COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS

COMBINED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development
Lanham, Maryland

We have audited the accompanying combined financial statements of the Community Development Administration Revenue Obligation Funds (the Funds) of the Department of Housing and Community Development of the State of Maryland, which comprise the combined statement of net position as of June 30, 2020, and the related combined statements of revenue, expenses, and changes in net position, and cash flows, for the year then ended, and the related notes to the combined 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 combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined 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 combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Funds as of June 30, 2020, and the changes in its combined financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Financial Statement Presentation

As discussed in Note 1, the combined financial statements present only the financial position, the changes in financial position and cash flows of the Funds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion on the combined financial statements was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental information on pages 30 through 31 is presented for purposes of additional analysis and is not a required part of the combined financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion, or provide any assurance on it.

Report on Summarized Comparative Information

We have previously audited the Funds' 2019 combined financial statements, and we expressed an unmodified opinion on those combined financial statements in our report dated September 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent in all material respects, with the audited combined financial statements from which it has been derived.

Office of the Secretary
Department of Housing and Community Development

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 29, 2020, on our consideration of the Funds' 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 Fund'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 Funds' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2020

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF NET POSITION
(in thousands)
JUNE 30, 2020
(with comparative combined totals as of June 30, 2019)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2020	Combined 2019
RESTRICTED ASSETS					
RESTRICTED CURRENT ASSETS					
Cash and Cash Equivalents on Deposit	$ 129,381	$ 402,185	$ 40,401	$ 571,967	$ 534,748
Investments	-	63,750	-	63,750	127,013
Mortgage-Backed Securities	9,708	427,921	-	437,629	37,096
Mortgage Loans:					
Single Family	2	32,710	-	32,712	30,904
Multi-Family Construction and Permanent Financing	2,703	883	240	3,826	3,879
Business Loans	-	-	143	143	139
Accrued Interest and Other Receivables	1,435	18,184	1,685	21,304	17,496
Claims Receivable on Foreclosed and Other Loans, Net of Allowance	-	10,880	-	10,880	17,222
Real Estate Owned	-	3,665	-	3,665	5,839
Total Restricted Current Assets	143,229	960,178	42,469	1,145,876	774,336
RESTRICTED LONG-TERM ASSETS					
Investments, Net of Current Portion	7,519	9,857	2,433	19,809	18,874
Mortgage-Backed Securities, Net of Current Portion	19,519	729,755	-	749,274	541,630
Mortgage Loans, Net of Current Portion and Allowance:					
Single Family	2	667,112	-	667,114	761,485
Multi-Family Construction and Permanent Financing	257,507	6,086	5,505	269,098	260,804
Business Loans	-	-	8,375	8,375	8,523
Other Loan Receivable	-	-	750	750	750
Total Restricted Long-Term Assets	284,547	1,412,810	17,063	1,714,420	1,592,066
Total Restricted Assets	$ 427,776	$ 2,372,988	$ 59,532	$2,860,296	$2,366,402

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF NET POSITION (CONTINUED)
(in thousands)
JUNE 30, 2020
(with comparative combined totals as of June 30, 2019)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2020	Combined 2019
LIABILITIES					
CURRENT LIABILITIES					
Accrued Interest Payable	$ 5,290	$ 20,677	$ -	$ 25,967	$ 20,349
Accounts Payable	138	2,640	8,035	10,813	8,421
Accrued Workers' Compensation	-	-	18	18	21
Accrued Compensated Absences	-	-	580	580	1,088
Due to State Treasurer	-	-	2,403	2,403	3,558
Bonds Payable	15,633	114,310	-	129,943	71,724
Deposits by Borrowers	5,866	908	39	6,813	6,270
Total Current Liabilities	26,927	138,535	11,075	176,537	111,431
LONG-TERM LIABILITIES					
Rebate Liability	108	-	-	108	40
Accrued Workers' Compensation, Net of Current Portion	-	-	101	101	119
Accrued Compensated Absences, Net of Current Portion	-	-	732	732	-
Bonds Payable, Net of Current Portion	325,597	1,854,244	-	2,179,841	1,819,224
Deposits by Borrowers, Net of Current Portion	19,958	944	56	20,958	20,777
Total Long-Term Liabilities	345,663	1,855,188	889	2,201,740	1,840,160
Total Liabilities	372,590	1,993,723	11,964	2,378,277	1,951,591
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflow on Refunding of Bond Debt	-	705	-	705	756
NET POSITION					
Restricted	55,186	378,560	47,568	481,314	414,055
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 427,776	$ 2,372,988	$ 59,532	$ 2,860,296	$ 2,366,402

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
(in thousands)
YEAR ENDED JUNE 30, 2020
(with comparative combined totals for the year ended June 30, 2019)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2020	Combined 2019
OPERATING REVENUE					
Interest on Mortgage Loans	$ 12,584	$ 42,024	$ 863	$ 55,471	$ 59,690
Interest on Mortgage-Backed Securities	1,575	32,694	-	34,269	14,592
Realized Gains on Sale of Mortgage-Backed Securities	-	25,812	-	25,812	11,429
Interest Income on Investments, Net of Rebate	1,745	6,101	642	8,488	10,284
Increase (Decrease) in Fair Value of Investments	330	532	(23)	839	1,030
Fee Income	697	-	8,363	9,060	11,498
Gain on Early Retirement of Debt	-	1,724	-	1,724	1,138
Decrease in Provision for Loan Losses	-	176	-	176	530
Recovery of Losses on Foreclosed Loans	-	1,688	-	1,688	-
Recoveries (Losses) on Foreclosure Claims, Net	-	174	-	174	(252)
Other Operating Revenue	32	2	153	187	88
Total Operating Revenue	16,963	110,927	9,998	137,888	110,027
OPERATING EXPENSES					
Interest Expense on Bonds	11,831	56,977	-	68,808	53,128
Professional Fees and Other Operating Expenses	540	20,870	410	21,820	14,976
Salaries, General and Administrative Costs	-	-	25,701	25,701	24,821
Other Loan Losses and Write-Offs	-	30	-	30	49
Losses and Expenses on Real Estate Owned, Net	-	1,444	-	1,444	2,502
Bond Issuance Costs	-	3,957	-	3,957	5,091
Total Operating Expenses	12,371	83,278	26,111	121,760	100,567
OPERATING INCOME (LOSS)	4,592	27,649	(16,113)	16,128	9,460
NONOPERATING (EXPENSES) INCOME					
(Decrease) Increase in Fair Value of Mortgage-Backed Securities	(33)	50,845	-	50,812	22,534
Transfers of Funds, as Permitted by the Resolutions	(2,000)	(13,000)	15,319	319	323
CHANGES IN NET POSITION	2,559	65,494	(794)	67,259	32,317
NET POSITION - RESTRICTED AT BEGINNING OF YEAR	52,627	313,066	48,362	414,055	381,738
NET POSITION - RESTRICTED AT END OF YEAR	$ 55,186	$ 378,560	$ 47,568	$ 481,314	$ 414,055

