GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY

Financial Statements
(with Independent Auditors' Report Thereon)
Years Ended September 30, 2007, and 2006

CHARLES J. WILLOUGHBY
INSPECTOR GENERAL

OIG No. 08-1-14HF **May 12, 2008**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

May 12, 2008

The Honorable Adrian M. Fenty
Mayor of the District of Columbia
Mayor's Correspondence Unit, Suite 221
John A. Wilson Building
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Vincent C. Gray
Chairman
Council of the District of Columbia
John A. Wilson Building, Suite 504
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Fenty and Chairman Gray:

As part of our contract for the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2007, Thompson, Cobb, Bazilio & Associates, PC (TCBA) submitted the enclosed final report on the District of Columbia Housing Finance Agency (HFA).

TCBA opined that the financial statements present fairly, in all material respects, the financial position of the HFA, for the year ended September 30, 2007, and 2006, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, TCBA has issued its report on consideration of HFA's internal control over financial reporting and on TCBA's tests of the HFA's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

If you have questions or need additional information, please contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

Charles J. Willoughby
Inspector General

Enclosure

CJW/ws

cc: See Distribution List

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District of Columbia Housing Finance Agency

Financial Statements With Independent Auditor's Report

Years Ended September 30, 2007 and 2006

TCBA

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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District of Columbia Housing Finance Agency

Financial Statements With

Independent Auditor's Report

Years Ended September 30, 2007 and 2006

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED SEPTEMBER 30, 2007 AND 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
District of Columbia Housing Finance Agency

We have audited the accompanying basic financial statements, as listed in the table of contents, of the District of Columbia Housing Finance Agency ("the Agency"), a component unit of the District of Columbia Government, as of and for the years ended September 30, 2007 and 2006. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of September 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated January 25, 2008, on our consideration of the Agency'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 the report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The combining financial statements on pages 44 through 48 are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Washington, D.C.
January 25, 2008

Thompson, Cobb, Bazilio & Associates, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the District of Columbia Housing Finance Agency's financial performance provides an overview of the Agency's financial activities for the year ended September 30, 2007. The financial statements, accompanying notes, and additional information should be read in conjunction with the following discussion.

Overview

The District of Columbia Housing Finance Agency (the Agency) was established in 1979 to stimulate and expand homeownership and rental housing opportunities for low and moderate-income families in the District. HFA issues taxable and tax-exempt mortgage revenue bonds to lower the costs of financing single-family housing and the costs of acquiring, constructing, and rehabilitating rental housing. In addition, HFA administers the issuance of 4 percent low-income housing tax credits to achieve its affordable housing preservation, rehabilitation, and development objectives on behalf of the Department of Housing and Community Development (DHCD). The HFA uses funds to account for its financial activities. The General Fund is used to record the receipt of income not directly pledged for repayment of securities, to pay expenses related to the Agency's administrative functions, and to account for grant revenues and expenditures related to Section 8 grants from United States of Department of Housing and Urban Development(HUD) and for an intra-agency agreement entered with Department of Mental Health of the District to construct or rehab rental housing to address the critical need of mentally challenged persons residing in the City. The other funds are Single Family, Multi-Family and DC Building Finance Corporation. These funds are used to account for bond proceeds, debt service and bond administration expenses related to single family mortgage revenue bonds, multifamily housing revenue bonds and certificate of participation of the Building Finance Corporation.

Financial Highlights

The following information is an analysis of the year ended September 30, 2007.

- The Agency's net assets increased by $3.108 million, mainly from investment earnings on operating reserves and guaranteed investment agreements as a result of a favorable interest rate environment during the fiscal year.

- Bonds issued increased by $220.915 million as a result of the issuance of $118.77 million in multifamily revenue bonds and $102.145 million in single family revenue bonds. In the aggregate, a total of $162.827 million in bonds were redeemed from sinking fund maturities, prepayment calls and notes.

- Revenue for the fiscal year 2007 is $89.517 million which is comprised of operating revenue of $60.558 million and investment earnings of $28.959 million and is 4.24% higher than last year, while operating expenses for the fiscal year is $86.409 million which is 0.6% above last year. In fiscal year 2007, interest earned on mortgage-backed securities of the single family bond program was higher than fiscal year 2006 as a result of increase in the number of participating lenders by 50%. There was no significant increase in multifamily revenues since most of the multifamily closings occurred in the fourth quarter of the fiscal year.

Table 1
Condensed Balance Sheets
September 30,

	2007	2006
Current assets	$ 60,405,172	$ 48,895,479
Noncurrent assets	1,301,996,841	1,233,271,479
Total Assets	$ 1,362,402,013	$ 1,282,166,958
Current liabilities	$ 215,155,560	$ 123,837,939
Noncurrent Liabilities	1,058,265,980	1,072,456,225
Total Liabilities	1,273,421,540	1,196,294,164
Net assets:		
Invested in capital assets, net of related debt	669,817	853,206
Restricted for:		
Bond Fund and Risk Share Program	49,704,959	52,046,365
McKinney Act Fund	8,234,373	7,934,190
Total restricted	57,939,332	59,980,555
Unrestricted	30,371,324	25,039,033
Total Net Assets	88,980,473	85,872,794
Total Liabilities and Net Assets	$ 1,362,402,013	$ 1,282,166,958

Table 2
Condensed Statements of Revenues, Expenses,
and Changes in Net Assets
Years Ended September 30,

	2007	2006
Operating Revenues		
Mortgage-backed security income	$ 9,166,944	$ 6,726,493
Interest on mortgage and construction loans	19,924,561	19,784,506
McKinney Act revenue	323,204	500,137
Application and commitment fees	246,269	124,543
HUD Section 8 housing assistance receipts	8,701,592	12,534,868
Service project receipts	7,372,920	7,192,215
Other	14,822,735	13,334,407
Total operating revenues	60,558,225	60,197,169
Operating Expenses	86,409,187	86,170,023
Operating Loss	(25,850,962)	(25,972,854)
Non-operating revenues	28,958,641	27,780,553
Change in Net Assets	$ 3,107,679	$ 1,807,699

Debt Administration

The Agency's outstanding debt increased by 5% over the prior year. In fiscal year 2007, the Agency issued $118.770 million in multifamily revenue bonds to finance the construction and rehabilitation of seven projects. 1,198 rental units will be made available upon completion of these projects. The Agency also issued $52.145 million in single family tax-exempt bonds for purchase of single family residences during fiscal year 2007.

The Agency redeemed $61.013 million in multifamily revenue bonds and $101.813 million in single family revenue bonds. Of the above redemptions $30.214 million and $51.02 million in drawdown bonds are related to multifamily and single family respectively.

Capital Assets

The Agency issued $2.4 million of Certificates of Participation in 1998 to finance the acquisition of the building at 815 Florida Avenue, N.W., Washington, D.C. and entered into a lease agreement with the D. C. Building Finance Corporation to lease the office space. The lease term is through June 2018; however, the Agency has an annual right to terminate the lease in the event that the Agency failed to appropriate sufficient amounts due under the lease terms for the ensuing fiscal year. The Agency has the option to purchase the building at any time during the lease at an amount necessary to discharge the Certificates. As of September 30, 2007, the lease agreement has approximately eleven years remaining, and an outstanding balance of $1.525 million of Certificates of Participation. The Agency redeemed $0.115 million of Certificates of Participation in fiscal year 2007.

Programs

Multifamily: In fiscal year 2007, the Agency financed 1,198 rental units with issuance of $118.770 million in tax-exempt bonds.

Single Family: During fiscal year 2007, the Agency was able to provide low interest mortgages for persons purchasing homes in the District at below national and local conventional rates. The single family bond program increased its issuance of mortgage revenue bonds. The Agency provided over $59.07 million to assist 273 homebuyers purchase homes in the District at interest rates as low as 5.6% with 2 points, 5.75% with 1 point and 5.9% with no points. The Agency also increased its pool of Participating Lenders by 50% during the fiscal year.

The Agency continues to provide regular homeownership educational seminars and community outreach in an effort to empower persons seeking to become homeowners in Washington, DC. Through the Agency, information is made available to residents on the Single Family Bond Program products, financing options, District government's employer assistance program, tax credits, tax abatements, the Home Purchase Assistance Program (HPAP), and other programs to help with closing costs and other incentives for the homebuyer.

