)	28,141,508	13,658,108
Mortgage Loan Program Fund:					
Direct Placement					
Multifamily Initiative Bonds	136,070,000	—	(2,565,000)	133,505,000	2,580,000
Other Debt					
Housing Bonds	226,310,000	—	(48,265,000)	178,045,000	31,595,000
Discount on Housing Bonds	(99,560)	—	245	(99,315)	—
Multifamily Revenue Bonds	60,543,599	—	(6,981,914)	53,561,685	756,329
Total Mortgage Loan Program Fund	422,824,039	—	(57,811,669)	365,012,370	34,931,329
Single Family Program Fund:					
Other Debt					
Homeowner Mortgage Revenue Bonds	315,645,000	120,615,000	(63,730,000)	372,530,000	12,115,000
Premium on Homeowner Mortgage Revenue Bonds	4,910,415	2,480,003	(1,027,190)	6,363,228	—
Housing Revenue Bonds	110,299,033	—	(14,518,306)	95,780,727	2,303,671
Premium on Housing Revenue Bonds	260,536	—	(52,906)	207,630	—
Discount on Housing Revenue Bonds	(847,650)	—	22,125	(825,525)	—
Revenue Bonds	237,436,033	280,250,000	(14,067,770)	503,618,263	10,803,618
Premium on Revenue Bonds	5,465,100	11,097,699	(669,983)	15,892,816	—
Total Single Family Program Fund	673,168,467	414,442,702	(94,044,030)	993,567,139	25,222,289
Total Proprietary Funds	$ 1,164,424,724	1,472,382,702	(1,250,086,409)	1,386,721,017	73,811,726

(Continued)

Bonds and notes outstanding are general obligations (G.O.) of the Authority with the exception of Homeowner Mortgage Revenue Bonds, Housing Revenue Bonds, Revenue Bonds, Multi-Family Initiative Bonds and Multifamily Revenue Bonds, which are special limited obligations (S.L.O.) of the Authority. S.L.O. bonds, other than Housing Revenue Bonds, Revenue Bonds, and specific series of Homeowner Mortgage Revenue Bonds are payable from pledged property as defined in their respective general resolutions. Housing Revenue Bonds, Revenue Bonds, and specific series of Homeowner Mortgage Revenue Bonds are payable from pledged mortgage-backed securities. Certain issues of Multi-Family Initiative Bonds are credit enhanced by FNMA and FHLMC. The Authority has also pledged its general obligation to the payment of the Affordable Housing Program Trust Fund Bonds to a limited extent and amounts. Per GASB Statement No. 88 disclosure requirements, the Authority is required to disclose direct borrowings, direct placement of debt, as well as other debt that it may hold. As seen in the table above, the Authority currently holds $28,141,508 in direct borrowings of debt, all within the Administrative fund. The Authority also holds $133,505,000 in direct placements of debt, all within the Mortgage Loan Program fund. The remainder of debt held by the Authority is classified as Other Debt, and is located within the Mortgage Loan Program Fund, $231,507,370, and the Single-Family Program Fund, $993,567,139, for an Other Debt total of $1,225,074,509.

The Authority has pledged future mortgage loan and mortgage backed security revenues, net of specified operating expenses, to repay outstanding principal $1.16 billion of S.L.O. bonds as noted in the following schedules for the Mortgage Loan Program Fund and Single-Family Program Fund. The total principal and interest remaining to be paid on the S.L.O. Bonds is $1.76 billion. For S.L.O. bonds payable from pledged property, interest paid for the current year was $25.6 million, and total related mortgage loan principal and interest received were $34.2 million and $13.7 million, respectively.

Bonds and notes outstanding at June 30, 2019 are as follows. Listed maturity dates are indicated as calendar years. The June 30, 2018 amounts are shown for comparative purposes only.

The Authority's outstanding obligations from direct borrowing relating to business-type activities contain provisions declaring events of default based on nonpayment on monies owed, failure to meet certain conditions under the governing documents, the Authority ceasing to be eligible as a housing associate under the Act and other defined provisions within the applicable agreements. The lenders under each of the agreements have rights of principal acceleration under the governing documents based on aforementioned events of default. Subject to the provisions outlined within the respective agreements, additional remedies and enforcement exist.

(a) Mortgage Loan Program Fund

Bonds outstanding of the Mortgage Loan Program Fund are as follows:

	Maturity dates	Interest rate range%	Debt class	Amount June 30 2019	Amount June 30 2018
Housing Bonds:					
2007 Series A	2019–2048	5.00-5.55 %	G.O.	$ —	3,525,000
2007 Series C	2019–2044	5.20-5.38	G.O.	—	8,660,000
2007 Series D	2019–2038	4.63-4.95	G.O.	—	12,225,000
2008 Series A (1)	2019-2027	variable	G.O.	10,570,000	10,930,000
2008 Series B (1)	2019-2027	variable	G.O.	22,285,000	24,185,000
2008 Series C (1)	2019-2041	variable	G.O.	4,590,000	4,700,000
2013 Series B (Taxable)	2019–2047	1.94-4.79	G.O.	46,650,000	48,485,000
2013 Series C	2019–2048	1.75-4.60	G.O.	5,275,000	5,370,000
2013 Series D	2019–2034	2.00-4.95	G.O.	3,305,000	7,845,000
2015 Series A-1	2019–2036	1.50-3.85	G.O.	9,945,000	20,970,000
2015 Series A-2 (Taxable)	2019-2029	2.22-4.07	G.O.	3,945,000	5,280,000
2015 Series A-3 (Taxable) (1)	2045	variable	G.O.	22,580,000	22,580,000
2017 Series A-1 (Taxable)	2019-2027	1.75-3.77	G.O.	18,900,000	21,555,000
2017 Series A-2 (Taxable) (1)	2027-2045	variable	G.O.	30,000,000	30,000,000
				178,045,000	226,310,000
Less unamortized discount thereon				(99,315)	(99,560)
Total Housing Bonds				$ 177,945,685	226,210,440

(1) In accordance with the indenture, interest rates on the bonds are determined weekly and are paid monthly at a rate established by the remarketing agents on each rate determination date. The variable rates paid on the subject bonds ranged from 1.95% to 2.47% at June 30, 2019. Pursuant to the liquidity agreements, the bonds are subject for purchase by liquidity providers in the event of a tender by bondholders (Bank Bonds). Subject to other provisions within the liquidity agreements, the Bank Bonds will bear interest at a rate specified within the agreements and continue to be subject for remarketing by remarketing agents. In the event the remarketing agents are unable to remarket the Bank Bonds over a certain period of time, the Bank Bonds are subject to a put whereby the Authority is required to purchase and redeem the Bank Bonds over a period stated within the agreements. The Authority has a take-out agreement with the liquidity providers to convert the bonds to an installment loan payable over a three-to-five-year period. The interest rate that is to be paid during the put periods is LIBOR plus 150 basis points. The current liquidity agreements for 2008 Series A, B, and C expire on April 24, 2024. The current agreements for 2015 Series A-3 and 2017 Series A-2 expire on January 21, 2020 and February 14, 2022, respectively. The 2015 Series A-3 bonds outstanding balance is reflected as a current liability within the accompanying financial statements.

(Continued)

The bonds and Bank Bonds are general obligations of the Authority and the timely payment of principal and interest on the bonds and Bank Bonds are subject to credit enhancement agreements with credit enhancement providers. The Authority has a general obligation to reimburse the liquidity providers and credit enhancement providers for any such payments made.

	Maturity dates	Interest rate range%	Debt class	Amount June 30 2019	Amount June 30 2018
Multifamily Initiative Bonds:					
Series 2009 B	2019–2051	3.50%	S.L.O.	$ 7,370,000	7,630,000
Series 2009 C	2019–2051	3.01	S.L.O.	18,190,000	18,560,000
Series 2009 D	2019–2041	3.48	S.L.O.	54,490,000	55,350,000
Series 2009 E	2019–2042	2.32	S.L.O.	4,275,000	4,350,000
Series 2009 F	2019–2041	2.32	S.L.O.	5,150,000	5,250,000
Series 2009 G	2019–2041	2.32	S.L.O.	7,720,000	7,860,000
Series 2009 H	2019–2041	2.32	S.L.O.	10,210,000	10,390,000
Series 2009 I	2019–2051	2.32	S.L.O.	9,030,000	9,190,000
Series 2009 J	2019–2043	3.84	S.L.O.	17,070,000	17,490,000
Total Multifamily Initiative Bonds				133,505,000	136,070,000
Multifamily Revenue Bonds:					
2016 Series A (Taxable)	2019–2048	2.63	S.L.O.	17,194,827	23,939,470
2017 Series A	2019–2059	4.05	S.L.O.	25,949,996	26,000,000
2017 Series B	2019–2043	3.21	S.L.O.	10,416,862	10,604,129
Total Multifamily Revenue Bonds				53,561,685	60,543,599
Total Mortgage Loan Program Fund				$ 365,012,370	422,824,039

(b) Single Family Program Fund

Bonds outstanding of the Single-Family Program Fund are as follows:

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2019	Amount June 30 2018
Homeowner Mortgage Revenue Bonds:					
2001 Series F (Taxable) (1)	2019-2020	variable	S.L.O.	$ 2,500,000	4,500,000
2002 Series B (Taxable) (2)	2019-2023	variable	S.L.O.	645,000	825,000
2004 Series C-3 (3)	2025–2034	variable	S.L.O.	11,380,000	12,205,000
2007 Series D	2019–2038	5.20 %	S.L.O.	—	8,635,000
2007 Series H (remarketed 1/30/08)	2019–2033	4.85-5.15	S.L.O.	—	14,580,000
2008 Series A	2018–2028	5.05	S.L.O.	—	100,000
2011 Series A	2018–2019	4.30-4.55	S.L.O.	—	770,000
2011 Series B	2019–2028	4.00-5.00	S.L.O.	350,000	1,950,000
2014 Series A	2019-2035	2.00-4.00	S.L.O.	32,275,000	37,765,000
2014 Series A-4 (Taxable) (3)	2026-2034	variable	S.L.O.	10,675,000	10,675,000
2014 Series A-5 (Taxable) (3)	2025-2035	variable	S.L.O.	20,000,000	20,000,000
2014 Series B	2019-2039	1.60-4.35	S.L.O.	2,115,000	8,065,000
2016 Series A (Taxable)	2019-2034	1.98-4.18	S.L.O.	59,445,000	67,250,000
2016 Series B	2019-2046	1.20-3.50	S.L.O.	22,635,000	28,830,000
2016 Series C	2022-2046	1.50-3.50	S.L.O.	94,305,000	99,495,000
2018 Series A-1	2026-2048	2.95-4.00	S.L.O.	65,240,000	—
2018 Series A-2	2038	variable	S.L.O.	30,000,000	—
2018 Series A-3	2019-2026	2.10-3.35	S.L.O.	20,965,000	—
				372,530,000	315,645,000
Plus unamortized premium thereon				6,363,228	4,910,415
Total Homeowner Mortgage Revenue Bonds				$ 378,893,228	320,555,415

(1) In accordance with the indenture, interest rates on the bonds are determined and paid monthly based upon an index of one-month LIBOR rate plus 0.40% for 2001 Series F. The variable rates paid on the subject bonds was 2.84% at June 30, 2019. The Authority has entered into pay-fixed, receive variable, interest rate swap agreements in connection with these bonds, the objective of which is to establish a maximum debt service which may be paid over the life of the underlying bonds.