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF CASH FLOWS
(in thousands)
YEAR ENDED JUNE 30, 2020
(with comparative combined totals for the year ended June 30, 2019)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2020	Combined 2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Principal and Interest Received on Mortgage Loans	$ 49,740	$ 129,989	$ 1,219	$ 180,948	$ 154,728
Principal and Interest Received on Mortgage-Backed Securities	1,986	113,444	-	115,430	50,892
Escrow Funds Received	9,625	1,017	64	10,706	11,084
Escrow Funds Paid	(8,621)	(1,318)	(43)	(9,982)	(7,690)
Mortgage Insurance Claims and Other Loan Proceeds Received	-	25,801	-	25,801	39,157
Foreclosure Expenses Paid	-	(4,296)	-	(4,296)	(4,312)
Loan Fees Received	697	-	7,252	7,949	11,205
Purchase of Mortgage Loans	(47,583)	(5,397)	-	(52,980)	(50,176)
Disbursements of Loans to Projects	-	-	-	-	(1,416)
Purchase of Mortgage-Backed Securities	-	(1,110,085)	-	(1,110,085)	(500,085)
Funds Received from Sale of Mortgage-Backed Securities	-	495,798	-	495,798	214,247
Professional Fees and Other Operating Expenses	(540)	(20,789)	(348)	(21,677)	(14,956)
Other Income Received	32	2	153	187	88
Salaries, General and Administrative Expenses	-	-	(26,653)	(26,653)	(25,808)
Other (Disbursements) Reimbursements	-	(2,490)	2,672	182	(1,777)
Net Cash Provided (Used) by Operating Activities	5,336	(378,324)	(15,684)	(388,672)	(124,819)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Maturities or Sales of Investments	22,017	98,978	6,543	127,538	127,695
Purchases of Investments	-	(63,850)	-	(63,850)	(169,338)
Arbitrage Rebates Refunded	-	-	-	-	132
Interest Received on Investments	1,810	6,357	659	8,826	8,711
Net Cash Provided (Used) by Investing Activities	23,827	41,485	7,202	72,514	(32,800)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds from Sale of Bonds	52,460	509,964	-	562,424	696,225
Payments on Bond Principal	(42,969)	(97,280)	-	(140,249)	(296,241)
Bond Issuance Costs	-	(4,261)	-	(4,261)	(4,787)
Interest on Bonds	(11,747)	(53,109)	-	(64,856)	(50,499)
Transfers Among Funds	(2,000)	(13,000)	15,319	319	323
Net Cash (Used) Provided by Noncapital Financing Activities	(4,256)	342,314	15,319	353,377	345,021
NET INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	24,907	5,475	6,837	37,219	187,402
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR	104,474	396,710	33,564	534,748	347,346
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR	$ 129,381	$ 402,185	$ 40,401	$ 571,967	$ 534,748

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
(in thousands)
YEAR ENDED JUNE 30, 2020
(with comparative combined totals for the year ended June 30, 2019)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined 2020	Combined 2019
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	$ 4,592	$ 27,649	$ (16,113)	$ 16,128	$ 9,460
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Amortization of Investment Discounts and Premiums	(124)	(363)	(34)	(521)	(1,285)
Amortization of Bond Original Issue Discounts and Premiums	-	(1,666)	-	(1,666)	(306)
Decrease in Provision for Loan Losses	-	(176)	-	(176)	(530)
(Increase) Decrease in Fair Value of Investments	(330)	(532)	23	(839)	(1,030)
Arbitrage Rebate Refunded	-	-	-	-	(132)
Gain on Early Retirement of Debt	-	(1,724)	-	(1,724)	(1,138)
Bond Issuance Costs	-	4,261	-	4,261	4,787
Interest Received on Investments	(1,810)	(6,357)	(659)	(8,826)	(8,711)
Interest on Bonds	11,747	53,109	-	64,856	50,499
(Increase) Decrease in Assets:					
Mortgage Loans	(10,241)	94,822	364	84,945	71,686
Mortgage-Backed Securities	409	(557,774)	-	(557,365)	(260,017)
Accrued Interest and Other Receivables	(63)	(2,677)	(1,068)	(3,808)	(257)
Claims Receivable on Foreclosed and Other Loans	-	6,039	-	6,039	3,433
Real Estate Owned	-	2,174	-	2,174	5,718
Increase (Decrease) in Liabilities:					
Accrued Interest Payable	84	5,534	-	5,618	2,935
Accounts Payable	-	(342)	2,734	2,392	(962)
Rebate Liability	68	-	-	68	40
Accrued Workers' Compensation and Compensated Absences	-	-	203	203	75
Due to State Treasurer	-	-	(1,155)	(1,155)	(1,062)
Due to Multi-Family Projects	-	-	-	-	(1,416)
Deposits by Borrowers	1,004	(301)	21	724	3,394
Net Cash Provided (Used) by Operating Activities	$ 5,336	$ (378,324)	$ (15,684)	$ (388,672)	$ (124,819)

See accompanying Notes to Financial Statements.

NOTE 1 AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) was created in 1970 by Sections 266 DD-1 to 266 DD-8 of Article 41 (now in Sections 4-101 through 4-255 of the Housing and Community Development Article) of the Annotated Code of Maryland to meet the shortage of adequate, safe and sanitary housing in the State of Maryland, particularly for persons or families of limited income. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying combined financial statements only include CDA's Revenue Obligation Funds (the Funds). CDA's other programs are not included. However, CDA has also separately issued combined financial statements for the Infrastructure Program Funds and financial statements for the Single-Family Housing Revenue Bonds and Multi-Family Mortgage Revenue Bonds indentures. The Revenue Obligation Funds, Infrastructure Program Funds, Single-Family Housing Revenue Bonds, and Multi-Family Mortgage Revenue Bonds are enterprise funds of the State of Maryland and are included in the State of Maryland's Comprehensive Annual Financial Report.

Within each Fund in the Revenue Obligation Funds are separate accounts maintained for each obligation in accordance with the respective indentures. The following summarizes each of the Funds.

Fund	Purpose
Housing Revenue Bonds	To provide funds to finance or refinance loans for various types of housing. As of June 30, 2020, Housing Revenue Bonds have primarily financed multi-family projects.
Residential Revenue Bonds	To originate or purchase single-family mortgage loans.
General Bond Reserve Fund	To provide funds for payment of principal and interest on bonds and notes in the Revenue Obligation Funds to the extent revenues and assets specifically pledged are not sufficient. This Fund also provides for the payment of operating expenses of CDA.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Revenue Obligation Funds are accounted for as enterprise funds. Accordingly, the accompanying combined financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

Basis of Accounting and Measurement Focus

The basis of accounting for the Funds is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of the Funds are included on the Combined Statements of Net Position. The Funds are required to follow all statements of the Governmental Accounting Standards Board (GASB).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by GASB. Consequently, CDA applies all applicable GASB pronouncements.

In accordance with accounting guidance issued by GASB, net position should be reported as restricted when constraints placed on net position use is either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation. Accordingly, the net position of the Funds is restricted as to its use as the net position is pledged to bondholders.

Since CDA is an enterprise fund included in the State of Maryland’s Comprehensive Annual Financial Report, a separate Management’s Discussion and Analysis is not included in these combined financial statements.

Cash and Cash Equivalents on Deposit

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2020, the Funds’ cash equivalents are primarily invested in a money market mutual fund which is more fully described in Note 3.

Investments

Investments are principally governmental debt securities or investment agreements collateralized by governmental debt securities. Debt securities are stated at fair value, based on quoted market prices. Investments are classified as current or long-term based on the maturity date or call date. Callable investments are classified as current, if exercise of the call within the next fiscal year is probable. Investments are more fully described in Note 3.

Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on multi-family projects and single-family homes. They are stated at fair value, based on quoted market prices. Mortgage-backed securities are more fully described in Note 3.

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of allowance for loan losses. Loan fees are recognized as revenue in the period received. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as claims receivables. See Notes 4 and 14 for additional information on mortgage loans and mortgage insurance, respectively.