Section 8 HAP Contract Administration

The Agency has entered into a contractual agreement with the United States Department of Housing & Urban Development (HUD) to administer Section 8 Housing Assistance Payments for eleven projects. The Agency earned $478,175 in contract administration fees through June

2007 of the fiscal year. As a result of HUD's policy of replacing Traditional Section 8 Contract Administration (TCA) by Performance Based Contract Administration (PBCA), the Agency is no longer a participant of the program.

HUD Risk-Sharing Program

The Agency has also entered into a risk-sharing agreement with HUD, where a multifamily project is insured by the Federal Housing Administration (FHA) for 90% of the mortgage while 10% of the mortgage is insured by the Agency. In order to participate in this program, the Agency deposited $500,000 in a reserve account with Merrill Lynch. With every risk-share project, an FHA placement fee of 1% of the mortgage balance is collected and deposited into the reserve account. As of September 30, 2007, the reserve account has a balance of $1.832 million. In fiscal year 2007, the Agency issued $9.34 million in tax-exempt housing bonds for Wesley House Apartments under the risk-sharing program. In the current fiscal year, the risk-sharing program faced the first casualty in its portfolio where the Section 8 HAP subsidies were abated by HUD due to successive Real Estate Assessment Center of HUD (REAC) failures by Parkway Overlook East & West (the property). The Agency took over the operations of the property as a mortgagee in possession and is working diligently to expedite the disposition of the property. The Agency's financial exposure as joint insurer of the property depends upon how soon the disposition of the property is carried out and how much can be realized from the disposition. Given the real-estate market in the District we believe that if a loss is sustained it would be negligible. The Agency has determined such exposure to be $67,177 and has established a contingent liability for same.

Conclusion

The above discussion and analysis is presented to provide additional information regarding the activities of the Agency and also to meet the disclosure requirements of GASB 34. If you have questions about the report or need additional financial information, contact the Chief Financial Officer, Solomon Haile, District of Columbia Housing Finance Agency, (202) 777-1620, 815 Florida Avenue, N.W. Washington DC 20001, shaile@dchfa.org or go to our website at www.dchfa.org.

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BALANCE SHEETS
SEPTEMBER 30, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 26,895,760	$ 19,938,715
Restricted cash and cash equivalents	24,841,611	22,639,768
Accrued interest receivable-restricted	7,307,581	5,795,063
Other receivables	1,360,220	521,933
Total current assets	60,405,172	48,895,479
NON-CURRENT ASSETS		
Other assets:		
Investments	2,039,717	5,712,869
Loans receivable	140,000	140,000
Prepaids	222,470	295,837
Bond issue costs-net	13,938,792	15,788,823
Total other assets	16,340,979	21,937,529
Restricted assets:		
Cash and cash equivalents	1,224,835	85,361
Investments held in trust	525,592,488	575,826,290
Mortgage-backed securities at fair value	236,602,801	203,392,447
Mortgage and construction loans receivable	490,258,778	424,209,954
Loans receivable	2,017,593	1,899,930
McKinney Act funds receivable	2,045,660	1,598,421
Drawdown bonds receivable	25,200,000	-
Other receivables	232,243	1,828,341
Total restricted assets	1,283,174,398	1,208,840,744
Capital assets:		
Land	573,000	573,000
Depreciable property and equipment	3,564,444	3,481,256
Leasehold improvements	1,223,905	1,127,040
Less accumulated depreciation and amortization	(2,879,885)	(2,688,090)
Total capital assets	2,481,464	2,493,206
Total non-current assets	1,301,996,841	1,233,271,479
TOTAL ASSETS	$ 1,362,402,013	$ 1,282,166,958

(Continued)

The accompanying notes are an integral part of these financial statements.

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BALANCE SHEETS - CONTINUED
SEPTEMBER 30, 2007 AND 2006

	2007	2006
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,070,451	$ 943,881
Accrued salary and vacation payable	288,223	302,207
Deferred revenue	1,776,273	829,818
Current portion of bonds payable	105,594,663	33,315,000
Current portion of certificates of participation	125,000	115,000
Total current liabilities	108,854,610	35,505,906
CURRENT LIABILITIES PAYABLE FROM		
Tenant subsidy funds	1,078,182	851,412
Escrow deposits	6,849,418	3,108,368
Deferred credits	75,906,390	68,804,756
Deferred revenue	10,900,408	4,781,573
Interest payable	11,566,552	10,785,924
Total current liabilities payable from restricted	106,300,950	88,332,033
NON-CURRENT LIABILITIES		
Loans payable	462,152	463,929
Bonds payable—less current portion	1,056,403,828	1,070,467,296
Certificates of participation—less current portion	1,400,000	1,525,000
Total non-current liabilities	1,058,265,980	1,072,456,225
Total liabilities	1,273,421,540	1,196,294,164
NET ASSETS		
Invested in capital assets—net of related debt	669,817	853,206
Restricted for:		
Bond Fund and Risk Share	49,704,959	52,046,365
McKinney Act Fund	8,234,373	7,934,190
Total restricted net assets	57,939,332	59,980,555
Unrestricted net assets	30,371,324	25,039,033
Total net assets	88,980,473	85,872,794
TOTAL LIABILITIES AND NET ASSETS	$ 1,362,402,013	$ 1,282,166,958

The accompanying notes are an integral part of these financial statements.

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
OPERATING REVENUES		
Mortgage-backed security income	$ 9,166,944	$ 6,726,493
Interest on mortgage and construction loans	19,924,561	19,784,506
McKinney Act revenue	323,204	500,137
Application and commitment fees	246,269	124,543
HUD Section 8 housing assistance receipts	8,701,592	12,534,868
Service project receipts	7,372,920	7,192,215
Other	14,822,735	13,334,407
Total operating revenues	60,558,225	60,197,169
OPERATING EXPENSES		
Operations	6,571,300	4,875,342
Personnel and related costs	3,664,314	3,801,585
Interest expense	54,605,743	53,756,296
Depreciation	191,795	248,507
Federal program payments	7,372,920	7,192,215
Housing assistance payments	8,701,592	12,534,868
Bond amortization	1,118,394	745,688
Trustee fees and other expenses	1,991,845	2,748,468
Loss on extinguishment of debt	2,191,284	267,054
Total operating expenses	86,409,187	86,170,023
OPERATING LOSS	(25,850,962)	(25,972,854)
NON-OPERATING REVENUES		
Investment income	28,958,641	27,780,553
Change In Net Assets	3,107,679	1,807,699
Net Assets, Beginning Of Year	85,872,794	87,374,628
Prior period Adjustment	-	(3,309,533)
Net Assets, Beginning Of Year, As Restated	85,872,794	84,065,095
Net Assets, End Of Year	$ 88,980,473	$ 85,872,794

The accompanying notes are an integral part of these financial statements.

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
Operating Activities		
Cash receipts from loans and interest	$ 19,060,181	$ 64,825,827
Other cash receipts	12,748,175	9,685,754
Cash payments to vendors	(3,307,539)	(4,496,414)
Cash payments to employees	(3,681,084)	(3,791,507)
Receipts of federal program income	16,074,512	19,727,083
Payments of federal program expenses	(16,074,512)	(19,724,125)
Other cash payments	(97,799)	(1,777,686)
Net Cash Provided by Operating Activities	24,721,934	64,448,932
Capital and Related Financing Activities		
Acquisition of fixed assets	(180,053)	(40,017)
Payments of bonds and long-term debt	(115,000)	(110,000)
Payments of interest and charges	(86,540)	(91,875)
Net Cash Used in Capital and Financing Activities	(381,593)	(241,892)
Non-Capital Financing Activities		
Funds disbursed for multi-family rehab	(40,740,337)	(2,082,275)
Proceeds from rehab financed by tax credits	65,065,548	-
Proceeds from long-term bonds	195,715,000	559,366,574
Payments of long-term debt	(162,846,610)	(441,997,238)
Interest paid on bonds	(52,710,612)	(53,399,464)
Net Cash Provided by Non-Capital Financing Activities	4,482,989	61,887,597
Investing Activities		
Receipts of interest and dividends	28,958,641	27,934,700
Principal payments (purchases) on mortgage and construction loans	(72,378,468)	(60,901,205)
Sale of investments and mortgage-backed securities	605,348,794	703,162,821
Purchase of investments and mortgage-backed securities	(580,453,936)	(789,976,650)
Net Cash Used in Investing Activities	(18,524,969)	(119,780,334)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,298,361	6,314,303
Cash and cash equivalents at October 1	42,663,845	36,349,541
Cash and cash equivalents at September 30	$ 52,962,206	$ 42,663,844

(Continued)

The accompanying notes are an integral part of these financial statements.