(2) In accordance with the indenture, interest rates on the 2002 Series B bonds are determined and paid semi-annually based upon an index of one-month LIBOR rate plus 0.415%. The variable rates paid on the subject bonds was 2.855% at June 30, 2019.

(3) In accordance with the indenture, interest rates on the bonds are determined weekly and are paid monthly at a rate established by the remarketing agents on each rate determination date. The variable rates paid on the subject bonds ranged from 1.84% to 2.48% at June 30, 2019. Pursuant to the liquidity agreements, the bonds are subject for purchase by liquidity providers in the event of a tender by bondholders (Bank Bonds). Subject to other provisions within the liquidity agreements, the Bank Bonds will bear interest at a rate specified within the agreements and continue to be subject for remarketing by remarketing agents. In the event the remarketing agents are unable to remarket the Bank Bonds over a certain period of time, the Bank Bonds are subject to a put whereby the Authority is required to purchase and redeem the Bank Bonds over a period stated within the agreements. The Authority has a take-out agreement with the liquidity providers to convert the bonds to an installment loan payable over a three-to-five-year period. The interest rate that is to be paid during the put periods is LIBOR plus 50 basis points for 2004 Series C-3, LIBOR plus 150 basis points for 2014 Series A-4 and 2014 Series A-5, and LIBOR plus 150 basis points for Series 2018 A-2. The liquidity agreement for 2004 Series C-3 expires on July 13, 2020. The liquidity agreements for 2014 Series A-4 and 2014 Series A-5 expire on March 15, 2024 and March 10, 2024, respectively, and the liquidity agreements for 2018 Series A-2 expires on July 11, 2023.

The Bank Bonds are general obligations of the Authority and the timely payment of principal and interest on some bonds are subject to credit enhancement agreements with credit enhancement providers. The Authority has a general obligation to reimburse the liquidity providers and credit enhancement providers for any such payments made.

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2019	Amount June 30 2018
Housing Revenue Bonds:					
Series 2011-1A	2019–2041	3.285%	S.L.O.	$ 5,866,355	6,588,860
Series 2011-1B	2019–2041	3.285	S.L.O.	9,129,092	11,177,147
Series 2011-1C	2019–2041	3.285	S.L.O.	7,500,000	7,500,000
Series 2012A (Taxable)	2019–2042	2.625	S.L.O.	17,560,782	20,690,858
Series 2013A	2019–2043	2.450	S.L.O.	36,489,635	41,885,442
Series 2013B (Taxable)	2019–2043	2.750	S.L.O.	10,316,213	12,388,159
Series 2013C	2019–2043	3.875	S.L.O.	8,918,650	10,068,567
				95,780,727	110,299,033
Plus unamortized premium thereon				207,630	260,536
Less unamortized discount thereon				(825,525)	(847,650)
Total Housing Revenue Bonds				$ 95,162,832	109,711,919

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2019	Amount June 30 2018
Revenue Bonds:					
2016 Series A	2018-2046	0.95-4.00%	S.L.O.	$ 54,295,000	59,785,000
2017 Series A	2018–2047	3.13	S.L.O.	54,948,263	58,366,033
2017 Series B	2018–2048	1.35-4.00	S.L.O.	114,755,000	119,285,000
2018 Series A	2019–2048	2.05-4.50	S.L.O.	90,370,000	—
2019 Series A	2019–2049	1.60-4.25	S.L.O.	66,750,000	—
2019 Series B (1)	2042	variable	S.L.O.	30,000,000	—
2019 Series C	2019–2049	1.35-4.00	S.L.O.	92,500,000	—
				503,618,263	237,436,033
Plus unamortized premium thereon				15,892,816	5,465,100
Total Revenue Bonds				$ 519,511,079	242,901,133
Total Single Family Program Fund				$ 993,567,139	673,168,467

(1) In accordance with the indenture, interest rates on the bonds are determined weekly and are paid monthly at a rate established by the remarketing agents on each rate determination date. The variable rates paid on the subject bonds was 1.95% at June 30, 2019. Pursuant to the liquidity agreements, the bonds are subject for purchase by liquidity providers in the event of a tender by bondholders (Bank Bonds). Subject to other provisions within the liquidity agreements, the Bank Bonds will bear interest at a rate specified within the agreements and continue to be subject for remarketing by remarketing agents. In the event the remarketing agents are unable to remarket the Bank Bonds over a certain period of time, the Bank Bonds are subject to a put whereby the Authority is required to purchase and redeem the Bank Bonds over a period stated within the agreements. The Authority has a take-out agreement with the liquidity providers to convert the bonds to an installment loan payable over a three-to-five-year period. The interest rate that is to be paid during the put periods is LIBOR plus 150 basis points for 2019 Series B. The liquidity agreement for 2019 Series B expires on March 7, 2024.

The Bank Bonds are general obligations of the Authority and the timely payment of principal and interest on some bonds are subject to credit enhancement agreements with credit enhancement providers. The Authority has a general obligation to reimburse the liquidity providers and credit enhancement providers for any such payments made.

(c) Administrative Fund

Outstanding debt of the Administrative Fund is as follows:

	Maturity date	Interest rate (1)	Debt class	Amount June 30 2019	Amount June 30 2018
Direct Borrowing					
Direct bank notes:					
	2018	0.70 %	Loan	$ —	21,450,000
	2018	0.75	Loan	—	633,000
	2020	1.93	Loan	6,500,000	—
	2020	0.87	Loan	5,340,000	—
Direct Borrowing					
Federal Home Loan Bank Advances:					
	2018	2.04	Loan	—	28,500,000
	2019	1.56	Loan	—	1,221,000
	2020	1.74	Loan	1,503,000	1,503,000
	2021	1.89	Loan	1,503,000	1,503,000
	2022	2.03	Loan	1,313,000	1,313,000
	2024	2.35	Loan	1,406,000	1,406,000
	2027	2.37	Loan	1,241,802	1,401,720
	2027	2.70	Loan	9,334,706	9,501,498
				$ 28,141,508	68,432,218

(1) Interest rate on the loan(s) may be fixed or variable, and is determined by type, length, and use of proceeds.

(d) Current Refundings of Debt

On July 11, 2018, the Authority issued its Homeowner Mortgage Revenue Bonds, 2018 Series A3. The proceeds of the Series 2018 A3 bonds, together with other funds, were used to redeem the Authority's outstanding Homeowner Mortgage Revenue Bonds, 2007 Series D, 2007 Series H-2, and 2008 Series A-2 (the Refunded Bonds).

The Authority, by these current refundings, reduced the present value of its aggregate debt service over the life of the newly issued bonds. The table below shows the anticipated reductions in debt service requirements and the economic gains from the current refundings.

New Issues	Debt Service Reductions Millions	Debt Service Reductions Years	Economic Gain Present Value (Millions)
Homeowner Mortgage Revenue Bonds 2018 Series A3	$ 3.13	20	$ 2.69

(e) Defeased Debt

The Authority has defeased debt by placing the proceeds of new bonds and other amounts in an irrevocable trust to provide for all future debt service payments of the old bonds. At June 30, 2019, the following outstanding bonds are considered defeased.

Issue	Amount
Multi-Family Housing Bonds, 1981 Series A	$ 22,040,000

(f) Other Financings

From time to time the Authority has issued conduit obligations with a claim for repayment solely from payments received with respect to the mortgage loans. The bonds are not general obligations of the Authority, and they are not a debt of the State of Illinois; neither is liable to pay interest and principal on the bonds. Accordingly, the bonds and the related mortgage loans are not included in the Authority's financial statements. The bonds do, however, apply toward the Authority's authorized debt limitation.

As of June 30, 2019, there were eighty-four series of such bonds or notes outstanding, with an aggregate principal amount payable of $1,173,900,524.

(g) Assets Restricted for Capital and Debt Service Reserves

Pursuant to the Act and various resolutions of the Authority, certain assets (principally investments) are maintained in capital and debt service reserve funds and may be used only for the payment of principal and interest on certain bonds. The reserve funds must be maintained at an amount at least equal to the following:

Bonds	Requirement
Housing Bonds	The amount established by each series resolution, currently six months of maximum principal and interest payments.
Multifamily Initiative Bonds	The maximum amount of principal and interest due on any interest payment date excluding the final interest payment date.
Multifamily Revenue Bonds	One-half of the maximum amount of principal and interest due for the then-current or any future calendar year.
Homeowner Mortgage Revenue Bonds	The sum of all amounts established by each series resolution, but such amount cannot be less than 2% for the Homeowner Mortgage Revenue Bonds of the sum of (i) the outstanding principal balance of related mortgage loans and (ii) the amount on deposit to the credit of series program accounts of the program fund.

The amounts of such reserves, for measurement purposes against the various bond resolution reserve requirements, are valued at book value or par, or, if purchased at less than par, at their cost to the Authority. At June 30, 2019, these reserve amounts, which were not less than the amounts required, are as follows:

Housing Bonds	$ 9,313,339
Multifamily Initiative Bonds	1,716,126
Multifamily Revenue Bonds	1,953,639
Homeowner Mortgage Revenue Bonds	10,278,511
	$ 23,261,615

(h) Debt Service Requirements

Debt service requirements (dollars in millions) through 2024 and in five-year increments thereafter to maturity for the Authority's proprietary funds are as follows:

		Administrative Fund Direct Borrowing:		Single Family Program Fund Other Debt:	
		Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:					
2020	$	13.7	0.6	25.2	30.7
2021		1.8	0.4	29.5	30.1
2022		1.6	0.3	29.4	29.5
2023		0.3	0.3	30.7	28.6
2024		1.8	0.3	42.9	27.7
Five years ending June 30:					
2025-2029		8.9	0.8	167.3	123.8
2030-2034		—	—	181.5	95.8
2035-2039		—	—	158.7	69.0
2040-2044		—	—	167.6	42.7
2045-2049		—	—	134.2	13.1
2050-2054		—	—	4.9	0.1
	$	28.1	2.7	971.9	491.1

		Mortgage Loan Program Fund					
		Direct Placement of Debt:		Other Debt:		Total	
		Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
Year ending June 30:							
2020	$	2.6	4.2	32.3	7.1	34.9	11.3
2021		2.7	4.0	9.7	6.3	12.4	10.4
2022		2.8	4.0	9.7	6.0	12.5	10.0
2023		2.9	3.9	9.2	5.8	12.1	9.7
2024		3.1	3.8	8.7	5.6	11.7	9.4
Five years ending June 30:							
2025-2029		17.6	17.4	50.9	23.4	68.4	40.8
2030-2034		21.0	14.4	34.2	16.9	55.2	31.3
2035-2039		25.0	10.7	28.2	11.3	53.1	21.9
2040-2044		48.3	4.5	23.9	7.0	72.3	11.4
2045-2049		4.7	0.6	13.5	3.5	18.2	4.1
2050-2054		2.8	0.1	5.2	1.8	8.1	1.9
2055-2059		—		6.0	1.0	6.1	1.0
	$	133.5	67.6	231.5	95.7	365.0	163.2

The Authority's outstanding obligations from direct borrowing relating to business-type activities contain provisions declaring events of default based on nonpayment on monies owed, failure to meet certain conditions under the governing documents, the Authority ceasing to be eligible as a housing associate under the Act and other defined provisions within the applicable agreements. The lenders under each of the agreements have rights of principal acceleration under the governing documents based on aforementioned events of default. Subject to the provisions outlined within the respective agreements, additional remedies and enforcement exist.