Accrued Interest and Other Receivables

Accrued interest and other receivables include interest on loans and investments. On insured multi-family mortgage loans that are in default, CDA continues to accrue interest until receipt of a mortgage insurance claim. On insured single-family loans, interest ceases to accrue after foreclosure. See Note 5 for additional information.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Claims Receivable on Foreclosed and Other Loans

Claims receivable on foreclosed and other loans include insured single-family loans that are in foreclosure or other single-family loans with pending insurance claims, recorded net of allowance. These loans are primarily insured by U.S. Government Agencies or private mortgage insurers. Foreclosed loans insured by private mortgage insurers are held in this account until the insurer has made a final determination as to claim payment or transfer of the property to CDA.

Real Estate Owned

Real estate owned represents real estate acquired through foreclosure or deeds-in-lieu and is stated at the lower of cost or fair value less estimated costs to sell. Expenses incurred related to real estate owned are reported on the Combined Statement of Revenue, Expenses and Changes in Net Position.

Allowance for Loan Losses

Substantially all single-family mortgage loans of the Funds are insured or guaranteed by agencies of the U.S. Government, the Maryland Housing Fund (MHF), or private mortgage insurers. Most primary coverage levels range from 25% to 100% of the loan. CDA has established an allowance for loan losses on the uninsured portions of multi-family loans and on single family loans. CDA has also established an allowance for loan losses on single family loans that are in foreclosure. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group as well as a current assessment of probability and risk of loss due to default or deteriorating economic conditions. See Note 4 for additional information on allowance for loan losses.

Bond Issuance Costs

Bond issuance costs are recognized and expensed in the period incurred.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of unamortized original issue discounts or premiums. However, in an economic refunding, any costs incurred from the refunding of bonds would be reported as deferred outflows or inflows of resources on the Combined Statement of Net Position. See Notes 6, 7, 8, 9, and 11 for additional information on bonds.

Due to Multi-Family Projects

On some multi-family mortgage loans CDA records the total loan amount when the loan closes and collects interest from the multi-family projects on the full loan amount from the date of closing. Due to Multi-Family Projects represents the undrawn loan amount which is held by CDA as an escrow until the funds are needed by the projects.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits by Borrowers

This account consists of escrows and reserves held by CDA on behalf of multi-family housing developments. CDA invests these deposits and, for reserves, allows earnings to accrue to the benefit of the mortgagor. Escrows represent amounts held by CDA for mortgage insurance and hazard insurance premiums and real estate taxes, all of which are generally paid annually and which are classified as a current liability. Based on the current year's reserve disbursements, CDA has estimated the current reserve liability. The balance of the reserves is classified as long term. CDA has set up other escrows for construction interest which are classified based on loan interest due as to whether it is a current or long-term liability. See Note 11 for further information on changes in long-term obligations.

Rebate Liability on Investments

Regulations governing the issuance of tax-exempt debt place limitations on permitted investment yield on borrowed funds. Based on these regulations, CDA is required to periodically rebate excess earnings from investments to the United States Treasury. In addition, the liability may also include an estimate of the rebate obligation related to unrealized gains as a result of recording investments at fair value. Rebate liability is more fully described in Note 10.

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2020, all mortgage loan yields are in compliance with the Code.

Interest on Mortgage Loans and Mortgage-Backed Securities

Interest on mortgage loans and mortgage-backed securities is calculated using the effective interest method.

Fee Income

CDA receives multi-family financing fees at loan origination. These fees are recognized as revenue in the period received as fee income. Tax credit fees and administrative fees are recorded as earned.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Administrative Support

In addition to expenses incurred directly by the Funds, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year. For the year ended June 30, 2020, the total costs for salaries and related costs and for general and administrative costs charged to the General Bond Reserve Fund was $25,701.

The employees of CDA are covered by the Maryland State Retirement and Pension System. See Note 15 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from non-operating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. The Funds' activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities that are held within the portfolio. Mortgage-backed securities that are part of the TBA program are classified as operating which is more fully described in Note 3.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, and losses during the reporting periods. Actual results could differ from these estimates.

Combined Totals

The totals of similar accounts of the various Funds in the accompanying combined financial statements are presented for information purposes only. The totals represent an aggregation of the Funds and do not represent consolidated financial information, as interfund balances are not eliminated.

NOTE 3 CASH, CASH EQUIVALENTS, INVESTMENTS, AND MORTGAGE-BACKED SECURITIES

Bond proceeds and revenues from mortgages, mortgage-backed securities, and investments are invested in authorized investments as defined in the respective indentures and in CDA's Investment Policy until required for purchasing mortgage-backed securities or originating mortgage loans, funding reserves, paying bond debt service or redeeming outstanding bonds and notes, and funding program expenses. Authorized investments include State Housing Finance Agency (HFA) Variable Rate Demand Obligations (VRDO), obligations of the U.S. Treasury, U.S. Government Agencies, repurchase agreements, investment agreements, money market funds, and certificates of deposit.

(in thousands)

NOTE 3 CASH, CASH EQUIVALENTS, INVESTMENTS, AND MORTGAGE-BACKED SECURITIES (CONTINUED)

The following assets, reported at fair value and held by CDA at June 30, 2020, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Cash and Cash Equivalents:				
BlackRock Liquidity FedFund Administration Shares	$ 129,381	$ 394,878	$ 40,401	$ 564,660
Demand Deposit Account	-	7,307	-	7,307
Investments:				
State HFA VRDO	-	63,750	-	63,750
Obligations of the U.S. Treasury	7,519	-	2,433	9,952
Obligations of the U.S. Government Agencies	-	7,449	-	7,449
Repurchase Agreements and Investment Agreements	-	2,408	-	2,408
Mortgage-Backed Securities:				
Government National Mortgage Association (GNMA)	29,227	617,033	-	646,260
Federal National Mortgage Association (FNMA)	-	452,679	-	452,679
Federal Home Loan Mortgage Corporation (FHLMC)	-	87,964	-	87,964
Total Cash and Cash Equivalents, Investments and Mortgage-Backed Securities	$ 166,127	$ 1,633,468	$ 42,834	$ 1,842,429

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, CDA's Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for bond debt service, projected loan originations and ongoing operations.

(in thousands)

NOTE 3 CASH, CASH EQUIVALENTS, INVESTMENTS, AND MORTGAGE-BACKED SECURITIES (CONTINUED)

Interest Rate Risk (Continued)

As of June 30, 2020, the amortized cost, fair value, and maturities for these assets were as follows:

Asset	Amortized Cost	Fair Value	Maturities (in Years) Less Than 1	1 - 5	6 - 10	11 - 15	More Than 15
BlackRock Liquidity FedFund Administration Shares	$ 564,660	$ 564,660	$ 564,660	$ -	$ -	$ -	$ -
Demand Deposit Account	7,307	7,307	7,307	-	-	-	-
State HFA VRDO	63,750	63,750	-	-	-	-	63,750
Obligations of the U.S. Treasury	7,527	9,952	-	2,433	7,519	-	-
Obligations of U.S. Government Agencies	4,888	7,449	-	-	4,252	3,197	-
Repurchase Agreements/ Investment Agreements	2,408	2,408	-	-	1,232	1,176	-
GNMA Mortgage-Backed Securities	609,459	646,260	-	-	-	-	646,260
FNMA Mortgage-Backed Securities	424,757	452,679	-	-	-	-	452,679
FHLMC Mortgage-Backed Securities	82,478	87,964	-	-	-	-	87,964
Total	$ 1,767,234	$ 1,842,429	$ 571,967	$ 2,433	$ 13,003	$ 4,373	$ 1,250,653

The BlackRock Liquidity FedFund Administration Shares invests primarily in cash, U.S. Treasury bills, notes, and other obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities, and repurchase agreements secured by such obligations or cash. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2020, the cost of the money market mutual fund approximated fair value.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the trust indentures require investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to CDA's indentures and Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted in a specific indenture and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2020, all counterparty ratings were at least equal to the ratings on the bonds. The ratings on Housing Revenue Bonds and Residential Revenue Bonds as of June 30, 2020 were Aa2 and Aa1, respectively, by Moody's Investors Service. The ratings on Housing Revenue Bonds and Residential Revenue Bonds as of June 30, 2020 were AA+ and AA, respectively, by Fitch Ratings. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5% or more of total investments, in accordance with accounting guidance issued by GASB.