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	$ (25,850,962)	$ (25,972,854)
Interest expense	54,605,743	53,669,596
Loss on early extinguishment of debt	2,191,284	267,054
Depreciation	191,795	248,507
Amortization	1,109,641	325,620
Decrease (increase) in assets		
Receivables	(25,391,697)	(1,106,823)
Other current assets	(354,250)	437,570
Loans receivables	-	745
Increase (decrease) in liabilities		
Payables	3,264,495	152,546
Accrued liabilities	(13,484)	10,078
Deferred revenue and credits	14,166,960	35,596,054
Escrow deposits	805,930	403,431
Current liabilities and changes in mortgage loans	(3,521)	417,408
Net cash provided by operating activities	$ 24,721,934	$ 64,448,932

The accompanying notes are an integral part of these financial statements.

NOTE 1: ORGANIZATION AND PURPOSE

The District of Columbia Housing Finance Agency (the Agency) was created as a corporate body which has a legal existence separate from the Government of the District of Columbia (the District) but which is an instrumentality of the District, created to effectuate certain public purposes. The Agency is empowered to, among other activities, generate funds from public and private sources to increase the supply and lower the cost of funds available for residential mortgages and notes and for the construction of permanent multi-family rental properties.

In 1991, the Governmental Accounting Standards Board issued Statement No. 14, *The Financial Reporting Entity*. The definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the Agency considered whether its officials appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Agency. The Agency also considered whether there are organizations that are fiscally dependent on it. It was determined that there are no component units of the Agency.

The Agency is included in the District's Comprehensive Annual Financial Report as a Discretely Presented Component Unit.

The Agency established the District of Columbia Building Finance Corporation (the Building Corporation) as a nonprofit corporation under the laws of the District of Columbia in July 1998. The Building Corporation's financial transactions are included as a separate fund of the Agency.

The bonds issued by the Agency and the Corporation are payable principally from repayments of mortgage loans financed by or purchased from the proceeds of such bonds and are not a debt of the Agency or the District. Neither the faith and credit nor the taxing power of the District is pledged for the repayment of the bonds.

The following is a summary of significant accounting policies:

Basis of Accounting – For financial reporting purposes only, the Agency is a component unit of the District of Columbia Government. The Agency's operations are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. The Agency's financial activities are recorded in funds, each of which represents a separate accounting entity. The Agency uses the accrual method of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a description of the funds maintained by the Agency:

General Fund - The General Fund is used to record the receipt of income not directly pledged for repayment of securities, to pay expenses related to the Agency's administrative functions, and to account for grant revenues and expenditures related to the Section 8 grants from HUD.

Multi-Family Program Fund - The Multi-Family Program Fund is used to account for the proceeds of multi-family mortgage revenue bond issues, investments held pursuant to the indenture authorizing the issuance of the bonds, the debt service requirements on the bonds, and the related mortgage loan financing for newly constructed or rehabilitated multi-family rental housing in the District of Columbia.

Single-Family Program Fund - The Single-Family Program Fund is used to account for the proceeds of single-family mortgage revenue bond issues, investments held pursuant to the indenture authorizing the issuance of the bonds, the debt service requirements on the bonds, and debt service collected from mortgage loans purchased for the financing of owner-occupied single-family residences in the District of Columbia.

D.C. Building Finance Corporation Fund - The D.C. Building Finance Corporation Fund is used to account for the lease and Certificates of Participation issued by the Agency to finance the purchase of a building.

Investments - Investments of the General Fund are made in accordance with the Agency's investment policy, which generally includes instruments issued or secured by the United States Government or covered by Federal insurance programs. These funds have been designated for use by the Agency for mortgage insurance premiums, maintenance costs related to federal financial assistance programs, and other contingencies.

Investments in the other funds consist of those permitted by the respective trust indentures adopted by the Agency providing for the issuance of notes and bonds.

The Governmental Accounting Standards Board issued Statement No. 40, Deposit and Investment Risk Disclosures, to be implemented effective for financial statements for periods beginning after June 15, 2004. The Agency implemented GASB Statement No. 40 in fiscal year 2003.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage-Backed Securities - Mortgage-backed securities represent certificates issued by the Government National Mortgage Association ("Ginnie Mae"), FANNIE MAE and Freddie Mac which guarantee the receipt by the Agency's trustee of monthly principal and interest from mortgages originated under the Agency's Single-Family and Multi-Family Loan Programs.

Mortgage and Construction Loans Receivable - Mortgage and construction loans are carried at amounts advanced, net of collections and allowances for potential loan losses, if any. As of September 30, 2007 and 2006, no allowance for potential loan losses was necessary.

Property, Furniture and Equipment - Property, furniture and equipment purchases are capitalized at cost and depreciated using the straight-line method over the estimated useful lives ranging from five to seven years.

Leasehold Improvements - Capital improvements to leased space are recorded as leasehold improvements and amortized over the shorter of the applicable lease life or the useful life of the improvement.

Bond Issuance Costs - Costs related to the issuance of bonds and certificates of participation are amortized over the life of the related debt on a straight-line basis, which approximates the effective yield method, or are recognized upon early redemption of the bonds.

Bond Discounts and Premiums - Bond discount or premium arising from the sale of serial or term bonds is amortized using the straight-line method which approximates the effective yield method, over the life of the bond issue.

Bond Accretion - Interest on multiplier bonds or capital appreciation bonds (which do not pay interest during the life of the bonds) is added to the bond principal outstanding as interest is earned. The increase in value is recorded as a liability in bonds payable on the combined balance sheet and as interest expense on the combined statement of revenues, expenses and changes in net assets.

Loan Origination and Commitment Fees - The Agency originates single family mortgage loans and earns fees for these loan originations. The Agency also charges application and financing fees to developers and participating lenders for commitments on financing. These fees are recognized as revenue when the services have been performed.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents - The Agency's combined cash balance as of September 30, 2007, consists primarily of amounts held in trust accounts that are under the control of the Agency's trustees. Those amounts held in trust accounts and other demand deposit accounts are insured by Federal Deposit Insurance Corporation (FDIC) to the extent required by law.

$6,188,711 (McKinney Act Saving) are restricted in nature as they are used to benefit low income persons. The DCFHA Minority Contractor Loan Fund Escrow of $52,522 and the Department of Mental Health (DMH) funds of $11,006,484 are also restricted and are included in deferred credits.

As of September 30, 2007, the Agency's general fund had the following deposits:

		2007
Insured	$	8,246,785
Collateralized:		
Collateral held by the Federal Reserve in joint name		23,151,715
Collateral held by bank through a tri-party agreement		20,338,323
Total deposits	$	51,736,823

As of the September 30, 2006, the agency's general fund had the following deposits:

		2006
Insured	$	659,576
Collateralized:		
Collateral held by Federal Reserve in joint name		30,750,723
Collateral held by bank through a tri-party agreement		8,579,918
Corporate Bonds		250,000
U.S. Treasury Bills (maturing in ninety days)		2,338,766
Total deposits	$	42,578,983

NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be recovered. The Agency does not have a formal custodial credit risk policy, but ensures that deposits with banks are fully collateralized.

Investments – General Fund

The Agency follows general investment guidelines approved by its Board of Directors with regard to its general fund. The policy states that investment securities shall be of investment grade rating, principal guaranteed and offer reasonable returns. The Agency adheres to the specific covenants as stipulated in the indenture of trust and other regulatory agreements of the bond programs and certificates of participation (COPs) regarding investments relating to its bond programs.

As of September 30, 2007, the Agency had the following investments relating to its general fund:

Investment Type	Fair value of investments with maturities less than 5 years	Rating	
Fannie Mae	$ 1,546,082	AAA	76%
Corporate Bonds	493,635	A	24%
Total	$ 2,039,717		100%

As of September 30, 2006, the Agency had the following investments relating to its general fund:

Investment Type	Fair value of investments with maturities less than 5 years	Rating	
Fannie Mae	$ 836,046	AAA	13%
Corporate Bonds	491,005	A	7%
US Treasuries	5,263,254	Not Rated	80%
Total	$ 6,590,305		100%

NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)

Rated securities have a minimum of A. The Agency practices a prudent policy of staggering maturities of its investments to manage its cash flow needs and also to lessen the effect of changes in interest rates.