The Authority has a line of credit for cash advances with the Federal Home Loan Bank of Chicago. The current undrawn portion of the Authority authorized amount is $83,699,620.

(i) Derivative Instruments

The incurring of obligations by the Authority involves a variety of interest rate payments and other risks, for which a variety of financial instruments are available to offset, hedge, or reduce these payments and risks. It is the policy of the Authority to utilize risk management agreements to better manage its assets and liabilities. The Authority may execute risk management agreements if the transaction can be expected to result in at least one of, but not limited to, the following:

a) The achievement of savings over alternative products existing in the capital markets;

b) The management of the Authority’s exposure to floating and fixed interest rates;

c) Ability to access the capital markets more rapidly than may be possible with conventional debt instruments;

d) The management of the Authority’s exposure to the risk of changes in the legal and regulatory treatment of tax-exempt bonds; and

e) The ability of the Authority to increase income, lower costs, or strengthen the Authority’s financial position.

As of June 30, 2019, the Authority has four active swap contracts, and two active interest rate caps. Details are shown in the following tables.

	Changes in fair value		Fair value at June 30, 2019		
	Classification	Amount	Classification	Amount	Notional
Business-type activities:					
Cash flow hedges:					
Pay-fixed/receive variable, interest rate swaps:					
Administrative	Deferred outflow	$ (763,748)	*	$ (494,598)	$ 7,422,295
HMRB	Deferred outflow	$ (1,845,283)	*	$ (2,369,055)	$ 33,000,000
RB	Deferred outflow	$ (2,070,279)	*	$ (2,070,279)	$ 30,000,000
Rate caps					
Housing Bonds	Deferred inflow	$ (11,211)	**	$ 13,693	$ 15,520,000

* The fair value is classified as derivative instrument liability and a deferred outflow of resources.
** The fair value is classified as derivative instrument asset and a deferred inflow of resources.

The fair value of the interest rate swaps was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

The fair value of the interest rate swaps and rate caps were estimated by the Authority using data provided by the Authority's swap advisor.

June 30, 2019

Associated bond issue	Notional amounts	Effective date	Fixed rate paid (3)	Variable rate received	Fair values (1)	Termination date	Counter-party credit rating (2)
Active Swap contracts:							
Administrative Fund							
FFB*:							
Marshall Hotel – FFB	$ 7,422,295	9/1/2017	2.6595	%LIBOR-BBA	$ (494,598)	2/1/2048	A / A2
Single Family Program Fund:							
HMRB**:							
Series 2001 F	$ 3,000,000	1/23/2002	6.6150	%1 mo LIBOR+40bp	$ (150,135)	8/1/2020	A- / A2
HMRB 2018 A-2	30,000,000	8/1/2018	2.3940	USD-LIBOR BBA*70.00%	(2,218,920)	2/1/2038	AA- / Aa2
RB***:							
RB 2019B	30,000,000	3/7/2019	2.4310	WKLY RESET - SIFMA	(2,070,279)	4/1/2042	A+ / Aa2
	$ 63,000,000				$ (4,439,334)		
Active Interest Rate Caps:							
Mortgage Loan Program Fund:							
HB****:							
Series 2008 A	$ 10,930,000	1/1/2018	6.0000	NIA	$ 13,610	1/1/2027	A / A2
Series 2008 C	4,590,000	6/28/2006	4.7500	NIA	83	6/30/2021	A+ / Aa2
	$ 15,520,000				$ 13,693		

* Federal Financing Bank
** Homeowner Mortgage Revenue Bonds
*** Revenue Bonds
**** Housing Bonds
(1) Includes accrued interest.
(2) S&P/Moody's
(3) Represents rate for swap and cap rate for interest rate caps.

To protect against the potential of rising interest rates, the Authority has entered into four pay-fixed, receive variable, interest rate swap agreements. The objective of three of these agreements is to achieve a synthetic fixed interest rate on the underlying bonds at a cost anticipated to be less than the amounts paid had the Authority issued fixed rate debt. The objective of the fourth interest rate swap agreement is to protect the Authority's exposure to interest rates relative to a forward commitment for a permanent mortgage loan financing an affordable multifamily development. In addition, the Authority has entered into two interest rate cap agreements, the objective of which is to establish a maximum debt service which may be paid over the life of the underlying bonds.

The terms, fair values, and credit ratings of the outstanding agreements as of June 30, 2019 are shown in the above table. The notional amount of the swap and caps match the principal amount of the associated debt, as applicable, except in the case of Series 2001 F where early redemption of the bonds have reduced the outstanding bond amount leaving the notional amount of the interest rate cap at its original scheduled value.

The Authority's swap and cap agreements in most cases contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or an anticipated reduction in the associated bonds payable category.

Because interest rates have declined since the execution of the swap agreements in the Single-Family Program Fund, they have negative fair values as of June 30, 2019. The negative fair value may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

As of June 30, 2019, the Authority was not exposed to credit risk for the swaps that had negative fair value. As interest rates change and the fair value becomes positive, the Authority is exposed to credit risk in the amount of the swap's or cap's fair value. The Authority is exposed to credit risk on the caps and swaps with positive fair value. The aggregate fair value of hedging derivative instruments with positive fair value at June 30, 2019 was $13,693. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. Fair value is a factor only upon termination.

Basis risk on a swap occurs when the variable payment received is based on an index other than the index on the underlying bonds. The Authority believes its swap agreements has been structured to minimize or eliminate this risk.

The Authority or the counter-party may terminate the swap agreements if the other party fails to perform under the terms of the agreements. If a swap is insured, a termination event occurs if the insurer fails to meet its obligations under the agreement.

The Authority is not exposed to rollover risk on its swap agreements. The Authority is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the Authority will be re-exposed to the risks being hedged by the hedging derivative instrument. The Authority is exposed to rollover risk on the caps which have termination dates that occur prior to the final maturity of the related bonds.

As of June 30, 2019, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

		Variable-rate bonds Principal	Variable-rate bonds Interest	Interest rate swap, net	Total
Year ending June 30:					
2020	$	1,980,000	1,502,609	395,438	3,878,047
2021		1,480,000	1,443,357	329,375	3,252,732
2022		490,000	1,419,554	310,500	2,220,054
2023		495,000	1,409,797	310,500	2,215,297
2024		500,000	1,399,886	310,500	2,210,386
		4,945,000	7,175,203	1,656,313	13,776,516
Five years ending June 30:					
2029		9,585,000	6,550,621	1,552,500	17,688,121
2034		15,275,000	5,724,902	1,482,499	22,482,401
2039		36,110,000	2,891,761	717,096	39,718,857
2044		11,745,000	400,710	92,508	12,238,218
		72,715,000	15,567,994	3,844,603	92,127,597
Total	$	77,660,000	22,743,197	5,500,916	105,904,113

As rates vary, variable-rate bond interest payments and net swap payments will vary.

(9) Deposits Held In Escrow

Deposits from developers, which are held in escrow in the Administrative Fund, may be used when necessary to pay principal and interest payments and fund construction cost overruns, change orders, tax and insurance payments and capital improvements (see note 5). In addition, on certain developments, letters of credit and assignments of syndication proceeds are held by the Authority for similar purposes and to fund potential operating deficits of the related developments; investment income earned on deposited funds is credited to the respective developer's escrow accounts.

(10) Operating Leases

The Authority leased office facilities at one location 111 E. Wacker Ave. (111 facility) in Chicago, Illinois.

The Authority entered into a ten-year lease at 111 E. Wacker Drive in Chicago, Illinois, which commenced on November 6, 2016. The office lease provides for annual base rent of approximately $1,278,628 for fiscal year 2019, plus approximately $992,580 for the Authority's 6.5974% share of ownership taxes and operating expenses, which also are subject to adjustment, based on the actual costs incurred by the lessor. Base rent, ownership taxes and operating expenses totaling $180,692 per month were abated for the first ten months of the lease. Under this lease, total rent expense for fiscal year 2019 was $2,732,117.

The future minimum lease commitments in the five years subsequent to June 30, 2019 and thereafter are as follows:

Year		Amount
2020	$	2,732,117
2021		2,732,117
2022		2,122,254
2023		1,817,323
2024		1,817,323
2025 and thereafter		4,240,421
	$	15,461,555

(11) Other Liabilities

The bonds issued by the Authority after 1980 are subject to a variety of Internal Revenue Service (IRS) regulations that limit the amount of income that may be earned with nonmortgage investments to an amount not greater than the amount that would have been earned had the funds been invested at the yield on the bonds as defined by the IRS. Excess earnings must be rebated annually, or every five years, depending on the date and type of bond issue. It has been determined that there is no estimated rebate liability as of June 30, 2019.

The Authority is a defendant in various legal actions arising from normal business activities. Management believes, after consultation with legal counsel, that the ultimate liability, if any, resulting from these legal actions, will not materially affect the Authority's financial position or results of operations.

In connection with various federal and state grant programs, the Authority is obligated to administer related programs and spend the grant funding in accordance with regulatory restrictions and is subject to audits by the grantor agencies. In the opinion of Authority management, any grant expenditures that may be disallowed by the grantor agency, if any, would not result in a material liability to the Authority.

The Authority carries commercial insurance for directors and officers liability, general liability, employee health, workers' compensation, cyber liability, crime, property, and automobile ownership and usage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Insurance coverage has not changed significantly since the prior year.

(12) Retirement Plan

The Authority provides a defined contribution retirement plan for the benefit of its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full time employees are eligible to participate in and are fully vested in the plan from the date of employment. All plan assets and investments are administered by a trustee, which maintains an individual account for each participant. The Authority contributes 6% of its employees' salaries and employees, at their option, may contribute up to 100% (within a maximum dollar limit) of their salaries to the plan. In addition, the Authority, under the provisions of the Economic Growth and Tax Relief Act of 2001, permits additional contributions each calendar year for those employees who attain age 50 (or higher) during the calendar year. The plan may be amended or terminated by the Authority at any time and for any reason in the future, but no such action can deprive employees of their vested interests.