(in thousands)

NOTE 3 CASH, CASH EQUIVALENTS, INVESTMENTS, AND MORTGAGE-BACKED SECURITIES (CONTINUED)

Credit Risk and Concentration of Credit Risk (Continued)

As of June 30, 2020, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of Total Investments	Money Market Fund Rating	Securities Credit Rating	Rating Agency
BlackRock Liquidity FedFund Administration Shares	$ 564,660	30.65%	Aaa		Moody's
State HFA VRDO	63,750	3.46%		Aaa to Aa3	Moody's
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	646,260	35.08%		Direct U.S. Obligations	
Federal National Mortgage Association (FNMA) Mortgage-Backed Securities	452,679	24.57%		Aaa	Moody's
FHLMC Mortgage-Backed Securities	87,964	4.77%		Aaa	Moody's

The market value of the underlying collateralized securities in repurchase agreements and investment agreements is maintained at a minimum of 102% of the principal of and accrued interest on the invested funds by marking to market at least weekly and using an immediate under value cure provision.

The State HFA VRDO held in CDA’s investment portfolio are short-term (7-day) instruments that can be tendered at 7 days’ notice at par. The rate is reset weekly by a remarketing agent, therefore the market value of the bonds is approximately 100% of the principal amount of the bonds during any period.

In order to facilitate a transaction with a liquidity provider, CDA has invested in a demand deposit account that is classified as cash and cash equivalents. This investment is backed by an Irrevocable Standby Letter of Credit dated July 26, 2019, that was established by the Federal Home Loan Bank of Pittsburgh, and is automatically extended each year until July 24, 2024. This date corresponds with the termination date of the standby purchase agreement.

NOTE 3 CASH, CASH EQUIVALENTS, INVESTMENTS, AND MORTGAGE-BACKED SECURITIES (CONTINUED)

Mortgage-Backed Securities

All mortgage-backed securities held by CDA are guaranteed by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA or Fannie Mae), or the Federal Home Loan Corporation (Freddie Mac).

GNMA mortgage-backed securities are instrumentalities of the United States Government and are "fully modified pass-through" mortgage-backed securities which require monthly payments by a Federal Housing Administration (FHA) lender, as the issuer of the guaranteed security to CDA. GNMA guarantees timely payment of principal and interest on Guaranteed Securities.

Fannie Mae and Freddie Mac mortgage-backed securities are "guaranteed mortgage pass-through securities" which supplement amounts received by a trust created under a trust agreement as required permitting timely payments of principal and interest on the securities to CDA. The securities and payments of principal and interest on the securities are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae or Freddie Mac.

As an investor of GNMA I mortgage-backed securities (MBS), CDA receives separate principal and interest payments on the 15th of each month; however, for GNMA II MBS, CDA receives the total principal and interest from a central paying agent on the 20th of each month. CDA receives the total principal and interest from the trustee on the 25th of each month for both Fannie Mae and Freddie Mac securities and on the 15th of each month for some Freddie Mac securities. All mortgages backing a GNMA I MBS have the same mortgage rate equal to 50 basis points greater than the coupon, with 44 basis points of servicing fee and 6 basis points of guaranty fee. Similarly, GNMA II MBS also have 6 basis points of guaranty fee, but the mortgage rate for the loans backing the security can vary between 25 to 75 basis points greater than the coupon which may result in a variety of servicing fees. Primarily, Fannie Mae and Freddie Mac securities have a guaranty fee of approximately 44-45 basis points and a servicing fee of 25 basis points. Some Fannie Mae securities may have a guaranty fee of 82.5 basis points. CDA also participates from time to time in the Fannie Mae or Freddie Mac buy-up or buy-down of the guaranty fee created in the pooling process in order to maximize pooling of securities for efficiency and effectiveness.

In January 2012, CDA expanded the sources of financing for its mortgage-backed securities program through the ongoing sale of forward contracts of GNMA, Fannie Mae, or Freddie Mac mortgage-backed securities. These securities are comprised of single-family mortgage loans originated by CDA's network of approved lender partners. As part of this program, CDA periodically enters into forward contracts to sell GNMA, Fannie Mae or Freddie Mac mortgage-backed securities to investors before the securities are ready for delivery (referred to as to-be-announced or TBA Mortgage-Backed Security Contract). These forward contracts are settled monthly, using funds held in Residential Revenue Bonds' additional collateral account, prior to being sold into the secondary market. As of June 30, 2020, CDA entered into TBA Mortgage-Backed Security Contracts with a notional amount of $269,961 outstanding. The increase/decrease in the fair value of GNMA, Fannie Mae or Freddie Mac mortgage-backed securities that are part of the TBA program is classified as operating revenue on the Statements of Revenue, Expenses, and Changes in Net Position.

NOTE 3 CASH, CASH EQUIVALENTS, INVESTMENTS, AND MORTGAGE-BACKED SECURITIES (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2020, the Funds' investments were not subject to custodial credit risk under accounting guidance issued by GASB. CDA's investments and collateralized securities are held in trust by the trustee or the trustee's agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA's name.

Fair Value Measurements

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

The Funds have the following recurring fair value measurements as of June 30, 2020:

- U.S. Government Agencies and U.S. Treasury Notes and Bonds of $17,401 are valued using quoted market prices (Level 1).
- State HFA VRDO of $63,750 are valued using the matrix pricing technique (Level 2).
- GNMA, FNMA and FHLMC mortgage-backed securities of $1,186,903 are valued using the matrix pricing technique (Level 2).

NOTE 4 MORTGAGE LOANS

Substantially all single-family mortgage loans are secured by first liens on the related property. Approximately 96% of all single-family mortgage loans are credit enhanced through the Federal Housing Administration (FHA) mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, Maryland Housing Fund (MHF), or by private mortgage insurance policies. As of June 30, 2020, interest rates on first lien single-family loans range from 0.0% to 10.25% with remaining loan terms ranging from less than 1 year to 38 years.

Approximately 99% of all multi-family construction and permanent mortgage loans outstanding are insured or credit enhanced by FHA, MHF, Federal National Mortgage Association (FNMA), GNMA, or bank letters of credit. As of June 30, 2020, interest rates on the loans range from 1.73% to 8.25% with remaining loan terms ranging from less than 1 year to 40 years. For the year ended June 30, 2020, an allowance for loan losses in the amount of $35 has been established for uninsured loans.

There is one multi-family loan, financed under the Housing Revenue Bond Fund, which is an unsecured, unenhanced loan the borrower of which provided cash collateral to directly secure the corresponding bonds.