The Agency's investment policy stipulates that the securities be rated investment grade and that the principal be secured. As of September 30, 2007 and 2006, the Agency's investments were invested in fully diversified securities. The above securities are insured, rated between medium to top and guarantee payment of principal at maturity.

The Agency uses weighted average maturity method that considers the investment's time horizons and maturities. In fiscal years 2007 and 2006, the weighted average maturity of the Agency's investment was less than a year.

Investments – Bonds and Certificates of Participation

As of September 30, 2007, the Agency had the following investments relating to its bonds and certificates of participation:

Investment Type	Fair Value	Maturities < 5 years	Maturities 6-10 years	Maturities over 10 years	Rating	
Guaranteed Investment Contract – I/A	$ 425,055,918	$ 397,072,803	$ 1,081,089	$ 26,902,026	Not rated	55.77%
Money Market Funds	90,686,399	90,686,399	-	-	AAA	11.90%
U.S. Treasury Bills and Strips	9,850,510	9,850,510	-	-	Not rated	1.29%
Ginnie Mae – Mortgage – backed securities	170,728,948	2,477,933	3,000,000	165,251,015	AAA	22.40%
Fannie Mae – Mortgage – backed securities	52,260,196	1,249,134	-	51,011,062	AAA	6.86%
FHLMC - Mortgage backed securities	13,613,657	312,933	-	13,300,724	AAA	1.79%
Total	$ 762,195,628	$ 501,649,712	$ 4,081,089	$ 256,464,827		100%

NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)

As of September 30, 2006, the Agency had the following investments relating to its bonds and certificates of participation:

Investment Type	Fair Value	Maturities < 5 years	Maturities 6-10 years	Maturities over 10 years	Rating	
Guaranteed Investment Contract – I/A	$ 265,004,183	$ 220,201,851	$ 12,663,375	$ 32,138,957	Not rated	35%
Money Market Funds	298,298,315	298,298,315	-	-	AAA	38%
U.S. Treasury Bills and Strips	11,646,190	7,835,229	3,810,961	-	Not rated	1%
Ginnie Mae – Mortgage – backed securities	173,029,148	25,225,830	3,045,000	144,758,318	AAA	22%
Fannie Mae – Mortgage – backed securities	30,363,300	10,479,171	-	19,884,129	AAA	4%
Total	$ 778,341,136	$ 562,040,396	$ 19,519,336	$ 196,781,404		100%

Investments of proceeds from bond issuances are governed by the covenants of the indenture of trust entered between the issuer (the Agency), the respective trustee and the investment agreement provider. Normally, the investment agreements are with major financial institutions under which each financial institution:

- Has indemnified the Agency from market risk and has agreed to pay a guaranteed interest rate.
- Is required to deposit qualifying securities equivalent to principal and interest with the designated trustee to indemnify the Agency.

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. Investment agreements are not rated; however, the contracts entered with major financial institutions require the institutions to notify the trustees when rating down-grades occur. If such down-grades place the securities below the agreed-upon rating, the provider is required to put up additional cash collateral as determined by the trustee to bring it to the agreed-upon rating at the time of executing the investment agreement.

Money market funds are short-term in nature and are held by trust banks for the benefit of projects. They are top rated by nationally recognized statistical rating organizations, such as Standard & Poor's and Moody's Investors Service. U.S. Treasury Strips are zero-coupon, accreted semi-annually to appreciate to the par

NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)

value of the strips at maturity. Fannie Mae and Freddie Mac mortgage-backed pass-through securities are top rated by Standard & Poor's and Moody's Investors Service. Though there is no explicit guarantee that Fannie Mae and Freddie Mac mortgage-backed securities are backed by the full faith and credit of the U.S. government, there is an implicit guarantee, as government-sponsored enterprises are created by Congress.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Guaranteed investment contracts protect the Agency from interest rate risk as stipulated in the terms of the contracts entered with the investment providers. Money market funds of the bond programs are short-term by their nature as they are to be used to meet debt service obligations and project construction or rehabilitation payments. The effect of changes in interest rate is inconsequential. Ginnie Mae, Fannie Mae and Freddie Mac mortgage-backed securities are investments that are highly sensitive to changes in interest rates. Generally, when interest rates fall, mortgage borrowers tend to prepay their loans taking advantage of the lower rates through refinancing, thus eliminating the stream of interest payments that would have been received under the original amortization schedule. This reduces cash flow and diminishes the fair value of mortgage pass-through securities. Such securities represent $236,602,802 or 31.04% of the portfolio's investments.

The Agency's Single Family Program recorded unrealized losses of $984,998 and $1,608,196 for fiscal years 2007 and 2006, respectively. The Agency's Multifamily Program recorded unrealized loss of $2,105,379 and $2,656,109 for fiscal years 2007 and 2006, respectively. These variances in fair value are caused by interest rate fluctuations and would be realized only upon sale of the securities, resulting from prepayment of mortgage loans.

Investments of bond programs are restricted and can only be used for the benefit of the respective bond series. Bond calls made from prepayments of mortgages are not subject to any premium. In effect, prepayments resulting from refinancing are used to redeem bonds on the next debt service payment date. The effective interest rate reduction could be the difference in the rate between the mortgage rate and the investment rate from the date of prepayment to the next debt service date, which could range from two to eight months.

Investments of the bond programs are with major financial institutions under which each financial institution has insured the Agency from market risk and has agreed to pay a guaranteed interest rate. In addition, each financial institution has deposited with its trust department, in the Agency's name, qualifying securities in an amount equivalent to principal and interest.

NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments are reported at fair value in the balance sheet and changes in the fair value of investments are recognized in the statement of revenue, expenses and changes in net assets.

NOTE 4: MORTGAGE AND CONSTRUCTION LOANS RECEIVABLE

Mortgage and construction loans receivable are secured by deeds of trust evidencing first mortgage liens on related real property. These loans are either insured by the Federal Housing Administration ("FHA"), the Veteran Administration ("VA"), or by private mortgage insurance up to a maximum of 90% of the outstanding mortgages. Both FHA and VA are U.S. Government agencies. Interest rates on these loans range from 3.476% to 9.5% and the loans have a repayment period of up to 40 years.

Restricted mortgage and construction loans as of September 30, 2007 and 2006, were $490,258,778 and $424,209,954, respectively.

NOTE 5: PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consist of the following:

	September 30, 2006	Additions	September 30, 2007
Land	$ 573,000	$ -	$ 573,000
Building	1,795,238	-	1,795,238
Furniture and equipment	1,440,097	77,674	1,517,771
Software	245,921	5,514	251,435
Total	4,054,256	83,188	4,137,444
Leasehold improvements	1,127,040	96,865	1,223,905
Total	5,181,296	180,053	5,361,349
Depreciation	(2,067,659)	(148,902)	(2,216,561)
Amortization	(620,431)	(42,893)	(663,324)
Less accumulated depreciation and amortization	(2,688,090)	(191,795)	(2,879,885)
Total Capital Assets	$ 2,493,206	$ (11,742)	$ 2,481,464

NOTE 5: PROPERTY, FURNITURE AND EQUIPMENT (Continued)

Property, furniture and equipment consist of the following:

	September 30, 2005	Additions	September 30, 2006
Land	$ 573,000	$ -	$ 573,000
Building	1,795,238	-	1,795,238
Furniture and equipment	1,428,329	11,768	1,440,097
Software	222,671	23,250	245,921
Total	4,019,238	35,018	4,054,256
Leasehold improvements	1,122,041	4,998	1,127,039
Total	5,141,279	40,016	5,181,295
Depreciation	(1,861,712)	(205,947)	(2,067,659)
Amortization	(577,870)	(42,560)	(620,430)
Less accumulated depreciation and amortization	(2,439,582)	(248,507)	(2,688,089)
Total Capital Assets	$ 2,701,697	$ (208,491)	$ 2,493,206

There were no disposals during the years ended September 30, 2007 and 2006. Depreciation and amortization expenses for fiscal years 2007 and 2006 were $191,795 and $248,507, respectively.

NOTE 6: BONDS PAYABLE

Bonds payable consists of term and serial bonds which are subject to redemption at the option of the Agency or borrower in accordance with the terms of the respective bond indenture and bond resolution, in whole or in part, on various dates at prescribed redemption prices. Included in certain bond issues are capital appreciation bonds. The principal amount of these bonds appreciate based on either annual or semi-annual compounding on the original principal balance. These bonds are recorded in the financial statements at their current appreciated amounts. Bonds which have been issued to provide financing for the Agency's housing programs are collateralized by:

- Mortgage loans made on the related multi-family developments or single-family residential mortgage loans purchased.