The Authority's total payroll in fiscal year 2019 was $23,153,726. The Authority's contributions were calculated using the base salary amount of $22,986,667. The Authority contributed $1,379,200 or 6% of the base salary amount, in fiscal year 2019. Employee contributions amounted to $1,661,567, in fiscal year 2019, or approximately 7.228% of the base salary amount.

(13) Commitments

At June 30, 2019, the Authority had authorized loans and grants totaling $59.5 million for the Illinois Affordable Housing Trust Fund.

Under the HOME Program, $512.1 million and $21.1 million for federal fiscal years 1992 through 2018 and 2019, respectively, have been allocated to the State by HUD, to be administered by the Authority, under the HOME Program provisions of the 1990 National Affordable Housing Act. In fiscal year 1994, the Authority was allocated $10.2 million of additional HOME funds to be used for flood disaster relief. At June 30, 2019, the Authority had authorized loans totaling $13.8 million for the HOME Program.

In accordance with an agreement (the FAF Agreement) entered into by the Authority and HUD at the time of delivery of the Authority's Multi-Family Housing Bonds, 1982 Series A, 1982 Series B, and 1983 Series A, annual Section 8 contributions payable to HUD with respect to the developments financed by these bonds would be reduced to the extent of the debt service savings resulting from the early redemptions of these Bonds.

These redemptions were accomplished through the issuance of the Authority's Multi-Family Housing Bonds, 1991 Series A and B, 1992 Series A and B, and 1993 Series A and B. In November of 2006, the Authority entered into a new agreement (the FAF Refunding Agreement) with HUD at the time of delivery of the Authority's Housing Bonds, 2006 Series G to refund the Multi-Family Housing Bonds, 1991 Series A, 1992 Series A, and 1993 Series A. Pursuant to federal legislation and a written agreement with the Authority, HUD has agreed to share a portion of such savings (the FAF Savings Program) with the Authority in order to create and maintain affordable housing opportunities for individuals of "very low income" (as such term is defined in the 1937 Housing Act) in the State. These savings, which are to be used solely for the purpose stated above, became available beginning in fiscal year 1992 for the 1991 Series A and B Bonds, in fiscal year 1993 for the 1992 Series A and B Bonds, in fiscal year 1994 for the 1993 Series A and B Bonds, and in fiscal year 2008 for the 2006 Series E, and are recorded as other income of the Administrative Fund. At June 30, 2019, loans receivable under this program were approximately $39.3 million.

On July 21, 2017, the Authority authorized the issuance of tax-exempt Multifamily Revenue Bonds (Refunding Bonds) in an amount not to exceed $7 million to refund the tax-exempt Multifamily Mortgage Revenue Note, 2017 Series A (Concord at Sheridan) (2017 Series A Note), the proceeds of which are to be used to finance the acquisition, construction and equipping of a 111-unit multifamily rental housing development located in Chicago, Illinois. The Authority intends to place the Refunding Bonds with Citibank, N.A. pursuant to a forward bond purchase agreement by and between the Authority and Citibank, with an estimated delivery date of December 31, 2020. Although the Refunding Bonds have not been issued as of June 30, 2019, the 2017 Series A Note was issued on November 2, 2017.

On May 18, 2018, The Authority authorized the issuance of tax-exempt Multifamily Revenue Bonds (Refunding Bonds) in an amount not to exceed $4 million to refund the tax-exempt Multifamily Mortgage Revenue Note, 2019 Series A (Oso Apartments) (2019 Series A Note), the proceeds of which will be used to finance the acquisition, construction and equipping of a 48-unit multifamily rental housing developments located in Chicago, Illinois. The Authority intends to place the Refunding Bonds with Citibank, N.A. pursuant to a forward bond purchase agreement by and between the Authority and Citibank, with an estimated delivery date of March 2, 2020. Although the Refunding Bonds have not been issued as of June 30, 2019, the 2019 Series A Note was issued on August 31, 2018.

On June 15 2018, The Authority authorized the issuance of tax-exempt Multifamily Revenue Bonds (Refunding Bonds) in an amount not to exceed $2.5 million to refund the tax-exempt Multifamily Mortgage Revenue Note, 2019 Series A (Chelsea Senior Commons) (2019 Series A Note), the proceeds of which will be used to finance the acquisition, construction and equipping of a 40-unit multifamily rental housing developments located in Sugar Grove, Illinois. The Authority intends to place the Refunding Bonds with Citibank, N.A. pursuant to a forward bond purchase agreement by and between the Authority and Citibank, with an estimated delivery date of March 2, 2020. Although the Refunding Bonds have not been issued as of June 30, 2019, the 2019 Series A Note was issued on September 13, 2018.

On June 15, 2018, The Authority authorized the issuance of Multifamily Revenue Bonds (Refunding Bonds) in an amount not to exceed $2.3 million to refund a taxable construction loan to be made by Citi Community Capital (Taxable Note), the proceeds of which will be used to finance the acquisition, construction and equipping of a 62-unit multifamily rental housing developments located in Cary, Illinois. The Authority intends to place the Refunding Bonds with Citibank, N.A. pursuant to a forward bond purchase agreement by and between the Authority and Citibank, with an estimated delivery date of April 2, 2020. Although the Refunding Bonds have not been issued as of June 30, 2019, the Taxable Note was issued on August 15, 2018.

(14) Subsequent Events

On February 15, 2017, the Illinois Housing Development Authority (the “Authority”) issued $26,000,000 in aggregate principal amount of its Multifamily Revenue Bonds, 2017 Series A (Non-AMT) (FHA Risk-Sharing Insured Pass-Through) (the “Bonds”), the proceeds of which were used in part to make a loan (the “Bond Loan”) for the construction and equipping of the Regency at Cole Park (the “Development”) in North Chicago. On July 19, 2019, The Authority authorized the making of an additional subordinate loan to the Development in an amount of $500,000 (the “Additional Authority Resources”). The Additional Authority Resources are to be disbursed as required to meet the Development’s current construction completion schedule. The Additional Authority Resources will be in a lien position subordinate to the aforementioned Bond Loan. With the proceeds of the Additional Authority Resources, the Development is expected to imminently complete construction.

On February 15, 2017, the Illinois Housing Development Authority (the “Authority”) issued $26,000,000 in aggregate principal amount of its Multifamily Revenue Bonds, 2017 Series A (Non-AMT) (FHA Risk-Sharing Insured Pass-Through) (the “Bonds”), the proceeds of which were used in part to make a loan (the “Bond Loan”) for the construction and equipping of the Brookstone at Cole Park (the “Development”) in North Chicago. On August 16, 2019, The Authority authorized the making of an additional subordinate loan to the Development in an amount of $2,000,000 (the “Additional Authority Resources”). The Additional Authority Resources are to be disbursed as required to meet the Development’s current construction completion schedule. The Additional Authority Resources will be in a lien position subordinate to the aforementioned Bond Loan. With the proceeds of the Additional Authority Resources, the Development now is expected to complete construction by the end of 2019.

On December 12th, 2019, the Authority issued its Multifamily Revenue Bonds, 2019 Series A, in aggregate principal amount of $41,550,000. Proceeds of the Series 2019A Bonds are being issued to provide moneys to (i) to finance the rehabilitation and equipping of a 119-unit supportive and independent living apartment development and (ii) to finance the rehabilitation and equipping of a 74-unit independent living apartment development both of which are located at 4501 N. Winchester Ave in the City of Chicago, Illinois.

On December 19th, 2019, the Authority issued its Revenue Bonds, 2019 Series D, in aggregate principal amount of $125,000,000. Proceeds of the Series 2019D Bonds together with other funds of the Authority are expected to be used to: (a) purchase, and/or reimburse the Authority for its prior purchase of, mortgage-backed securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association or the Federal National Mortgage Association (or participation interests in such mortgage backed securities); and (b) pay or reimburse the Authority for certain costs incurred in connection with the issuance of the Series 2019D Bonds.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2019

Assets		**Foreclosure Prevention Program Fund**	**Community Development Block Grant Fund**	**ARRA Fund**	**Foreclosure Prevention Graduated Program Fund**	**Neighborhood Stabilization Program Fund**	**Build Illinois Bond Program Fund**	**Abandoned Property Program Fund**	**National Housing Trust Fund**	**Section 811 Project Rental Assistance Demonstration Program Fund**	**Total**
Current assets:											
Cash and cash equivalents	$	4,263,309	—	762,349	5,711,937	44,723	10,667,725	8,842,889	20,819	—	30,313,751
Program loans receivable		—	—	196,159	—	2,500	—	—	—	—	198,659
Grant receivable		—	—	—	—	—	—	8,186,570	—	—	8,186,570
Interest receivable on program loans		—	—	15,408	—	—	—	—	—	—	15,408
Due from other funds		85	—	—	—	4,399	—	—	—	—	4,484
Total current assets		4,263,394	—	973,916	5,711,937	51,622	10,667,725	17,029,459	20,819	—	38,718,872
Noncurrent assets:											
Program loans receivable, net of current portion		—	6,234,338	74,073,312	—	2,707,691	7,725,737	—	3,701,089	—	94,442,167
Less allowance for estimated losses		—	(916,527)	(4,337,564)	—	(43,363)	(1,178,100)	—	(74,022)	—	(6,549,576)
Net program loans receivable		—	5,317,811	69,735,748	—	2,664,328	6,547,637	—	3,627,067	—	87,892,591
Total noncurrent assets		—	5,317,811	69,735,748	—	2,664,328	6,547,637	—	3,627,067	—	87,892,591
Total assets	$	4,263,394	5,317,811	70,709,664	5,711,937	2,715,950	17,215,362	17,029,459	3,647,886	—	126,611,463
Liabilities and Fund Balances											
Current liabilities:											
Unearned revenue	$	—	—	15,408	—	—	—	—	—	—	15,408
Accrued liabilities and other		—	—	2,496	—	—	—	—	—	—	2,496
Due to other funds		—	522	2,878	—	—	2,408	1,689	20,820	840	29,157
Total current liabilities		—	522	20,782	—	—	2,408	1,689	20,820	840	47,061
Fund balances:											
Restricted		4,263,394	5,317,289	70,688,882	5,711,937	2,715,950	17,212,954	17,027,770	3,627,066	(840)	126,564,402
Total fund balances		4,263,394	5,317,289	70,688,882	5,711,937	2,715,950	17,212,954	17,027,770	3,627,066	(840)	126,564,402
Total liabilities and fund balances	$	4,263,394	5,317,811	70,709,664	5,711,937	2,715,950	17,215,362	17,029,459	3,647,886	—	126,611,463