(in thousands)

NOTE 4 MORTGAGE LOANS (CONTINUED)

For the year ended June 30, 2020, the mortgage loan and claims receivable balances, net of the allowances for loan losses on the uninsured portions of multi-family loans and on single-family loans, including loans in foreclosure and other loans with pending insurance claims, were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	Combined
Single Family Mortgage Loans	$ -	$ 704,694	$ 704,694
Allowance for Loan Losses	-	(4,872)	(4,872)
Single Family Mortgage Loans, Net of Allowance	$ -	$ 699,822	$ 699,822
Multi-Family Mortgage Loans	$ 260,245	$ -	$ 260,245
Allowance for Loan Losses	(35)	-	(35)
Multi-Family Mortgage Loans, Net of Allowance	$ 260,210	$ -	$ 260,210
Claims Receivable on Foreclosed and Other Loans	$ -	$ 11,949	$ 11,949
Allowance for Loan Losses	-	(1,069)	(1,069)
Claims Receivable on Foreclosed and Other Loans, Net of Allowance	$ -	$ 10,880	$ 10,880

NOTE 5 ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2020 were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Accrued Mortgage Loan Interest	$ 1,048	$ 5,932	$ 180	$ 7,160
Accrued Mortgage-Backed Securities Interest	131	3,282	-	3,413
Accrued Investment Interest	47	185	35	267
Negative Arbitrage due from Mortgagors	209	-	-	209
Funds Due from Mortgage Insurers for Loan Modifications	-	67	-	67
Reimbursement Due for State-Funded Loans	-	4,457	-	4,457
Reimbursement Due For Pre-Foreclosure Costs Incurred on Mortgage Loans	-	3,711	-	3,711
Miscellaneous Loan and Other Billings	-	550	1,470	2,020
Total	$ 1,435	$ 18,184	$ 1,685	$ 21,304

NOTE 6 SHORT-TERM DEBT

CDA issues short-term debt to preserve volume cap when prepayments and payments from mortgages exceed the demand for new mortgages. Proceeds of the short-term debt are used to refund and to pay at maturity prior series of bonds. At the time of the refunding, prepayments and repayments of mortgage loans financed by these prior bonds are transferred to accounts in the short-term series. CDA expects to make these funds available to purchase mortgage loans upon the maturity or earlier redemption of the short-term bonds with proceeds of additional long-term bonds. By issuing the short-term debt, CDA more closely matches the rates on the short-term debt with the rates on short-term investments. When there is sufficient mortgage demand, CDA issues long-term refunding bonds to redeem the short-term debt and the prepayments and repayments are used to fund new mortgages. For the year ended June 30, 2020, CDA did not issue any short-term debt.

NOTE 7 BONDS PAYABLE

The bonds and notes issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the applicable indentures. These bonds and notes do not constitute debt of and are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision.

The provisions of the various bond indentures require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series indentures, at a redemption price equal to the principal amount thereof to be redeemed. When bonds are redeemed, whether as a special or optional redemption, CDA writes off a proportionate share of any unamortized original issue premiums, net of any unamortized original issue discounts, as a gain on early retirement of debt in the accompanying Combined Statement of Revenue, Expenses, and Changes in Net Position. If unamortized original issue discounts exceed unamortized original issue premiums, CDA records a loss.

The following lists those bonds which are at variable rates and the terms by which the variable rates change. All other bonds have fixed interest rates.

<u>Housing Revenue Bonds</u>

Series 2013 E

The rate is set weekly by a remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will the bonds bear interest at a rate in excess of 12%.

<u>Residential Revenue Bonds</u>

2006 Series G and J; 2012 Series B; and 2014 Series F.

The rate is set weekly by a remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will the bonds bear interest at a rate in excess of 12%.

(in thousands)

NOTE 7 BONDS PAYABLE (CONTINUED)

The following bonds are taxable. All other bonds are tax-exempt.

Housing Revenue Bonds
Series 2013 E

Residential Revenue Bonds
2012 Series A and B
2014 Series E and F
2015 Series B
2016 Series A
2017 Series A
2019 Series D

The following is a summary of the bond activity for Housing Revenue Bonds for the year ended June 30, 2020, and bonds payable as of June 30, 2020:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2019	Bond Activity: New Bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed	Bonds Payable at June 30, 2020
Housing Revenue Bonds								
Series 2006 D	09/27/06	4.91%	7/1/2048	$ 3,085	$ -	$ (50)	$ -	$ 3,035
Series 2007 B	08/30/07	5.51%	1/1/2038	4,225	-	(50)	(4,175)	-
Series 2007 C	12/20/07	5.38%	1/1/2043	1,360	-	(25)	-	1,335
Series 2008 C	09/19/08	5.60%	7/1/2048	6,740	-	(90)	(5,020)	1,630
Series 2008 D	12/18/08	6.60% - 6.75%	2030 - 2039	3,325	-	(40)	(3,285)	-
Series 2009 A	11/24/09	5.25%	7/1/2041	5,940	-	(145)	-	5,795
Series 2012 A	07/26/12	2.10% - 4.375%	2019 - 2054	8,725	-	(130)	-	8,595
Series 2012 B	08/30/12	2.00% - 4.125%	2019 - 2054	4,205	-	(65)	-	4,140
Series 2012 D	11/07/12	1.80% - 3.875%	2019 - 2054	4,360	-	(70)	-	4,290
Series 2013 A	02/28/13	1.70% - 4.00%	2019 - 2054	10,250	-	(160)	-	10,090
Series 2013 B	07/25/13	2.60% - 5.15%	2019 - 2055	9,400	-	(120)	-	9,280
Series 2013 E	11/07/13	Variable Rate	7/1/2045	41,795	-	-	-	41,795
Series 2013 F	12/12/13	1.95% - 5.25%	2019 - 2055	11,910	-	(135)	-	11,775
Series 2014 A	02/27/14	1.75% - 5.00%	2019 - 2055	4,595	-	(55)	-	4,540
Series 2014 B	05/21/14	1.75% - 4.45%	2019 - 2055	1,225	-	(15)	-	1,210
Series 2014 C	08/21/14	1.55% - 4.05%	2019 - 2046	2,240	-	(50)	-	2,190
Series 2014 D	12/17/14	1.50% - 4.20%	2019 - 2056	9,630	-	(140)	-	9,490
Series 2015 A	05/28/15	1.50% - 4.55%	2019 - 2057	7,780	-	(90)	-	7,690
Series 2015 B	10/07/15	1.35% - 4.50%	2019 - 2057	44,440	-	(570)	-	43,870
Series 2016 A	12/14/16	1.60% - 4.40%	2019 - 2058	7,285	-	(100)	-	7,185
Series 2017 A	04/13/17	3.95%	11/1/2058	14,774	-	-	(142)	14,632
Series 2017 B	05/10/17	1.40% - 3.75%	2019 - 2059	11,985	-	(5,735)	(62)	6,188
Series 2017 C	12/18/17	1.55% - 3.80%	2019 - 2059	25,710	-	(190)	(7,595)	17,925
Series 2018 A	05/31/18	1.80% - 4.25%	2019 - 2060	42,335	-	(14,615)	(50)	27,670
Series 2019 A	01/17/19	1.875% - 4.20%	2021 - 2061	14,715	-	-	-	14,715
Series 2019 B	04/18/19	1.65% - 3.90%	2021 - 2061	10,040	-	-	-	10,040
Series 2019 C	06/27/19	1.40% - 3.65%	2021 - 2061	19,665	-	-	-	19,665
Series 2019 D	08/08/19	1.35% - 3.60%	2022 - 2061	-	30,440	-	-	30,440
Series 2019 E	11/14/19	1.35% - 3.40%	2022 - 2061	-	6,020	-	-	6,020
Series 2020 A	06/30/20	0.65% - 3.10%	2023 - 2062	-	10,315	-	-	10,315
Series 2020 B	06/30/20	0.625%	6/1/2022	-	5,685	-	-	5,685
Total				$ 331,739	$ 52,460	$ (22,640)	$ (20,329)	$ 341,230