- Substantially all revenues, mortgage payments, and recovery payments received by the Agency from mortgage loans made on the related developments.

- Certain accounts, generally debt service reserve funds, established pursuant to the indenture authorizing issuance of the bonds.

NOTE 6: BONDS PAYABLE (Continued)

The following is a summary of bonds outstanding by program fund (subject to varying redemption provisions) as of September 30, 2007 and 2006:

Single Family Program Fund	**2007**	**2006**
The Single-Family Mortgage Bonds outstanding are as follows:		
1) 1986 Series I serial and capital appreciation bonds due March 1, 2000 through September 1, 2016 with interest rate of 7.75%.	$ 1,505,000	$ 1,725,000
2) 1988 Series E2 serial bonds due December 1, 1997 through December 1, 2022 with interest rate of 7.70%.	25,000	25,000
3) 1988 Series E4 serial bonds due June 1, 1999 through June 1, 2026 with interest rate of 6.38%.	4,950,000	8,590,000
4) 1988 Series F1 serial bonds due June 1, 2026 with interest rate of 6.38%.	-	125,000
5) 1990 Series B serial bonds due December 1, 2024 with interest rate of 7.10%.	-	1,480,000
6) 1990 Series C4 serial bonds due December 1, 2024 with interest rate of 6.35%.	-	3,140,000
7) 1994 Series A serial bonds due December 1, 2027 with an interest rate of 7.05%.	-	25,000
8) 1995 Series A serial bonds due December 1, 2005 through December 1, 2026 with interest rates ranging from 6.25% to 6.40%.	-	25,000

NOTE 6: BONDS PAYABLE (Continued)

Single Family Program Fund	2007	2006
9) 1996 Taxable Series capital appreciation bonds due November 1, 2011 with interest rates of 7.63%. (Early extinguishment in 2007)	-	68,326
10) 1996 Series A serial and term bonds due December 1, 2006 through December 1, 2028 with interest rates ranging from 5.30% to 6.75%.	5,745,000	6,700,000
11) 1997 Series B serial and term bonds due December 1, 2006 through December 1, 2028 with interest rates ranging from 5.10% to 6.35%.	4,985,000	6,035,000
12) 1998 Series A bonds due December 1, 2006 through December 1, 2029 with interest rates ranging from 4.70% to 6.25%.	8,925,000	11,375,000
13) 1999 Series A bonds due December 1, 2006 through June 1, 2030 with interest rates ranging from 4.75% to 6.65%.	8,310,000	9,395,000
14) 2000 Series A bonds due December 1, 2006 through June 1, 2031 with interest rates ranging from 5.50% to 7.50%.	3,790,000	4,790,000
15) 2000 Series C bonds due December 1, 2010 through June 1, 2031 with interest rates ranging from 5.75% to 6.25%.	810,000	940,000
16) 2000 Series D bonds due December 1, 2010 through June 1, 2031 with interest rates ranging from 5.65% to 7.45%.	3,235,000	4,055,000
17) 2001 Series A serial bond due December 1, 2006 through June 1, 2032 with interest rates ranging from 4.35% to 6.85%.	5,195,000	6,860,000

NOTE 6: BONDS PAYABLE (Continued)

Single Family Program Fund	2007	2006
18) 2005 Series A serial bond due December 1, 2025 with an interest rate of 5.55%	6,805,000	8,740,000
19) 2005 Series B serial bonds due June 1, 2035 with interest rates ranging from 4.75% to 5.63%	16,570,000	17,000,000
20) 2005 Series bond due December 1, 2055 with a variable interest rate of 5.05%	172,625,000	223,645,000
21) 2006 Series A bond due December 1, 2026 with an interest rate of 4.95%	4,635,000	5,000,000
22) 2006 Series B serial bonds due June 1, 2037 interest rates ranging from 5.10% to 5.35%	25,000,000	25,000,000
23) 2006 Series C bond due July 16, 2007 with an interest rate of 4.00%	-	30,000,000
24) 2006 Series D bond due June 1, 2020 with an interest rate of 4.60%	1,960,000	-
25) 2006 Series E serial bonds due December 1, 2037 interest rate of 4.65%	50,000,000	-
26) 2006 Series F bond due November 1, 2007 with an interest rate of 3.60%	50,000,000	-
Subtotal	375,070,000	374,738,326
Add: Unamortized Bond Premium	5,039,156	5,255,265
Less: Unamortized Bond Discount	(168,106)	(586,156)
Total Single-Family Program Fund	$ 379,941,050	$ 379,407,435

NOTE 6: BONDS PAYABLE (Continued)

Multi-Family Program Fund	2007	2006
The Multi-Family Mortgage Bonds outstanding are as follows:		
1) 1988 Series serial bonds due February 1, 2008 through August 1, 2030 with interest rates ranging from 5% to 5.85%. • Mayfair Mansions	12,825,000	13,055,000
2) 1989 Series A serial bonds due October 1, 2006 through October 1, 2019 with an interest rate of 3.9505%. • Fort Lincoln	6,465,000	6,765,000
3) 1991 Series serial bond due December 1, 2011 with an interest rate of 7.4%. • New Parkchester Apartments (Early extinguishment in 2007)	-	5,740,000
4) 1992 Series A & B serial bonds due September 1, 2012 through March 1, 2024 with interest rates ranging from 7.10% to 7.15%. • Euclid, Kenyon, Franklin, Garfield and Ritch Homes	-	1,940,000
5) 1992 Series D & E serial bonds due July 1, 2024 with interest rate of 6.375%. • Ivy City (Early extinguishment in 2007)	-	2,310,000
6) 1994 Series D serial bond due January 1, 2023 with interest rate of 7.00%. • Oak Street	1,565,000	1,620,000
7) 1995 Series bonds due July 31, 2025 with an interest rate of 7.52%. • Tyler House	24,200,000	24,200,000
8) 1997 Series bond due January 1, 2012 with interest rate of 6.3%. • Benning Road	2,190,000	2,550,000
9) 1998 A-1 Series bonds due January 1, 2027 with interest rate 5.2% • Benning Heights	5,890,000	5,935,000
10) 1998 Series A-2 bonds due January 1, 2022 with an interest rate of 6.5%. • Temple Courts	3,550,000	3,660,000
11) 1998 Series A-3 bonds due July 1, 2028 with an interest rate of 6.5%. • Parcel 13	1,305,000	1,305,000

NOTE 6: BONDS PAYABLE (Continued)

Multi-Family Program Fund	2007	2006
12) 1998 B Series taxable bonds due January 1, 2008 with an interest rate of 6%. • Benning Heights: Temple Court, Parcel 13 and Congress Park	-	35,000
13) 1999 Series bonds due December 1, 2017 through December 1, 2027 with interest rates of 5.85% to 5.95%. • Colorado Avenue	860,000	880,000
14) 1999 Series bonds due August 1, 2008 through August 1, 2026 with interest rates ranging from 4.4% to 5.15% • Burke, Randolph, Ft. Stevens and 7th St.	7,940,000	8,150,000
15) 1999 Series bonds due February 20, 2009 through February 20, 2041 with interest rates ranging from 5.2% to 5.75%. • Rockburne Estates	8,135,000	8,215,000
16) 1999 Series bonds due July 1, 2031 with an interest rate of 7.25%. • Garfield Park Apartments	3,023,589	3,069,426
17) 1999 A Series bonds due December 1, 2039 with an interest rate of 6.1%. • Walbraff Apartments	1,910,000	1,925,000
18) 1999 Series bonds due May 1, 2032 with an interest rate of 7.375% • Barnaby Manor Apartments	4,227,434	4,286,248
19) 1999 Series bonds due January 1, 2036 with an interest rate of 6.9% • Fort Chaplin Apartments	24,291,990	24,561,887
20) 1999/2000 Series bond due November 1, 2010 through May 1, 2042 with interest rates ranging from 5.6% to 6.28% • Staten Glenn Apartments	22,650,000	22,810,000
21) 2000 Series bond due April 1, 2032 with interest rate 7.30% • Widrich Court Apartments	3,371,799	3,417,923
22) 2000 Series bond due November 20, 2015 through November 20, 2036 with interest rates ranging from 5.95% to 6.25%. • Congress Park Plaza	3,315,000	3,355,000