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2019

	Foreclosure Prevention Program Fund	Community Development Block Grant Fund	ARRA Fund	Foreclosure Prevention Graduated Program Fund	Neighborhood Stabilization Program Fund	Build Illinois Bond Program Fund	Abandoned Property Program Fund	National Housing Trust Fund	Section 811 Project Rental Assistance Demonstration Program Fund	Total
Revenues:										
Grant from State of Illinois	$ 3,419,715	—	—	3,055,881	—	—	8,456,401	—	—	14,931,997
Federal funds	—	—	—	—	166,023	—	—	3,031,659	434,635	3,632,317
Interest and other investment income	—	—	196,346	—	44,723	886,785	—	—	—	1,127,854
Total revenues	3,419,715	—	196,346	3,055,881	210,746	886,785	8,456,401	3,031,659	434,635	19,692,168
Expenditures:										
General and administrative	312,939	523	2,878	555,186	601	3,408	1,585,189	147,973	840	2,609,537
Grants	2,061,571	—	—	4,529,952	480,751	15,000	4,218,518	—	434,635	11,740,427
Provision for (reversal of) estimated losses on program loans receivable	—	842,710	(80,680)	—	(813)	(27,074)	—	(89,458)	—	644,685
Total expenditures	2,374,510	843,233	(77,802)	5,085,138	480,539	(8,666)	5,803,707	58,515	435,475	14,994,649
Net change in fund balances	1,045,205	(843,233)	274,148	(2,029,257)	(269,793)	895,451	2,652,694	2,973,144	(840)	4,697,519
Fund balances at beginning of year	3,218,189	6,160,522	70,414,734	7,741,194	2,985,743	16,317,503	14,375,076	653,922	—	121,866,883
Fund balances at end of year	$ 4,263,394	5,317,289	70,688,882	5,711,937	2,715,950	17,212,954	17,027,770	3,627,066	(840)	126,564,402

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Mortgage Loan Program Fund

Combining Schedule of Net Position

June 30, 2019

	Housing Bonds	Multifamily Initiative Bonds	Multifamily Revenue Bonds	Affordable Housing Program Trust Fund Bonds	Total
Assets:					
Currents assets:					
Cash and cash equivalents	$ 105,267,119	1,183,766	5,107,561	162,970	111,721,416
Investments – restricted	107,539,111	2,500,571	4,764,987	29,015,082	143,819,751
Investment income receivable – restricted	121,020	—	—	—	121,020
Program loans receivable	14,298,936	1,006,243	739,187	284,978	16,329,344
Interest receivable on program loans	568,466	132,669	231,114	43,248	975,497
Due from other funds	7,901,158	25,482	—	—	7,926,640
Total current assets	235,695,810	4,848,731	10,842,849	29,506,278	280,893,668
Noncurrent assets:					
Investments – restricted	26,670,784	—	—	—	26,670,784
Program loans receivable, net of current portion	179,655,691	39,988,293	48,106,302	7,154,485	274,904,771
Less allowance for estimated losses	(2,185,854)	(277,093)	(1,422,997)	(77,943)	(3,963,887)
Net program loans receivable	177,469,837	39,711,200	46,683,305	7,076,542	270,940,884
Real estate held for sale	74,465	—	—	—	74,465
Less allowance for estimated losses	—	—	—	—	—
Net real estate held for sale	74,465	—	—	—	74,465
Due from Fannie Mae	—	87,480,401	—	—	87,480,401
Due from Freddie Mac	—	4,308,060	—	—	4,308,060
Capital assets, net	25,349,226	—	—	—	25,349,226
Derivative instrument assets	13,693	—	—	—	13,693
Total noncurrent assets	229,578,005	131,499,661	46,683,305	7,076,542	414,837,513
Total assets	465,273,815	136,348,392	57,526,154	36,582,820	695,731,181
Liabilities:					
Current liabilities:					
Bonds and notes payable	31,595,000	2,580,000	756,329	—	34,931,329
Accrued interest payable	1,800,294	1,400,447	153,060	—	3,353,801
Unearned revenue	56,620	—	—	—	56,620
Accrued liabilities and other	335,225	352,123	6,633	147,663	841,644
Due to other funds	—	—	250,172	97,451	347,623
Total current liabilities	33,787,139	4,332,570	1,166,194	245,114	39,531,017
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	146,350,685	130,925,000	52,805,356	—	330,081,041
Unearned Revenue	141,551	—	—	—	141,551
Total noncurrent liabilities	146,492,236	130,925,000	52,805,356	—	330,222,592
Total liabilities	180,279,375	135,257,570	53,971,550	245,114	369,753,609
Deferred inflows of resources:					
Accumulated increase in fair value of hedging derivatives	13,693	—	—	—	13,693
Unamortized gain on bond refunding	92,926	—	—	—	92,926
Total deferred inflows of resources	106,619	—	—	—	106,619
Net position:					
Net investment in capital assets	3,064,226	—	—	—	3,064,226
Restricted for bond resolution purposes	281,823,595	1,090,822	3,554,604	36,337,706	322,806,727
Total net position	$ 284,887,821	1,090,822	3,554,604	36,337,706	325,870,953

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Mortgage Loan Program Fund

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position

Year ended June 30, 2019

	Housing Bonds	Multifamily Initiative Bonds	Multifamily Revenue Bonds	Affordable Housing Program Trust Fund Bonds	Total
Operating revenues:					
Interest and other investment income	$ 4,310,178	55,111	275,162	475,389	5,115,840
Net increase (decrease) in fair value of investments	(336,341)	(170,744)	(148,089)	(7,247)	(662,421)
Total investment income	3,973,837	(115,633)	127,073	468,142	4,453,419
Interest earned on program loans	11,005,235	1,698,372	2,697,234	191,339	15,592,180
Federal assistance programs	60,539	—	—	—	60,539
Other	12,206,803	—	—	—	12,206,803
Total operating revenues	27,246,414	1,582,739	2,824,307	659,481	32,312,941
Operating expenses:					
Interest expense	5,766,651	1,476,184	1,864,605	—	9,107,440
Federal assistance programs	60,539	—	—	—	60,539
Other general and administrative	5,888,106	57,156	—	—	5,945,262
Financing costs	218,105	(1,575)	24,250	—	240,780
Provision for (reversal of) estimated losses on program loans receivable	90,923	(20,584)	1,096,001	(135,559)	1,030,781
Provision for estimated losses on real estate held for sale	24,685	—	—	112,204	136,889
Total operating expenses	12,049,009	1,511,181	2,984,856	(23,355)	16,521,691
Operating income (loss)	15,197,405	71,558	(160,549)	682,836	15,791,250
Transfers in	—	—	—	—	—
Transfers out	—	—	—	—	—
Total transfers	—	—	—	—	—
Change in net position	15,197,405	71,558	(160,549)	682,836	15,791,250
Net position at beginning of year	269,690,416	1,019,264	3,715,153	35,654,870	310,079,703
Net position at end of year	$ 284,887,821	1,090,822	3,554,604	36,337,706	325,870,953

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Mortgage Loan Program Fund

Combining Schedule of Cash Flows

Year ended June 30, 2019

		Housing Bonds	Multifamily Initiative Bonds	Multifamily Revenue Bonds	Affordable Housing Program Trust Fund Bonds	Total
Cash flows from operating activities:						
Receipts for program loans, interest service fees	$	60,936,327	2,673,156	9,720,605	1,049,468	74,379,556
Payments for program loans		(5,969,708)	—	(8,659,434)	(74,345)	(14,703,487)
Receipts for federal assistance programs		60,539	—	—	—	60,539
Payments for federal assistance programs		(60,539)	—	—	—	(60,539)
Receipts for credit enhancements		—	1,530,042	—	—	1,530,042
Payments to suppliers		(6,028,080)	(55,582)	(17,617)	—	(6,101,279)
Other receipts		12,206,803	—	—	—	12,206,803
Net cash provided by (used in) operating activities		61,145,342	4,147,616	1,043,554	975,123	67,311,635
Cash flows from noncapital financial activities:						
Interest paid on revenue bonds and notes		(6,639,653)	(1,503,348)	(1,880,028)	—	(10,023,029)
Due to other funds		(2,452,962)	(45,736)	111,756	—	(2,386,942)
Due from other funds		2,252,747	(25,482)	—	(57,419)	2,169,846
Principal paid on bonds and notes		(48,264,755)	(2,565,000)	(6,981,914)	—	(57,811,669)
Net cash provided by (used in) noncapital financing activities		(55,104,623)	(4,139,566)	(8,750,186)	(57,419)	(68,051,794)
Cash flows from capital financing and related activities:						
Acquisition of capital assets		(1,478,681)	—	—	—	(1,478,681)
Cash flows from investing activities:						
Purchase of investment securities		(421,794,467)	(6,999,917)	(4,985,224)	(114,071,510)	(547,851,118)
Proceeds from sales and maturities of investment securities		374,890,107	7,921,000	3,291,438	112,500,000	498,602,545
Interest received on investments		1,598,782	—	238,334	—	1,837,116
Net cash provided by (used) in investing activities		(45,305,578)	921,083	(1,455,452)	(1,571,510)	(47,411,457)
Net increase (decrease) in cash and cash equivalents		(40,743,540)	929,133	(9,162,084)	(653,806)	(49,630,297)
Cash and cash equivalents at beginning of year		146,010,659	254,633	14,269,645	816,776	161,351,713
Cash and cash equivalents at end of year	$	105,267,119	1,183,766	5,107,561	162,970	111,721,416
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$	15,197,405	71,558	(160,549)	682,836	15,791,250
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Investment income		(3,973,837)	115,633	(127,073)	(468,142)	(4,453,419)
Interest expense		5,766,653	1,476,184	1,864,605	—	9,107,442
Depreciation and amortization		1,111,810	—	—	—	1,111,810
Changes in provision for (reversal of) estimated losses on program loans receivable		(12,762)	(20,584)	1,096,001	(2,958,736)	(1,896,081)
Changes in assets and liabilities:						
Program loans receivable		42,971,800	971,687	(1,673,536)	3,711,627	45,981,578
Interest receivable on program loans		117,658	3,097	37,473	7,538	165,766
Other liabilities		(33,385)	—	6,633	—	(26,752)
Due from Fannie Mae		—	1,454,462	—	—	1,454,462
Due from Freddie Mac		—	75,579	—	—	75,579
Total adjustments		45,947,937	4,076,058	1,204,103	292,287	51,520,385
Net cash provided by (used in) operating activities	$	61,145,342	4,147,616	1,043,554	975,123	67,311,635
Noncash investing capital and financing activities:						
Transfer of foreclosed assets	$	(1,271)	—	—	(32,654)	(33,925)
Increase (decrease) in the fair value of investments	$	3,295,688	(171,676)	(168,632)	(19,624)	2,935,756