(in thousands)

NOTE 7 BONDS PAYABLE (CONTINUED)

The following is a summary of the bond activity for Residential Revenue Bonds for the year ended June 30, 2020, and the debt outstanding and bonds payable as of June 30, 2020:

					Bond Activity					
	Issue Dated	Range of Interest Rates	Range of Maturities	Debt Outstanding at June 30, 2019	New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	Debt Outstanding at June 30, 2020	Bond Premium/ Discount Deferred	Bonds Payable at June 30, 2020
Residential Revenue Bonds										
2006 Series G	05/24/06	Variable Rate	9/1/2040	$ 30,375	$ -	$ -	$ (2,480)	$ 27,895	$ -	$ 27,895
2006 Series I	07/13/06	4.80%	9/1/2021	8,660	-	(1,650)	(4,375)	2,635	-	2,635
2006 Series J	07/13/06	Variable Rate	9/1/2040	60,000	-	-	-	60,000	-	60,000
2010 Series A	06/09/10	4.30%	3/1/2020	1,825	-	(1,535)	(290)	-	-	-
2011 Series A	05/05/11	3.75% - 5.00%	2019 - 2041	14,220	-	(2,505)	(935)	10,780	59	10,839
2011 Series B	05/05/11	1.18%	3/1/2036	20,000	-	-	-	20,000	(69)	19,931
2012 Series A	08/23/12	2.662% - 4.00%	2019 - 2025	10,535	-	(3,490)	(795)	6,250	75	6,325
2012 Series B	08/23/12	Variable Rate	9/1/2033	45,000	-	-	-	45,000	-	45,000
2014 Series A	02/20/14	1.75% - 4.30%	2019 - 2032	47,620	-	(1,460)	(1,890)	44,270	-	44,270
2014 Series B	02/20/14	3.25%	9/1/2044	14,095	-	-	(2,860)	11,235	336	11,571
2014 Series C	09/25/14	2.15% - 4.00%	2021 - 2044	39,845	-	-	(2,310)	37,535	438	37,973
2014 Series D	09/25/14	1.80% - 4.00%	2019 - 2036	12,010	-	(870)	(3,625)	7,515	463	7,978
2014 Series E	09/25/14	2.407% - 4.478%	2019 - 2040	30,830	-	(1,260)	(1,035)	28,535	-	28,535
2014 Series F	09/25/14	Variable Rate	9/1/2044	24,555	-	-	-	24,555	-	24,555
2015 Series A	12/03/15	1.45% - 3.95%	2019 - 2045	19,530	-	(575)	(945)	18,010	240	18,250
2015 Series B	12/03/15	2.29% - 4.515%	2019 - 2041	47,650	-	(1,850)	(3,200)	42,600	-	42,600
2016 Series A	08/31/16	1.617% - 3.797%	2019 - 2047	266,435	-	(6,900)	(10,460)	249,075	1,528	250,603
2017 Series A	04/27/17	2.053% - 4.416%	2020 - 2048	216,810	-	(2,780)	(10,495)	203,535	-	203,535
2018 Series A	11/08/18	2.00% - 4.50%	2019 - 2048	234,445	-	(5,220)	(7,845)	221,380	3,763	225,143
2018 Series B	11/08/18	4.50%	9/1/2048	39,285	-	-	(3,635)	35,650	2,020	37,670
2019 Series A	03/13/19	1.55% - 4.250%	2019 - 2049	140,000	-	(2,830)	(1,935)	135,235	3,757	138,992
2019 Series B	06/13/19	1.50% - 4.00%	2020 - 2049	210,000	-	(2,130)	(1,180)	206,690	10,255	216,945
2019 Series C	10/16/19	1.35% - 5.00%	2020 - 2050	-	319,580	(1,780)	-	317,800	16,884	334,684
2019 Series D	10/16/19	1.635% - 3.335%	2020 - 2050	-	27,490	(155)	-	27,335	-	27,335
2020 Series A	02/25/20	0.85% - 3.75%	2020 - 2050	-	130,750	-	-	130,750	5,290	136,040
2020 Series B	02/25/20	1.00% - 1.40%	2020 - 2023	-	9,250	-	-	9,250	-	9,250
Total				$ 1,533,725	$ 487,070	$ (36,990)	$ (60,290)	$ 1,923,515	$ 45,039	$1,968,554

On May 29, 2020, CDA issued its Residential Revenue Bonds 2020 Series C. The 2020 Series C Bonds are taxable drawdown bonds and were issued pursuant to a private placement with a financial institution. When drawn, the proceeds of 2020 Series C bonds are expected to be used as a short-term bridge facility to purchase loans. As of June 30, 2020, no proceeds of the 2020 Series C Bonds have been drawn and no 2020 Series C Bonds are outstanding.

(in thousands)

NOTE 8 DEBT SERVICE REQUIREMENTS

As of June 30, 2020, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2020 and excluding the effect of unamortized discounts/premiums as shown in Note 7) and interest payments for each of the next five years and in five-year increments thereafter, are as follows:

	Housing Revenue Bonds		Residential Revenue Bonds	
Year Ending June 30,	Interest	Principal	Interest	Principal
2021	$ 11,011	$ 15,633	$ 59,437	$ 114,310
2022	10,432	17,537	56,680	50,540
2023	10,214	4,013	55,565	52,680
2024	10,117	4,033	54,308	54,540
2025	10,016	4,219	52,941	55,820
2026 - 2030	48,216	21,899	237,197	342,300
2031 - 2035	44,320	25,452	176,965	392,140
2036 - 2040	39,181	30,631	117,475	359,475
2041 - 2045	32,696	36,965	67,278	279,695
2046 - 2050	24,388	85,499	21,618	222,015
2051 - 2055	14,529	51,986	-	-
2056 - 2060	4,671	37,063	-	-
2061 - 2063	255	6,300	-	-
Total	$ 260,046	$ 341,230	$ 899,464	$ 1,923,515

The interest calculations on outstanding variable rate bonds in the amounts of $41,795 in Housing Revenue Bonds and $157,450 in Residential Revenue Bonds are based on the variable rates in effect on June 30, 2020 and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary.

NOTE 9 BOND REFUNDINGS

Certain refundings of debt are due to the prepayments of single-family mortgage loans. In these cases, CDA transfers the proceeds of the refunding bonds to a redemption account to redeem previously issued bonds and, simultaneously, transfers the prepayments of single-family mortgage loans financed by these prior bonds to the refunding bonds' accounts for the purpose of originating new loans. This recycling of prepayments enables CDA to originate new loans that are not subject to the limitations of the IRS volume cap. CDA does not pay call premiums on these special redemptions, and the refundings are not undertaken to reduce interest rates, revise payment schedules, or modify restrictions related to the old debt. CDA writes off any unamortized original issue premiums, net of any unamortized original issue discounts, as a gain on early retirement of debt in the accompanying combined statement of revenue, expenses, and changes in net position. If unamortized original issue discounts exceed unamortized original issue premiums, CDA records a loss.