NOTE 6: BONDS PAYABLE (Continued)

Multi-Family Program Fund	2007	2006
23) 2000 Series C bond due June 1, 2040 with interest rate 6.5%. • 636 Coop	585,000	590,000
24) 2000 Series bonds due March 1, 2033 with interest rate 6.15%. • Aspen Court	3,890,000	3,940,000
25) 2000 Series A bonds due December 1, 2042 with interest rate 6.5%. • Haven House	795,000	800,000
26) 2000 Series D serial bonds due December 1, 2041 with an interest rate of 6.10%. • Chesapeake/Hartford/Knox	4,460,000	4,490,000
27) 2000 Series Revenue bonds due September 1, 2013 through September 1, 2033 with interest rates ranging from 5.7% to 6.05%. • Carver Terrace	14,655,000	14,845,000
28) 2000 Series Mortgage Revenue bonds due December 1, 2033 with an interest rate of 3.493%. • WDC 1 Limited Partnership Development	8,185,000	8,355,000
29) 2001 Series A serial bonds due June 1, 2043 with an interest rate of 5.9%. • Douglas Knoll (Douglas Gardens)	9,749,000	9,819,000
30) 2001 Series Mortgage Revenue bonds due December 1, 2033 with an interest rate of 6.29%. • Clifton Terrace	5,244,373	5,322,941
31) 2001 Series B serial bonds due December 1, 2031 through December 1, 2042 with interest rates ranging from 5.5% to 5.6%. • Parkway Overlook (Early extinguishment in 2007)	-	11,600,000
32) 2001 Series C serial taxable term bonds due December 1, 2013 through December 1, 2019 with interest rates ranging from 6.625% to 7.125%. • Parkway Overlook (Early extinguishment in 2007)	-	2,150,000
33) 2001 Series D tax exempt term bonds due December 1, 2008 with an interest rate of 5.00%. • Parkway Overlook (Early extinguishment in 2007)	200,000	320,000

NOTE 6: BONDS PAYABLE (Continued)

Multi-Family Program Fund	2007	2006
34) 2001 Series D serial bonds due December 1, 2037 with interest an rate of 5.70%. • Meridian Manor Apartments	2,330,000	2,350,000
35) 2001 Series Woodmont Crossing Apartments bonds due September 1, 2034 with an interest rate of 5.45%. • Woodmont Crossing Apartments	10,040,000	10,170,000
36) 2001 Series E serial bonds due June 1, 2038 with an interest rate of 5.45%. • Huntwood Apartments	6,595,000	6,665,000
37) 2001 Series serial bonds due November 20, 2006 through May 20, 2043 with interest rates ranging from 5.5% to 7% • Columbia Heights	33,875,000	34,115,000
38) 2002 Series serial bonds due July 20, 2022 through July 20, 2043 with interest rates ranging from 5.65% to 5.80% • Jeffrey Gardens	11,855,000	11,945,000
39) 2002 Series serial bonds due January 1, 2035 with an interest rate of 3.4761% • Trenton Park	6,180,000	6,245,000
40) 2002 Series serial bonds due March 1, 2039 with an interest rate of 7.2% • Faircliff Plaza	6,823,615	6,878,609
41) 2002 Series A serial bonds due June 1, 2039 with an interest rate of 5.75% • Chapin St./Euclid St.	1,425,000	1,435,000
42) 2002 Series C serial bonds due June 1, 2039 with an interest rate of 5.75% • Chapin St./Euclid St.	1,200,000	1,210,000
43) 2002 Series G and H serial bonds due December 1, 2012 through December 1, 2038 with interest rates ranging from 4.65% to 5.55% • Trinity Towers	8,430,000	8,520,000
44) 2002 Series E serial bonds due June 1, 2013 through December 1, 2044 with interest rates ranging from 4.75% to 5.7% • Golden Rule	6,270,000	6,310,000

NOTE 6: BONDS PAYABLE (Continued)

Multi-Family Program Fund	2007	2006
45) 2002 Series revenue bonds due November 1, 2035 with an interest rate of 5.35% • Capitol Park Plaza/Capitol Park • Twin Towers Apartments	30,000,000	30,000,000
46) 2003 Series C serial bonds due December 1, 2023 with an interest rate of 5.4% • St Paul Senior Living	690,000	710,000
47) 2003 Series C serial bonds due December 1, 2033 with an interest rate of 5.50% • St Paul Senior Living	905,000	905,000
48) 2003 Series C serial bonds due June 1, 2045 with an interest rate of 5.60% • St Paul Senior Living	1,945,000	1,945,000
49) 2003 Series GNMA Collateralized serial bonds due June 20, 2023 with an interest rate of 4.50% • Bowling Green Apartments	2,305,000	2,395,000
50) 2003 Series GNMA Collateralized serial bonds due December 20, 2044 with an interest rate of 4.70% • Bowling Green Apartments	8,230,000	8,230,000
51) 2003 Series B serial bonds due June 1, 2044 with an interest rate of 5.25% • Urban Village Apartments	6,200,000	6,250,000
52) 2003 Series A serial bonds due December 1, 2022 with an interest rate of 4.95% • Elsinore Courtyard Apartments	1,185,000	1,235,000
53) 2003 Series A serial bonds due December 1, 2032 with an interest rate of 5.05% • Elsinore Courtyard Apartments	1,510,000	1,510,000
54) 2003 Series A serial bonds due December 1, 2044 with an interest rate of 5.15% • Elsinore Courtyard Apartments	3,170,000	3,170,000
55) 2003 Series GNMA Collateralized serial bonds due September 20, 2008 with an interest rate of 5.30% • Wingate Towers and Garden Apartments	50,000	50,000
56) 2003 Series GNMA Collateralized serial bonds due September 20, 2023 with an interest rate of 5.30% • Wingate Towers and Garden Apartments	8,990,000	8,990,000

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006

NOTE 6: BONDS PAYABLE (Continued)

Multi-Family Program Fund	2007	2006
57) 2003 Series GNMA Collateralized serial bonds due September 20, 2033 with an interest rate of 5.40% • Wingate Towers and Garden Apartments	10,915,000	10,915,000
58) 2003 Series GNMA Collateralized serial bonds due September 20, 2045 with an interest rate of 5.50% • Wingate Towers and Garden Apartments	25,045,000	25,045,000
59) 2002 Series I serial bonds due December 1, 2045 with an interest rate of 5.40% • Henson Ridge	4,020,000	4,050,000
60) 2002 Series J serial bonds due December 1, 2012 with an interest rate of 4.50% • Fairmont I and II Apartments	1,040,000	1,200,000
61) 2002 Series J serial bonds due December 1, 2022 with an interest rate of 5.10% • Fairmont I and II Apartments	2,870,000	2,870,000
62) 2002 Series J serial bonds due December 1, 2040 with an interest rate of 5.30% • Fairmont I and II Apartments	11,905,000	11,905,000
63) 2004 Series A serial bonds due December 1, 2009 with an interest rate of 3% • 1330 7TH Street	480,000	660,000
64) 2004 Series A serial bonds due December 1, 2014 with an interest rate of 4.1% • 1330 7TH Street	1,155,000	1,155,000
65) 2004 Series A serial bonds due December 1, 2024 with an interest rate of 4.8% • 1330 7TH Street	1,875,000	1,875,000
66) 2004 Series A serial bonds due December 1, 2034 with an interest rate of 4.9% • 1330 7TH Street	3,140,000	3,140,000
67) 2004 Series A serial bonds due June 1, 2045 with an interest rate of 5% • 1330 7TH Street	6,150,000	6,150,000
68) 2004 Series serial bonds due March 1, 2041 with an interest rate of 6.7% • Congress Park	4,841,618	4,879,206

NOTE 6: BONDS PAYABLE (Continued)