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Single Family Program Fund

Combining Schedule of Net Position

June 30, 2019

	Homeowner Mortgage Revenue Bonds	Housing Revenue Bonds	Revenue Bonds	Inter-Account Eliminations	Total
Assets:					
Current assets:					
Cash and cash equivalents	$ 63,556,574	4,504,007	30,691,059	—	98,751,640
Investments – restricted	55,094,598	2,876,277	16,998,945	—	74,969,820
Investment income receivable – restricted	629,591	294,211	1,757,089	—	2,680,891
Program loans receivable	10,324,151	—	62,025	—	10,386,176
Interest receivable on program loans	807,783	—	—	—	807,783
Due from other funds	31,415,725	—	5,829,954	(31,041,968)	6,203,711
Total current assets	161,828,422	7,674,495	55,339,072	(31,041,968)	193,800,021
Noncurrent assets:					
Investments – restricted	189,141,064	101,562,487	528,983,195	—	819,686,746
Program loans receivable, net of current portion	151,016,879	—	361,619	—	151,378,498
Less allowance for estimated losses	(2,089,197)	—	(22,172)	—	(2,111,369)
Net program loans receivable	148,927,682	—	339,447	—	149,267,129
Real estate held for sale	1,997,654	—	—	—	1,997,654
Less allowance for estimated losses	(586,110)	—	—	—	(586,110)
Net real estate held for sale	1,411,544	—	—	—	1,411,544
Total noncurrent assets	339,480,290	101,562,487	529,322,642	—	970,365,419
Total assets	501,308,712	109,236,982	584,661,714	(31,041,968)	1,164,165,440
Deferred outflow of resources:					
Accumulated decrease in fair value of hedging derivatives	2,369,055	—	2,070,279	—	4,439,334
Total deferred outflows of resources	2,369,055	—	2,070,279	—	4,439,334
Liabilities					
Current liabilities:					
Bonds and notes payable	12,115,000	2,303,671	10,803,618	—	25,222,289
Accrued interest payable	4,386,237	226,935	3,456,758	—	8,069,930
Accrued liabilities and other	398,499	—	—	—	398,499
Due to other funds	—	3,483,004	27,623,268	(31,041,968)	64,304
Total current liabilities	16,899,736	6,013,610	41,883,644	(31,041,968)	33,755,022
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	366,778,228	92,859,161	508,707,461	—	968,344,850
Derivative instrument liability	2,369,055	—	2,070,279	—	4,439,334
Total noncurrent liabilities	369,147,283	92,859,161	510,777,740	—	972,784,184
Total liabilities	386,047,019	98,872,771	552,661,384	(31,041,968)	1,006,539,206
Net position:					
Restricted for bond resolution purposes	117,630,748	10,364,211	34,070,609	—	162,065,568
Total net position	$ 117,630,748	10,364,211	34,070,609	—	162,065,568

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Single Family Program Fund

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position

Year ended June 30, 2019

	Homeowner Mortgage Revenue Bonds	Housing Revenue Bonds	Revenue Bonds	Inter-Account Elimination	Total
Operating revenues:					
Interest and other investment income	$ 9,501,937	3,870,345	14,620,495	—	27,992,777
Net increase (decrease) in fair value of investments	5,951,985	2,771,846	21,312,933	—	30,036,764
Total investment income	15,453,922	6,642,191	35,933,428		58,029,541
Interest earned on program loans	8,976,445	—	—	—	8,976,445
Other	28,090	—	—	—	28,090
Total operating revenues	24,458,457	6,642,191	35,933,428	—	67,034,076
Operating expenses:					
Interest expense	11,075,282	2,871,269	10,621,858	—	24,568,409
Other general and administrative	219,169	—	—	—	219,169
Financing costs	1,574,212	382,188	2,311,608	—	4,268,008
Provision for (reversal of) estimated losses on program loans receivable	(495,185)	—	74	—	(495,111)
Provision for estimated losses on real estate held for sale	808,728	—	4,250	—	812,978
Total operating expenses	13,182,206	3,253,457	12,937,790	—	29,373,453
Operating income	11,276,251	3,388,734	22,995,638	—	37,660,623
Transfers in	2,309,033	—	2,584,706	(172,347)	4,721,392
Transfers out	(2,480,003)	(172,347)	—	172,347	(2,480,003)
Total transfers	(170,970)	(172,347)	2,584,706	—	2,241,389
Change in net position	11,105,281	3,216,387	25,580,344	—	39,902,012
Net position at beginning of year	106,525,467	7,147,824	8,490,265	—	122,163,556
Net position at end of year	117,630,748	10,364,211	34,070,609	—	162,065,568

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Single Family Program Fund

Combining Schedule of Cash Flows

Year ended June 30, 2019

		Homeowner Mortgage Revenue Bonds	Housing Revenue Bonds	Revenue Bonds	Total
Cash flows from operating activities:					
Receipts for program loans, interest and service fees	$	34,070,513	—	127,295	34,197,808
Payments for loan program loans		(1,393,580)	—	—	(1,393,580)
Payments to suppliers		(1,723,407)	(382,187)	(2,311,609)	(4,417,203)
Other receipts		28,090	—	—	28,090
Net cash provided by (used in) operating activities		30,981,616	(382,187)	(2,184,314)	28,415,115
Cash flows from noncapital financing activities:					
Interest paid on revenue bonds and notes		(10,499,230)	(2,905,179)	(8,836,882)	(22,241,291)
Due to other funds		(176,776)	(194,296)	(513,508)	(884,580)
Due from other funds		1,507,812	—	(6,533,449)	(5,025,637)
Proceeds from sale of revenue bonds and notes		123,095,003	—	291,347,699	414,442,702
Principal paid on revenue bonds and notes		(64,757,190)	(14,549,088)	(14,737,752)	(94,044,030)
Transfers in		2,309,033	—	2,584,705	4,893,738
Transfers out		(2,480,003)	(172,347)	—	(2,652,350)
Net cash provided by (used in) noncapital financing activities		48,998,649	(17,820,910)	263,310,813	294,488,552
Cash flows from investing activities:					
Purchase of investment securities		(448,756,798)	(3,933,150)	(288,102,611)	(740,792,559)
Proceeds from sales and maturities of investment securities		412,498,003	21,174,998	37,259,513	470,932,514
Interest received on investments		10,233,404	3,864,112	13,743,906	27,841,422
Net cash provided by (used in) investing activities		(26,025,391)	21,105,960	(237,099,192)	(242,018,623)
Net increase (decrease) in cash and cash equivalents		53,954,874	2,902,863	24,027,307	80,885,044
Cash and cash equivalents at beginning of year		9,601,700	1,601,144	6,663,752	17,866,596
Cash and cash equivalents at end of year	$	63,556,574	4,504,007	30,691,059	98,751,640
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$	11,276,251	3,388,734	22,995,638	37,660,623
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Investment income		(15,453,922)	(6,642,191)	(35,933,428)	(58,029,541)
Interest Expense		11,075,280	2,871,270	10,621,857	24,568,407
Changes in provision for (reversal of) estimated losses on program loans receivable		(1,406,783)	—	74	(1,406,709)
Changes in assets and liabilities:					
Program loans receivable		25,274,789	—	131,545	25,406,334
Interest receivable on program loans		146,025	—	—	146,025
Other liabilities		69,976	—	—	69,976
Total adjustments		19,705,365	(3,770,921)	(25,179,952)	(9,245,508)
Net cash provided by (used in) operating activities	$	30,981,616	(382,187)	(2,184,314)	28,415,115
Noncash investing capital and financing activities:					
Transfer of foreclosed assets	$	2,317,931	—	—	2,317,931
Increase (decrease) in the fair value of investments	$	9,617,664	6,901,978	17,667,115	34,186,757

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Nonmajor Proprietary Fund - IHDA Dispositions LLC

Combining Schedule of Net Position

June 30, 2019

		Delta Terrace Apartments	Total
Assets:			
Current assets:			
Cash and cash equivalents	$	—	—
Other		—	—
Total current assets		—	—
Noncurrent assets:			
Real estate held for sale		—	—
Total noncurrent assets		—	—
Total assets		—	—
Liabilities:			
Current liabilities:		—	—
Total current liabilities		—	—
Noncurrent liabilities:			
Total noncurrent liabilities		—	—
Total liabilities		—	—
Net position:			
Unrestricted		—	—
Total net position	$	—	—

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Nonmajor Proprietary Fund - IHDA Dispositions LLC

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position

Year ended June 30, 2019

		Delta Terrace Apartments	Total
Operating revenues:			
Rental income	$	21,945	21,945
Total operating revenues		21,945	21,945
Operating expenses:			
Other general and administrative		32,834	32,834
Total operating expenses		32,834	32,834
Operating loss		(10,889)	(10,889)
Nonoperating revenues (expenses):			
Loss on disposition		(25,000)	(25,000)
Total nonoperating revenues (expenses)		(25,000)	(25,000)
Change in net position		(35,889)	(35,889)
Net position at beginning of year		35,889	35,889
Net position at end of year	$	—	—

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Nonmajor Proprietary Fund - IHDA Dispositions LLC

Combining Schedule of Cash Flows

Year ended June 30, 2019

		Delta Terrace Apartments	Total
Cash flows from operating activities:			
Receipts for rental operations	$	31,265	31,265
Payments for rental operations		(32,834)	(32,834)
Net cash used in operating activities		(1,569)	(1,569)
Net decrease in cash and cash equivalents		(1,569)	(1,569)
Cash and cash equivalents at beginning of year		1,569	1,569
Cash and cash equivalents at end of year	$	—	—
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$	(10,889)	(10,889)
Loss on disposition		(25,000)	(25,000)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Changes in assets and liabilities:			
Other assets		34,320	34,320
Total adjustments		9,320	9,320
Net cash used in operating activities	$	(1,569)	(1,569)

See accompanying independent auditors' report.

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
and
The Board of Directors
Illinois Housing Development Authority:

As Special Assistant Auditors for the Auditor General of the State of Illinois, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as findings 2019-001 and 2019-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2019-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/KPMG LLP

Chicago, Illinois
February 7, 2020

Finding 2019-001 Inaccurate Financial Reporting

The Illinois Housing Development Authority (Authority) has not established adequate internal controls over the financial reporting process and has not established adequate internal controls over the recording of financial transactions within its books and records.

During the year ended June 30, 2019, the Authority made a number of changes in the financial reporting process in an effort to address the deficiencies in internal control over financial reporting which were identified and reported in previous audits. The Authority has a complex financial reporting process/structure and the Authority has imposed an aggressive fiscal year-end financial reporting timeline and deadline. The Authority did not amend its year-end financial reporting process or reporting deadlines to permit personnel to be adequately prepared or to provide adequate time to complete all necessary financial reporting activities. Additionally, the Authority did not establish additional oversight or monitoring procedures to ensure the financial statements were properly prepared and presented. As a result, the draft financial statements prepared by management contained several errors which required adjustment to the financial statements or reporting to those charged with governance.