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds for the purpose of lowering debt costs by reducing interest rates or for other purposes such as revising payment schedules or modifying restrictions related to the old debt. This type of transaction is commonly known as an economic refunding.

There were no economic refundings for the year ended June 30, 2020.

(in thousands)

NOTE 10 REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the Code), CDA may record a rebate liability for excess investment earnings in tax-exempt bond issues. The excess investment earnings arise due to actual investment yields earned by CDA being greater than yields permitted to be retained by CDA under the Code. The Code requires 90% of such excess investment earnings to be remitted to the United States Treasury every five years and in full at the final redemption of the bonds. Interest income on the Combined Statement of Revenue, Expenses, and Changes in Net Position is reduced by the rebate liability due to excess investment earnings. The increase/decrease in fair value of investments on the Combined Statement of Revenue, Expenses and Changes in Net Position is adjusted by the change in the estimated rebate liability due to change in fair value of investments. CDA has no rebate liability from interest income or from unrealized gains on mortgage-backed securities. For the year ended June 30, 2020, CDA had a rebate liability of $108 to record for excess investment earnings in tax-exempt bond issues.

NOTE 11 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2020 were as follows:

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Rebate Liability				
Beginning Balance at June 30, 2019	$ 40	$ -	$ -	$ 40
Additions	68	-	-	68
Reductions	-	-	-	-
Ending Balance at June 30, 2020	108	-	-	108
Less: Due Within One Year	-	-	-	-
Total Long-Term Rebate Liability	108	-	-	108
Workers' Compensation:				
Beginning Balance at June 30, 2019	-	-	140	140
Additions	-	-	-	-
Reductions	-	-	(21)	(21)
Ending Balance at June 30, 2020	-	-	119	119
Less Due Within One Year	-	-	(18)	(18)
Total Long-Term Workers' Compensation	-	-	101	101
Compensated Absences:				
Beginning Balance at June 30, 2019	-	-	1,088	1,088
Additions	-	-	224	224
Reductions	-	-	-	-
Ending Balance at June 30, 2020	-	-	1,312	1,312
Less Due Within One Year	-	-	(580)	(580)
Total Long-Term Compensated Absences	-	-	732	732

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NOTE 11 LONG-TERM OBLIGATIONS (CONTINUED)

	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Bonds Payable:				
Beginning Balance at June 30, 2019	331,739	1,559,209	-	1,890,948
Additions	52,460	487,070	-	539,530
Reductions	(42,969)	(97,280)	-	(140,249)
Change in Deferred Amounts for Issuance Discounts/Premiums	-	19,555	-	19,555
Ending Balance at June 30, 2020	341,230	1,968,554	-	2,309,784
Less Due Within One Year	(15,633)	(114,310)	-	(129,943)
Total Long-Term Bonds Payable	325,597	1,854,244	-	2,179,841
Deposits by Borrowers:				
Beginning Balance at June 30, 2019	24,820	2,153	74	27,047
Additions	9,625	1,017	64	10,706
Reductions	(8,621)	(1,318)	(43)	(9,982)
Ending Balance at June 30, 2020	25,824	1,852	95	27,771
Less Due Within One Year	(5,866)	(908)	(39)	(6,813)
Total Long-Term Deposits by Borrowers	19,958	944	56	20,958
Total Long-Term Liabilities	$ 345,663	$ 1,855,188	$ 889	$ 2,201,740

NOTE 12 INTERFUND ACTIVITY

In accordance with the various bond indentures, net position in each of the Funds are restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the respective indentures. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the indenture to meet the obligations of the Funds in current and future years. A cash flow analysis is not required for the General Bond Reserve Fund (GBRF) because there are no bonds outstanding in GBRF as of June 30, 2020.

(in thousands)

NOTE 12 INTERFUND ACTIVITY (CONTINUED)

During the year ended June 30, 2020, CDA transferred the following amounts, as permitted, among Funds:

	Transfers Among Funds			
	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Excess Revenue Transferred to the General Bond Reserve Fund	$ (2,000)	$ (13,000)	$ 15,000	$ -
Administrative Fees on Mortgage Loans Transferred from Multi-Family Mortgage Revenue Bonds	-	-	319	319
Transfers of Funds, Net, as Permitted by the Various Bond Indentures	$ (2,000)	$ (13,000)	$ 15,319	$ 319

NOTE 13 OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS)

CDA has issued the following bonds that are not included in the Combined Financial Statements of the Funds. The Multi-Family Development Revenue Bonds are secured solely by the properties and related revenues of the projects and the applicable credit enhancements. The Capital Fund Securitization Bonds are insured and are repayable by the Department of Housing and Urban Development (HUD) directly to the trustee from funds that the participating public housing authorities would have received under its Annual Contributions Contract. The Local Government Infrastructure Bonds (Mayor and City Council of Cumberland Issue) are secured solely from the revenues and property pledged under this resolution. Neither the faith and credit of CDA nor the assets of the Funds have been pledged as security for these bonds. Accordingly, these obligations are excluded from CDA’s Combined Financial Statements.

(in thousands)

NOTE 13 OTHER OUTSTANDING BONDS ISSUED BY CDA (CONDUIT BONDS) (CONTINUED)

	Amount Issued	Outstanding at June 30, 2020
Multi-Family Development Revenue Bonds		
Series 1999 A (GNMA - Selborne House)	$ 2,150	$ 1,690
Series 2001 G (Waters Tower Senior Apartments)	4,045	2,735
Series 2003 A (Barrington Apartments)	40,000	39,605
Series 2005 A (Fort Washington Manor Sr. Housing)	14,000	10,865
Series 2005 B (Washington Gardens)	5,000	1,820
Series 2006 A (Barclay Greenmount Apartments)	4,535	2,895
Series 2006 B (Charles Landing South Apartments)	3,375	3,175
Series 2007 A (Brunswick House Apartments)	3,000	1,855
Series 2007 B (Park View at Catonsville)	5,200	4,750
Series 2008 B (Shakespeare Park Apartments)	7,200	7,200
Series 2008 C (The Residences at Ellicott Gardens)	9,105	6,175
Series 2008 D (Crusader Arms Apartments)	3,885	2,660
Series 2008 E (MonteVerde Apartments)	15,200	13,865
Series 2008 G (Kirkwood House Apartments)	16,000	16,000
Series 2009 A (Sharp Leadenhall Apartments)	16,950	11,535
Series 2012 A (Park View at Bladensburg)	3,500	2,970
Series 2013 G (Glen Manor Apartments)	13,640	11,365
Series 2014 I (Marlborough Apartments)	27,590	22,630
Series 2015 D (Cumberland Arms Apartments)	6,315	3,325
Series 2017 G (Bolton North)	25,200	24,155
Series 2018 D (Monument East)	22,700	22,700
Series 2018 E (Park Square Homes I)	7,500	7,500
Series 2018 F (Orchard Park at Ballenger Run)	21,000	21,000
Series 2018 G (Heritage Crossing II)	7,600	7,600
Series 2018 H (Lakeview at Victoria Park)	9,000	9,000
Series 2018 I (Willow Manor at Fairland)	10,000	10,000
Series 2019 A (Bay Country Apartments)	14,750	14,750
Series 2019 B (Headen House Apartments)	19,500	19,500
Series 2019 C (Huntington Apartments)	29,500	29,500
Series 2019 D (Park View at Taylor)	8,820	8,820
Series 2019 E (Park View at Woodlawn)	7,450	7,450
Series 2019 F (Rosemont tower)	23,500	23,500
Series 2019 G (Orchard Mews)	11,500	11,500
Series 2019 H (Somerset Extension)	10,000	10,000
Series 2020 A (Parkview at Coldspring)	7,700	7,700
Series 2020 B (Meade Village)	33,000	33,000
Series 2020 D (Fireside Park Apartments)	31,000	31,000
Capital Fund Securitization Revenue Bonds Series 2003	$ 94,295	$ 1,640
Local Government Infrastructure Bonds 2011 Series A (Mayor and City Council of Cumberland Issue)	$ 12,275	$ 9,210

The Multi-Family Development Revenue Bonds, the Capital Fund Securitization Revenue Bonds, and the Local Government Infrastructure Bonds (Mayor and City Council of Cumberland Issue) are special obligations payable solely from the trust estate pledged under each indenture. These bonds do not constitute a debt of and are not guaranteed by the State of Maryland, any political subdivision thereof, CDA, or the Department of Housing and Community Development.