Multi-Family Program Fund	2007	2006
69) 2004 Series B & C term bonds due December 1, 2015 with an interest rate of 4.25% • J W King Seniors Center	430,000	470,000
70) 2004 Series B & C term bonds due December 1, 2025 due December with an interest rate of 4.9% • J W King Seniors Center	815,000	815,000
71) 2004 Series B & C term bonds due December 1, 2035 with an interest rate of 5.05% • J W King Seniors Center	1,390,000	1,390,000
72) 2004 Series B & C term bonds due December 1, 2045 with an interest rate of 5.15% • J W King Seniors Center	2,600,000	2,600,000
73) 2004 term bonds due December 20, 2014 with an interest rate of 4.1% • Savannah Heights	570,000	570,000
74) 2004 term bonds due December 20, 2034 with an interest rate of 4.95% • Savannah Heights	3,235,000	3,235,000
75) 2004 term bonds due June 20, 2045 with an interest rate of 5.1% • Savannah Heights	2,045,000	2,045,000
76) 2004 term bonds due December 20, 2045 with an interest rate of 5.1% • Savannah Heights	2,045,000	2,045,000
77) 2004 Series D & E term bonds due June 1, 2025 with an interest rate of 4.65% • Henson Ridge Phase II	1,340,000	1,365,000
78) 2004 Series D & E term bonds due June 1, 2035 with an interest rate of 4.85% • Henson Ridge Phase II	1,460,000	1,460,000
79) 2004 Series D & E term bonds due June 1, 2047 with an interest rate of 4.9% • Henson Ridge Phase II	3,065,000	3,065,000
80) 2004 Series D & E term bonds due June 1, 2015 with an interest rate of 4.1% • Henson Ridge Phase II	1,050,000	1,105,000

NOTE 6: BONDS PAYABLE (Continued)

Multi-Family Program Fund	2007	2006
81) 2004 Series D & E term bonds due June 1, 2029 with an interest rate of 5% • Henson Ridge Phase II	1,350,000	1,350,000
82) 2004 Series D & E term bonds due June 1, 2037 with an interest rate of 5.1% • Henson Ridge Phase II	5,155,000	5,155,000
83) 2004 term bonds due January 1, 2008 with an interest rate of 2.9% • Arthur Capper Sr. I	9,000,000	9,000,000
84) 2005 term bonds due May 1, 2008 with an interest rate of 3.91% • Capitol Gateway Project	11,125,000	11,125,000
85) 2005 term bonds due January 1, 2008 with an interest rate of 4.75% • Faircliff Plaza- West	11,834,663	11,887,087
86) 2005 Series Term bonds due July 1, 2007 through July 1, 2025 with interest rates ranging from 3.0% to 5.0% • DCHA Modernization Program	71,480,000	74,030,000
87) 2005 Series Term bonds due June 1, 2010 through June 1, 2038 with interest rates ranging from 3.75% to 4.8% • Shipley Park Apartments	11,920,000	11,920,000
88) 2005 Series Term bonds due January 1, 2009 with an interest rate of 3.9% • Arthur Capper Sr. II	9,070,000	9,070,000
89) 2005 Series Term bonds due February 1, 2008 with an interest rate of 4.43% • Eastgate Seniors I	6,400,000	6,400,000
90) 2005 Series Term bonds due December 1, 2055 with an interest rate of 5.05% • MF Drawdown	27,115,000	57,329,000
91) 2006 Series Term bonds due January 1, 2048 with an interest rate of 6.25% • Hunter Pines	10,633,000	10,633,000
92) 2006 Series Term bonds due October 1, 2049 with an interest rate of 5.875% • George Washington Carver Senior Apts.	8,870,000	8,870,000

NOTE 6: BONDS PAYABLE (Continued)

Multi-Family Program Fund	2007	2006
93) 2006 Series Term bonds due ranging from August 1, 2008 to July 1, 2036 with interest rates ranging from 4% to 5% • Garfield Hills Apts.	5,050,000	5,110,000
94) 2006 Series Term bonds due February 1, 2049 with an interest rate of 2.875%. But Rate incrases to 6% after 9/1/07 • Gallen Terrace	5,660,000	5,660,000
95) 2006 Series Term bonds due ranging from February 1, 2009 to June 1, 2048 with an interest rate of 6.25% • Southview I & II	13,200,000	13,200,000
96) 2006 Series Term bonds due April 15, 2048 with an interest rate of 5.3% • Golden Rule Apartments	12,600,000	12,600,000
97) 2006 Series A Term bonds due March 1, 2049 with interest rates ranging 4.8% • Wesely House	9,340,000	-
98) 2006 Series B Term bonds due March 1, 2009 with interest rates 4.1% • Wesely House	1,000,000	-
99) 2006 Series Term bonds due November 1, 2036 with an interest rate of 4.8% • Azeeze Bates	4,090,000	-
100) 2006 Series Term bonds due December 1, 2009 with an interest rate of 4.660% • Eastgate Family	11,000,000	-
101) 2007 Series Term bonds due July 1, 2050 with an interest rate of 5.600% • Cavalier Apts	26,000,000	-
102) 2007 Series Term bonds due February 1, 2051 with an interest rate of 5.800% • Residences At Georgia Av	13,000,000	-
103) 2007 Series Term bonds due September 1, 2051 with an interest rate of 5.600% • R street Apartments	12,300,000	-

NOTE 6: BONDS PAYABLE (Continued)

Multi-Family Program Fund	2007	2006
104) 2007 Series Term bonds due September 1, 2051 with an interest rate of 5.700%		
• Mayfair Mansions	42,000,000	-
Sub-Total	778,356,080	720,599,327
Add: Unamortized Bond Premium	3,720,977	3,927,211
Less: Unamortized Bond Discount	(19,616)	(151,677)
Total Multi-Family Program Fund	782,057,441	724,374,861
Total Single Family Program Fund	379,941,050	379,407,435
Total Bonds Payable	1,161,998,491	1,103,782,296
Less: amounts due within 1 year	(105,594,663)	(33,315,000)
Long-Term Bonds Payable	$ 1,056,403,828	$ 1,070,467,296

NOTE 6: BONDS PAYABLE (Continued)

The Agency or the borrower has the option to redeem the various bonds at premiums ranging up to 5%. This option generally cannot be exercised until the bonds have been outstanding for ten years as provided in the various indentures. Term bonds are generally subject to redemption, without premium, from mandatory sinking fund payments.

Amounts payable subsequent to 2007, when actually due, will include additional accretion on capital appreciation bonds and the effects of amortization of both premium and discount.

Principal payments related to bond indebtedness for the next five years and the subsequent years in five year increments are as follows:

Fiscal Year Ending September 30	Multi-Family Program Fund	Single Family Program Fund	Total
2008	$ 55,099,663	$ 50,495,000	$ 105,594,663
2009	44,585,000	505,000	45,090,000
2010	27,245,000	395,000	27,640,000
2011	3,615,000	535,000	4,150,000
2012	5,910,000	410,000	6,320,000
2013-2017	30,080,000	1,505,000	31,585,000
2018-2022	32,190,000	11,145,000	43,335,000
2023-2027	78,685,000	17,485,000	96,170,000
2028-2032	21,952,822	28,400,000	50,352,822
2033-2037	140,881,363	41,570,000	182,451,363
2038-2042	88,705,232	50,000,000	138,705,232
2043-2047	104,029,000	-	104,029,000
2048-2052	118,263,000	-	118,263,000
2053-2057	27,115,000	172,625,000	199,740,000
	778,356,080	375,070,000	1,153,426,080
Add:			
Unamortized Bond Premium	3,720,977	5,039,156	8,760,133
Less:			
Unamortized Bond Discount	(19,616)	(168,106)	(187,722)
Totals	$ 782,057,441	$ 379,941,050	$ 1,161,998,491

NOTE 6: BONDS PAYABLE (Continued)

Interest payments related to bond indebtedness for the next five years and the following in five year increments are as follows:

Fiscal Year Ending September 30	Multi-Family Program Fund	Single Family Program Fund	Total
2008	$ 38,912,004	17,226,306	56,138,310
2009	36,661,662	17,050,304	53,711,966
2010	35,385,509	17,028,883	52,414,392
2011	34,242,148	17,000,505	51,242,653
2012	33,994,550	16,979,565	50,974,115
2013-2017	165,818,807	84,754,555	250,573,362
2018-2022	158,803,558	82,583,265	241,386,823
2023-2027	146,220,413	79,676,068	225,896,481
2028-2032	139,139,034	71,891,035	211,030,069
2033-2037	113,681,360	65,467,750	179,149,110
2038-2042	83,334,511	45,615,250	128,949,761
2043-2047	51,651,558	45,227,750	96,879,308
2048-2052	22,599,806	45,227,750	67,827,556
2053-2057	4,336,140	28,644,242	32,980,382
Total	$ 1,064,781,060	$ 634,373,228	$ 1,699,154,288

NOTE 7: DEFERRED CREDIT

The deferred credit balance represents funds contributed by the owners of the projects and/or funds received from tax credit providers (low income housing tax credits); D.C. Government agencies; and the Department of Housing and Community Development. In fiscal years 2007 and 2006, the Agency included in the financial statements funds received from these providers to the extent of unexpended monies in the project accounts.