During our audit of the financial statements as of and for the year ended June 30, 2019, we noted the following:

1) The Authority incorrectly reported program loans receivable disbursements, repayments, and net program loans receivable amounts within footnote 5 of the financial statements for the Illinois Affordable Housing Trust Fund (IAHT), HOME Program Fund (HOME), and Mortgage Loan Program Fund (MLP) as noted below:

Program	Originally Reported Amount	Correct Amount	Difference
IAHT – Loan repayments	$ (13,506,000)	(15,547,000)	(2,041,000)
IAHT – Net program loans receivable	294,393,000	292,352,000	(2,041,000)
HOME – Loan repayments	(4,240,000)	(7,791,000)	(3,551,000)
HOME – Net program loans receivable	276,210,000	272,658,000	(3,552,000)
MLP – Loan disbursements	14,073,000	14,630,000	557,000
MLP – Loan repayments	(57,120,000)	(59,993,000)	(2,873,000)
MLP – Net program loans receivable	289,586,000	287,270,000	(2,316,000)

A proposed adjustment for these differences was recorded by the Authority.

2) The Authority incorrectly reported scheduled receipts of principal on gross program loans receivable in the Illinois Affordable Housing Trust Fund in the fiscal years subsequent to June 30, 2019 and thereafter, within footnote 5 of the financial statements, as noted below:

Scheduled Receipt Year	Originally Reported Amount	Correct Amount	Difference
2020	$ 5,715,000	7,119,000	1,404,000
After 2024	250,023,000	279,148,000	29,125,000

A proposed adjustment for these differences was recorded by the Authority.

3) The Authority incorrectly reported scheduled receipts of principal on gross program loans receivable in the HOME Program Fund in the fiscal years subsequent to June 30, 2019 and thereafter, within footnote 5 of the financial statements, as noted below:

Scheduled Receipt Year	Originally Reported Amount	Correct Amount	Difference
2020	$ 6,209,000	6,991,000	782,000
After 2024	244,878,000	246,210,000	1,332,000

A proposed adjustment for these differences was recorded by the Authority.

4) The Authority incorrectly reported scheduled receipts of principal on gross program loans receivable in the ARRA Fund in the fiscal years subsequent to June 30, 2019 and thereafter, within footnote 5 of the financial statements, as noted below:

Scheduled Receipt Year	Originally Reported Amount	Correct Amount	Difference
After 2024	$ 28,598,000	73,209,000	44,611,000

A proposed adjustment for this difference was recorded by the Authority.

5) The Authority incorrectly reported scheduled receipts of principal on gross program loans receivable in the proprietary funds in the fiscal years subsequent to June 30, 2019 and thereafter, within footnote 5 of the financial statements, as noted below:

Scheduled Receipt Year	Originally Reported Amount	Correct Amount	Difference
2020	$ 28,530,000	38,116,000	9,586,000
2021	10,798,000	20,139,000	9,341,000
2022	10,210,000	18,982,000	8,772,000
2023	9,342,000	18,544,000	9,202,000

2023	10,061,000	18,903,000	8,842,000
After 2024	401,891,000	406,762,000	4,871,000

A proposed adjustment for these differences was recorded by the Authority.

6) The Authority incorrectly reported $14,173,346 of fiscal year 2019 revenue to Nonmajor Governmental Funds as unearned revenue. A proposed adjustment for this error was recorded by the Authority.

7) The Authority incorrectly recorded an adjustment of $81,200 to Illinois Affordable Housing Trust Fund grants expense, resulting in an understatement of grants expense and due to State of Illinois in the Illinois Affordable Housing Trust Fund. A proposed adjustment for this difference was not recorded by the Authority.

8) The Authority improperly reported activity within the statement of cash flows for the Administrative Fund and Mortgage Loan Program Fund, as noted below:

Administrative Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Payments to suppliers	$ 3,414,119	(4,135,044)	(7,549,163)
Interest paid on revenue bonds and notes	366,730	(982,880)	(1,349,610)
Depreciation and amortization	260,001	401,811	141,810

Mortgage Loan Program Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Proceeds from sale of bonds and notes	$ (2,565,000)	0	2,565,000
Principal paid on bonds and notes	(55,246,669)	(57,811,669)	(2,565,000)
Acquisition of capital assets	(366,872)	(1,478,681)	(1,111,809)
Depreciation and amortization	0	1,111,810	1,111,810

A proposed adjustment for these differences was recorded by the Authority.

9) The Authority utilized incorrect principal amounts and interest rates in calculating debt service requirements of the Authority's outstanding variable-rate debt and net swap payments within footnote 8

 (Continued)

of the financial statements for the Mortgage Loan Program Fund, resulting in the improper amounts reported for principal and interest requirements as noted below:

Interest for year/five years ending June 30,	**Originally Reported Amount**	**Correct Amount**	**Difference**
2020	$ 1,448,980	1,502,609	53,629
2021	1,391,767	1,443,357	51,590
2022	1,369,935	1,419,554	49,619
2023	1,362,263	1,409,797	47,534
2024	1,354,472	1,399,886	45,414
2029	6,529,648	6,550,621	20,973
2034	5,678,812	5,724,902	46,090
2039	2,876,204	2,891,761	15,557
2044	411,167	400,710	(10,457)
Total	22,423,248	22,743,197	319,949

Principal for year/five years ending June 30,	**Originally Reported Amount**	**Correct Amount**	**Difference**
2020	$ 1,970,000	1,980,000	10,000
2021	1,480,000	1,480,000	-
2022	480,000	490,000	10,000
2023	490,000	495,000	5,000
2024	495,000	500,000	5,000
2029	9,905,000	9,585,000	(320,000)
2034	15,230,000	15,275,000	45,000
2039	36,050,000	36,110,000	60,000
2044	12,030,000	11,745,000	(285,000)
Total	78,130,000	77,660,000	(470,000)

A proposed adjustment for these differences was recorded by the Authority.

10) The Authority incorrectly reported the fiscal year 2019 debt activity of additions and deductions for Federal Home Loan Bank Advances within footnote 8 of the financial statements for the Administrative Fund. Specifically, additions and deductions were both overstated by $14,000,000. As a result, proceeds from sale of bonds and notes and principal paid on bonds and notes were overstated on the statement of cash flows. A proposed adjustment for this difference was recorded by the Authority.

11) The Authority incorrectly classified $22,580,000 of Housing Bonds Payable in the Mortgage Loan Program Fund as a noncurrent liability. The balance should be classified as a current liability as the

related liquidity agreement expires within one year of June 30, 2019. A proposed adjustment for this difference was recorded by the Authority.

12) The Authority incorrectly recorded an adjustment of $536,590 to TBA Securities Value and interest and other investment income, resulting in an understatement of accrued liabilities and other liabilities and an overstatement of interest and other investment income in the Administrative Fund. A proposed adjustment for this difference was recorded by the Authority.

13) The Authority incorrectly recorded unamortized premiums and discounts on bonds payable, resulting in incorrect bond payable outstanding balances being reported within the statement of net position and footnote 8 of the financial statements for the Mortgage Loan Program Fund (MLP) and Single Family Program Fund (SFP), as noted below:

Program	Originally Reported Amount	Correct Amount	Difference
MLP	$ 365,041,458	365,012,370	29,088
SFP	995,071,230	993,567,139	1,504,091

A proposed adjustment for these differences were recorded by the Authority.

14) The Authority incorrectly recorded an adjustment of $466,662 to HOME federal funds revenue, resulting in an understatement of federal funds revenue within the HOME Program Fund and an overstatement of federal funds revenue in the Nonmajor Governmental Funds for the year ended June 30, 2019. A proposed adjustment for this difference was recorded by the Authority.

15) The Authority improperly recorded a $150,727 decrease in fiscal year 2019 HOME federal funds revenue related to a fiscal year 2018 revenue error correction, resulting in an understatement of federal funds revenue for the year ended June 30, 2019 within the HOME Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

16) The Authority did not properly reconcile cash accounts and accounts payable suspense accounts at year end. As a result, cash was overstated by $892,282, service fee revenue was understated by $113,680, accrued liabilities and other was overstated by $999,212, and other current assets was understated by $6,750 for the Administrative Fund. A proposed adjustment for these differences was not recorded by the Authority.

17) The Authority incorrectly reported amounts related to Risk Sharing Loans within footnote 5 of the financial statements, as noted below:

Item	**Fund**	**Originally Reported Amount**	**Correct Amount**	**Difference**
Number of Risk Sharing Loans	All funds	50	43	(7)
Total balance of Risk Sharing Loans	All funds	$293,555,629	243,509,219	(50,046,410)
Total loans financed through Administrative Fund	Administrative	12,282,036	12,336,070	54,034
Number of participation loans	N/A	29	22	(7)
Total of participation loans	N/A	$170,055,851	$119,955,406	(50,100,445)
Amount of beneficial ownership interests in loans sold to the Federal Financing Bank	N/A	113,980,000	111,930,000	(2,050,000)

A proposed adjustment for these differences was recorded by the Authority.

18) The Authority incorrectly reported amounts related to certified uncollected receivables for loans within the Illinois Affordable Housing Trust Fund submitted to the Illinois Attorney General within footnote 5 of the financial statements, as noted below:

Item	**Originally Reported Amount**	**Correct Amount**	**Difference**
Number of certifications	6	3	(3)
Total balance of certified loans	$1,513,024	1,160,569	(352,455)

A proposed adjustment for these differences was recorded by the Authority.

19) The Authority incorrectly classified interest paid on revenue bonds and notes within the statement of cash flows as an operating activity rather than as a noncapital financing activity in the amounts of ($982,880), ($10,023,029), and ($22,241,291) for the Administrative Fund, Mortgage Loan Program Fund, and Single Family Program Fund, respectively. Additionally, the Authority incorrectly classified bank note cash collateral as an adjustment to reconcile operating income to net cash used in operating activities rather than as a noncapital financing activity in the amount of ($14,950,000) for the Administrative Fund. A proposed adjustment for these differences was recorded by the Authority.

 (Continued)

20) The Authority incorrectly reported activity within the statement of cash flows for the Administrative Fund, Single Family Program Fund, and the Mortgage Loan Program Fund, as noted below:

Administrative Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Due to other funds	$ 3,281,850	2,578,355	(703,495)
Due from other funds	2,986,598	3,690,093	703,495

Single Family Program Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Due to other funds	$ (884,580)	(1,588,075)	(703,495)
Due from other funds	(5,025,637)	(4,322,142)	703,495

A proposed adjustment for these differences was not recorded by the Authority.

Mortgage Loan Program Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Receipts for program loans, interest, and service fees	$ 65,720,122	74,379,556	8,659,434
Payments for program loans	(6,044,053)	(14,703,487)	(8,659,434)

A proposed adjustment for these differences was recorded by the Authority.

Generally accepted accounting principles (GAAP) require program loans receivable footnote disclosures to accurately state the changes in program loan receivable balances and accurately state the scheduled maturities of program loans receivable. GAAP also requires transactions to be properly recorded within the financial statements. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls to provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to accurately record financial transactions and accurately prepare financial statements.