NOTE 14 MORTGAGE INSURANCE

Substantially all of the Funds' mortgage loans have mortgage insurance as described in Note 4.

Multi-family mortgagors pay premiums for mortgage insurance and insurance coverage is 100% of the unpaid principal balance of the loan.

For the single-family loan portfolio, approximately 42% of the mortgage loans are insured by agencies of the U.S. Government in an amount substantially equal to the unpaid principal amount of the loan. Almost all other loans have primary mortgage insurance in an amount that is at least 25% of the loan amount. Approximately 4% of all first lien loans either did not have primary mortgage insurance due to their original loan-to-value ratios of less than 80% or have cancelled primary mortgage insurance due to their outstanding balance falling below 80% of the original loan amount.

Approximately 54% of mortgage loans are insured by private mortgage insurers or MHF. Approximately 97% of the mortgage loans insured by private mortgage insurers or MHF are covered at 35% of the loan amount, while 3% of the loans are covered at 25%. There are two private mortgage insurers who, due to financial constraints or receivership, are currently paying to CDA approximately three quarters of the amount determined to be due. These two private mortgage insurers represent 5% of the mortgage loans insured by private mortgage insurers or MHF. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors.

NOTE 15 PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year-end. The liability for the employees is recorded by the general fund of the State of Maryland and is not allocated to CDA. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at www.sra.state.md.us.

NOTE 16 SUBSEQUENT EVENTS

CDA has identified the following activity that occurred subsequent to June 30, 2020.

Subsequent to the year ended June 30, 2020, CDA issued $19,350 of Series 2020 C Housing Revenue Bonds on July 9, 2020. CDA also redeemed $2,090 of Series 2006 D, $1,595 of Series 2008 C, and $5,720 of Series 2009 A Housing Revenue Bonds on September 16, 2020.

(in thousands)

NOTE 16 SUBSEQUENT EVENTS (CONTINUED)

On August 21, 2020, CDA redeemed the following Residential Revenue Bonds:

2006 Series G	$2,115
2006 Series I	$1,780
2006 Series J	$880
2014 Series B	$1,715
2014 Series D	$830
2018 Series A	$3,210
2018 Series B	$2,290

On August 27, 2020, CDA issued 2020 Series D Residential Revenue Bonds in the amount of $160,000.

On August 28, 2020, CDA redeemed the following Residential Revenue Bonds:

2011 Series A	$9,230
2014 Series C	$645
2015 Series A	$540
2018 Series A	$11,980
2019 Series A	$2,075
2019 Series B	$2,370
2019 Series C	$425
2020 Series A	$550

On August 31, 2020, CDA redeemed the following Residential Revenue Bonds:

2012 Series A	$525
2014 Series E	$670
2015 Series B	$2,360
2016 Series A	$9,145
2017 Series A	$7,995
2019 Series D	$195

Prior to the fiscal year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to CDA activity, COVID-19 may impact various parts of its 2021 operations and financial results including, but not limited to, an increase in non-performing loans, an increase in loans in forbearance, an overall decrease in loan production, all of which would likely reduce revenues and increase expenses. Management believes that CDA is taking appropriate actions to mitigate the negative impact.

As of the end of the fiscal year, CDA did not observe any material impacts on the Funds' operations or their financial position from the pandemic public health crisis. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated at this time as these events are still developing.

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES IN
FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES
(in thousands)
JUNE 30, 2020

In accordance with accounting guidance issued by GASB, CDA reflects investments and mortgage-backed securities at fair value, and the increase or decrease in fair value is included in the Combined Statement of Revenue, Expenses, and Changes in Net Position.

For investments (obligations of the U.S. Treasury and U.S. Government Agencies) held by the Funds as of June 30, 2020, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal Year Period	Housing Revenue Bonds	Residential Revenue Bonds	General Bond Reserve Fund	Combined
Cumulative FY 1996 and Prior Periods	$ -	$ -	$ 620	$ 620
FY 1997	(352)	-	175	(177)
FY 1998	832	-	90	922
FY 1999	(407)	-	(191)	(598)
FY 2000	48	(227)	(237)	(416)
FY 2001	193	551	244	988
FY 2002	157	97	405	659
FY 2003	889	544	519	1,952
FY 2004	(678)	(674)	(1,368)	(2,720)
FY 2005	897	403	(403)	897
FY 2006	(866)	(1,567)	(526)	(2,959)
FY 2007	48	1,062	437	1,547
FY 2008	444	785	445	1,674
FY 2009	202	46	(150)	98
FY 2010	472	2,747	(53)	3,166
FY 2011	(280)	(2,244)	1,898	(626)
FY 2012	1,283	1,374	449	3,106
FY 2013	(730)	(855)	(539)	(2,124)
FY 2014	(27)	243	(287)	(71)
FY 2015	36	43	(271)	(192)
FY 2016	409	445	(180)	674
FY 2017	(666)	(646)	(403)	(1,715)
FY 2018	(454)	(866)	(268)	(1,588)
FY 2019	276	768	(14)	1,030
FY 2020	330	532	(23)	839
Cumulative Total	$ 2,056	$ 2,561	$ 369	$ 4,986

COMMUNITY DEVELOPMENT ADMINISTRATION
REVENUE OBLIGATION FUNDS
SUPPLEMENTAL DISCLOSURE OF COMBINED CHANGES IN
FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES (CONTINUED)
(in thousands)
JUNE 30, 2020

For mortgage-backed securities held by the Funds as of June 30, 2020, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and cost:

Fiscal Year Period	Housing Revenue Bonds	Residential Revenue Bonds	Combined
FY 2000	$ (3,825)	$ -	$ (3,825)
FY 2001	(3,291)	-	(3,291)
FY 2002	3,340	-	3,340
FY 2003	21,435	-	21,435
FY 2004	(11,126)	-	(11,126)
FY 2005	12,879	-	12,879
FY 2006	(27,704)	-	(27,704)
FY 2007	3,661	-	3,661
FY 2008	(5,987)	-	(5,987)
FY 2009	17,358	-	17,358
FY 2010	13,103	-	13,103
FY 2011	(7,348)	(585)	(7,933)
FY 2012	6,303	1,858	8,161
FY 2013	(8,491)	(5,593)	(14,084)
FY 2014	(5,694)	3,127	(2,567)
FY 2015	(1,650)	503	(1,147)
FY 2016	2,232	4,216	6,448
FY 2017	(2,551)	(3,294)	(5,845)
FY 2018	(1,920)	(4,093)	(6,013)
FY 2019	(705)	23,239	22,534
FY 2020	(33)	50,845	50,812
Cumulative Total	$ (14)	$ 70,223	$ 70,209