Authority management stated that in the current period, the Finance and Accounting department underwent major restructuring during fiscal year 2019. Key individuals in the financial reporting process left the Authority mid-way through the fiscal year without a transition plan in place, and sufficient documentation related to their roles in the financial reporting process was unavailable.

Failure to accurately record financial transactions resulted in the misstatement of the Authority's financial statements. (Finding Code No. 2019-001, 2018-003, 2017-002, 2016-001, 2015-001)

Recommendation:

We recommend the Authority review its current internal control policies and procedures to ensure financial transactions are accurately reported in the general ledger and the financial statements, including footnote disclosures.

Authority Response:

The Authority is in agreement that the drafts of the Financial Report contained errors that needed to be adjusted. The Authority will review its internal governance and control structures and implement appropriate procedures to ensure the following: (1) all Authority transactions are appropriately recorded and reflected within its accounting records and financial statements; (2) corresponding notes to the financial statements are accurate and conform with GASB requirements; (3) The Authority account reconciliations are prepared accurately, timely and reviewed as well as approved by an appropriate level staff member; (4) The Authority will review all aspects of the Financial Statement Presentation and will not solely rely on prior year audited financial statements but rather that they be in accordance with GASB Statement No. 34, as well as any other reporting-related guidance; (5) The Authority will work internally to leverage the accounting system and subledger systems for cash, investments, bonds, notes payable and loans receivable to minimize the manual efforts needed to produce supporting schedules for footnotes; (6) Create and implement an Accounting and Financial Policies and Procedures Manual that will not only document that processes and procedures are completed on a day-to-day basis but will also document the financial reporting process; (7) The Authority will strive to complete the financial statements on a quarterly basis in an effort to more efficiently compile & review a complete and accurate set of annual financial statements; (8) The Authority will continue to provide ongoing training on policies and procedures to new and existing staff.

The Authority hired a new Controller and is actively engaged in the process of creating an Accounting and Financial Policies and Procedures Manual. This process is time intensive and it is important to the Authority to establish an effective manual, specifically as it relates to the reporting of the statement of cash flows for proprietary funds. In the interim, until the Accounting and Financial Policies and Procedures Manual is in final form, the Authority is working closely with remaining personnel and new personnel to be sure they follow current internal controls to avoid making errors on the statement of cash flows. Once completed, the Accounting and Financial Policies and Procedures Manual will document all processes and procedures thus ensuring that all procedures are implemented, and internal controls are followed.

Finding 2019-002 Inaccurate Financial Reporting of Investments

The Illinois Housing Development Authority (Authority) has not established adequate internal controls over the reporting of investment activity within the statement of cash flows.

During the year ended June 30, 2019, the Authority made a number of changes in the financial reporting process in an effort to address the deficiencies in internal control over financial reporting which were identified and reported in previous audits. The Authority has a complex financial reporting process/structure and the Authority has imposed an aggressive fiscal year-end financial reporting timeline and deadline. The Authority did not amend its year-end financial reporting process or reporting deadlines to permit personnel to be adequately prepared or to provide adequate time to complete all necessary financial reporting activities. Additionally, the Authority did not establish additional oversight or monitoring procedures to ensure the financial statements were properly prepared and presented. As a result, the draft financial statements prepared by management contained several errors which required adjustment to the financial statements or reporting to those charged with governance.

During our audit of the financial statements as of and for the year ended June 30, 2019, we noted the Authority improperly reported investment activity within the statement of cash flows for the Administrative Fund, Mortgage Loan Program Fund, and Single Family Program Fund, as noted below:

Administrative Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Purchase of investment securities	$ (1,088,855,341)	(1,126,430,508)	(37,575,167)
Proceeds from sales and maturities of investment securities	1,185,369,744	1,185,418,958	49,214
Interest received on investments	(32,887,606)	4,101,760	36,989,366
Noncash increase (decrease) in the fair value of investments	1,806,574	1,877,018	70,444

Mortgage Loan Program Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Purchase of investment securities	$ (516,427,556)	(547,851,118)	(31,423,562)
Proceeds from sales and maturities of investment securities	467,178,983	498,602,545	31,423,562
Noncash increase (decrease) in the fair value of investments	(22,528)	2,935,756	2,958,284

Single Family Program Fund	Originally Reported Amount	Correct Amount	Difference
Purchase of investment securities	$ (740,852,560)	(740,792,559)	60,001
Interest received on investments	27,901,423	27,841,422	(60,001)
Noncash increase (decrease) in the fair value of investments	41,538,098	34,186,757	(7,351,341)

A proposed adjustment for these differences was recorded by the Authority.

Additionally, we noted the investment cash flow activity presented in the statement of cash flows did not reconcile to the ending investment balances as of June 30, 2019 resulting in unreconciled differences in the amounts of $3,363,170, ($316,834), and ($5,683,138) for the Administrative Fund, Mortgage Loan Program Fund, and Single Family Program Fund, respectively. A proposed adjustment for these differences was not recorded by the Authority.

Generally accepted accounting principles require investment activity to be properly reported within the statement of cash flows. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to accurately record financial transactions and accurately prepare financial statements.

During the prior engagement period, Authority management stated that they initially prepared the statement of cash flows utilizing general ledger activity that contained certain non-cash activity. The misstatements were corrected after performing a detailed reconciliation of the general ledger investment activity compared to the investment holdings sub ledger. Authority management stated the errors in the current period were due to loss of key personnel within the fiscal year and no transition plan was created or put in place by the Authority. As these individuals were key in the review of investment reconciliations and the compilation and preparation of the Authority's financial statements, there existed undocumented procedures in order to prepare accurate financials.

Failure to accurately record activity within the statement of cash flows resulted in the misstatement of the Authority's financial statements. (Finding Code No. 2019-002, 2018-002)

(Continued)

Recommendation:

We recommend the Authority review its current internal control policies and procedures to ensure cash flow activity is properly reported and presented in the financial statements.

Authority Response:

The Authority is in agreement with the reclassifications that were made to the cash flow statement for the Administrative, Mortgage Loan Program & Single-Family Program Funds. The Authority is in agreement that noncash increases (decreases) were incorrectly reported on the statement of cash flows. The Authority accepts the recommendation and will proceed swiftly. Authority personnel inadvertently reflected amounts within purchases and sales of investments that should have been reflected in a separate line on the statement of cash flow. The Authority promptly reclassified the amounts to accurately reflect each fund's statement of cash flows.

The Authority hired a new Controller and is actively engaged in the process of creating an Accounting and Financial Policies and Procedures Manual. This process is time intensive and it is important to the Authority to establish an effective manual, specifically as it relates to the reporting of the statement of cash flows for proprietary funds. In the interim, until the Accounting and Financial Policies and Procedures Manual is in final form, the Authority is working closely with remaining personnel and new personnel to be sure they follow current internal controls to avoid making errors on the statement of cash flows. Once completed, the Accounting and Financial Policies and Procedures Manual will document all processes and procedures thus ensuring that all procedures are implemented, and internal controls are followed.

Finding 2019-003 Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process

The Illinois Housing Development Authority (Authority) was unable to support the historical detail assumptions used in its allowance for loan loss calculation for the multi-family loan programs. Additionally, the Authority has not established adequate internal controls for ensuring the allowance for loan loss is properly calculated and presented in its financial statements.

During our audit, we reviewed the allowance for loan loss methodology for the multi-family loan program and noted that the Authority could not produce an analysis supporting the rationale for its calculation of the loan loss reserve factors (probability of default and expected loss) that are used in its allowance for loan loss calculation. In addition, the Authority has not documented how the loan loss reserve factors for the multi-family loan programs have been historically calculated and over what period the probability of default is measured.

Furthermore, during our testing of 45 multi-family loan relationships risk ratings (65 loans) as of June 30, 2019, we noted differences in the ratings determined by the Authority on their loan rating scale compared to our independent ratings determined during our review. We found the Authority's risk ratings to be reasonable for 31 of the 45 relationships (48 of the 65 loans) and we found the Authority's risk ratings to be unreasonable for 14 of the 45 relationships (17 of the 65 loans).

The following differences in loan ratings are primarily attributable to the Authority's application of various aspects of their allowance for loan loss rating policy within the loan rating process:

- Four differences in Housing Trust Fund loan ratings resulted in an over reserve of $1,272,498 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for this difference was not recorded by the Authority.

- Six differences in HOME loan ratings resulted in an over reserve of $200,933 for the HOME Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

- One difference in Nonmajor governmental fund loan ratings resulted in an under reserve of $18,505 for the Nonmajor Governmental Funds. A proposed adjustment for this difference was not recorded by the Authority.

- Two differences in Multifamily Revenue Bonds loan ratings and one difference in Housing Bonds loan ratings resulted in an under reserve of $382,623 for the Mortgage Loan Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

- Three differences in Administrative loan ratings resulted in an over reserve of $62,880 for the Administrative Fund. A proposed adjustment for this difference was not recorded by the Authority.

Generally accepted accounting principles require the estimate for the allowance for loan loss to be supported by appropriate assumptions and accurate information. Additionally, the Fiscal Control and Internal Auditing Act

(30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to ensure the assumptions used in the allowance for loan loss calculation are appropriate and that loan ratings are adequately documented.

During the prior engagement period, Authority management stated that the Authority implemented a new allowance for loan loss policy for the multifamily loans program in fiscal year 2017. As a result of the implementation, a limited number of calculation errors occurred due to manual corrections of figures or the logic used to calculate loss reserve amounts. Authority management further stated that some of the differences were due to the application and interpretation of the Authority's Board approved loan loss reserve policy and methodology that differs from the auditor's.

Authority management stated that the current period's cause of the differences stem from several factors. Fiscal year 2019 marked the first year that new rating methodologies were used by the Multifamily Department to determine risk in the construction loan portfolio. Asset Management implemented numerous quality control measures to ensure the rating methodology was applied accurately to all loans in the stabilized portfolio, however back testing the Expected Loss Given Default factor did not prove successful due to lack of data (losses) and significant delays between the date of eminent loss and the write-off transaction date on the few losses the Authority did incur. The methodology, as in years past, caused a majority of the variances seen within this year's populations, in comparison to the independent review. However, the Authority did not make any adjustments after the independent review, as it does reasonably believe that its risk ratings are complete and accurate, based on the current methodology as completed and reviewed within the Multifamily Department.

Failure to support the assumptions in the allowance for loan loss calculation, appropriately document loan ratings, and calculate the allowance for loan loss may result in the misstatement of the allowance for loan loss in the Authority's financial statements. (Finding Code No. 2019-003, 2018-001, 2017-001, 2016-002, 2015-002, 2014-001)

Recommendation:

We recommend the Authority review its current policies and procedures to ensure the assumptions used in the allowance for loan loss calculation are appropriate and that loan ratings are calculated appropriately.

(Continued)

Authority Response:

The Authority agrees to review and improve the policies and procedures surrounding the multi-family loan loss reserve process and procedures.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Prior Findings Not Repeated

Year ended June 30, 2019

None noted.