NOTE 8: DEFERRED REVENUE

Deferred revenue represents funds received in advance and unearned at year end, or funds related to non-refundable fees and costs associated with financing activities. Funds are deferred and recognized over the life of the mortgage.

NOTE 9: CERTIFICATES OF PARTICIPATION

On July 1, 1998, the Agency entered into a lease agreement with the District of Columbia Building Finance Corporation (the Building Corporation) to lease office space at 815 Florida Avenue, NW, Washington, D.C. (the Building). The Building was financed by proceeds from the Agency's issuance of Certificates of Participation, Series 1998 (the Certificates) evidencing assignments of interest in rights to receive payments under the lease.

The lease term is through June 2018; however, the Agency has an annual right to terminate the lease in the event that the Agency fails to appropriate sufficient amounts due under the lease terms for the ensuing fiscal year. The Agency also has the option to purchase the Building at any time during the lease at an amount necessary to discharge the Certificates.

The Board of Directors of the Building Corporation is comprised fully of members of the Agency's management. Since the Corporation is controlled by the Agency and it is the Agency's intention to continue the lease until title to the Building is acquired by the Agency, the Building and Certificates are presented in the financial statements as if the Agency owned and financed the Building. This activity is recorded in a separate fund, the D.C. Building Finance Corporation Fund (Building Fund). Inter-fund transactions are recorded between the General Fund and the Building Fund to reflect the lease activity. Rental income for the year ended September 30, 2007, amounted to $210,177 and is included in Building Fund revenue. Rental expense of $210,177 is reflected in the General Fund expenses. Improvements are funded by and recorded in the General Fund. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term.

The Certificates were issued in an original principal amount of $2,400,000, with a balance at September 30, 2007 and 2006, of $1,525,000 and $1,640,000, respectively. Interest is payable semi-annually at 4.85% for Certificates due through June 1, 2008, and 5.35% for Certificates due through June 1, 2018.

Principal and interest payments related to the Certificates for the next five years and the following in five year increments are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2008	125,000	78,942	$ 203,942
2009	110,000	72,938	182,938
2010	115,000	66,964	181,964
2011	120,000	60,723	180,723
2012	130,000	54,124	184,124
2013-2017	750,000	158,093	908,093
2018	175,000	6,242	181,242
Total	$ 1,525,000	$ 498,026	$ 2,023,026

NOTE 10: NET ASSETS

McKinney Act Fund - The Agency qualifies for 50% of the savings resulting from Financing Adjustment Factors (FAF) on Section (11)(b) bond refunding transactions. These funds are restricted in nature as they are only to be used to benefit very low-income persons. As a result, the Agency established a revolving loan fund for non-profit developers to, provide credit enhancement or loan guarantees, and finance certain special need projects, such as, shelter for the District's homeless and facilities for individuals who have contracted AIDS.

Bond Fund and Risk Share Program - The Agency's allocated net assets are reserved for the repayment of the respective bond issues. In addition, the initial deposit made to participate in the Risk Sharing Program and the 1% of the FHA insured mortgage balances in the Risk Sharing Program account are restricted.

NOTE 11: FEDERAL FINANCIAL ASSISTANCE TRANSACTIONS WITH HUD

Section "8" Program - In accordance with the terms of contracts between the Agency and HUD, the Agency administered a rental assistance program as HUD's agent for certain projects financed by the Agency. This program, referred to as the "Section 8 Program," allows eligible tenants to obtain adequate rental housing in the private marketplace while paying no more than 30% of their monthly income for rent.

The Agency earned an administrative fee on a formula basis for administering the program. This administrative fee was recognized as income when earned. As of July 2007, the Agency no longer participates in Section 8 Contract Administration.

Servicing Projects Grants - In accordance with the terms of contracts between and among the Agency, HUD and certain owners, the Agency services the mortgages with funds received from HUD on behalf of the owners.

The Agency earns a servicing fee on a formula basis for servicing the mortgages. This servicing fee is recognized as income when earned. The Agency also earns an administrative fee received directly from the owners on a formula basis, and this fee is also recognized as income when earned.

NOTE 12: RETIREMENT PLAN

The Agency established a defined contribution, money purchase retirement plan, effective October 1, 1982, covering all eligible Agency employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

NOTE 12: RETIREMENT PLAN (Continued)

The Agency amended its Retirement Plan, a Money Purchase Pension Plan (the Plan) effective August 10, 2002. Due to the amendment, future Agency contributions to the Plan ceased effective August 10, 2002. The amendment also provides that each participant and former participant with an account balance under the Plan as of such date shall be 100% vested in his or her account. Concurrent with the amendment, the Agency commenced participating in the Social Security and Medicare programs.

NOTE 13: OTHER INCOME

The Agency's other income for 2007 is comprised of the following:

Description	General Fund	Single Family Program Fund	Multi-Family Program Fund	DC Building Finance Corporation Fund	Total
Owner's contribution	$ -	$ -	$ 6,904,648	$ -	$ 6,904,648
Amortization income	-	314,898	270,516	-	585,414
Financing fees	2,339,047	-	-	-	2,339,047
Annual administrative fees	2,315,561	-	-	-	2,315,561
Permitted spread	136,955	-	-	-	136,955
Construction & development monitoring fees	594,279	-	-	-	594,279
Tax credit fees	453,658	-	-	-	453,658
HAP audit fee	27,500	-	-	-	27,500
Service Acquisition Fee	88,264	-	-	-	88,264
HAP administrative	478,175	-	-	-	478,175
Housing counseling revenue	35,000	-	-	-	35,000
Rental income	-	-	-	210,177	210,177
Mortgage servicing fees	164,052	-	-	-	164,052
MIP Risk Share program	66,266	-	-	-	66,266
Interest Reduction Payment Subsidy	-	-	179,280	-	179,280
Letter of credit provider	-	-	-	-	-
Other	244,459	-	-	-	244,459
Total Funds	$ 6,943,216	$ 314,898	$ 7,354,444	$ 210,177	$ 14,822,735

NOTE 13: OTHER INCOME (Continued)

The Agency's other income for 2006 is comprised of the following:

Description	General Fund	Single Family Program Fund	Multi-Family Program Fund	DC Building Finance Corporation Fund	Total
Owner's contribution	$ -	$ -	$ 6,851,102	$ -	$ 6,851,102
Amortization income	-	278,743	276,360	-	555,103
Financing fees	1,063,969	-	-	-	1,063,969
Annual administrative fees	2,041,113	-	-	-	2,041,113
Permitted spread	339,863	-	-	-	339,863
Construction & development monitoring fees	578,179	-	-	-	578,179
Tax credit fees	316,312	-	-	-	316,312
HAP audit fee	27,500	-	-	-	27,500
Service Acquisition Fee	110,826	-	-	-	110,826
HAP administrative	389,990	-	-	-	389,990
Housing counseling revenue	40,000	-	-	-	40,000
Rental income	-	-	-	208,927	208,927
Mortgage servicing fees	158,612	-	-	-	158,612
MIP Risk Share program	88,598	-	-	-	88,598
Interest Reduction Payment Subsidy	-	-	184,935	-	184,935
Letter of credit provider	-	-	93,735	-	93,735
Other	285,643	-	-	-	285,643
Total Funds	$ 5,440,605	$ 278,743	$ 7,406,132	$ 208,927	$ 13,334,407

NOTE 14: FUND TRANSFERS

The Agency records transfers between and among funds for various purposes, including subsidies for financing the Agency's programs. All operating transfers among program funds are recorded as inter-fund transfers and are classified as other financing sources and uses in the accompanying combined statement of revenues, expenses and changes in net assets.

NOTE 15: PRIOR PERIOD ADJUSTMENT

On December 1, 1991, the Agency issued Multifamily Housing Section 8 Assisted Mortgage Revenue Bonds Series 1991 Parkchester Apartments. Per section 606 of the Indenture of trust, the owner was required to deposit an additional security of $1,275,000 for the payment of principal and interest on the bonds. The trustee is to deposit the $1,275,000 to the Bullet Payment Sinking Fund and hold such amounts, plus the interest earnings accrued thereon, to be

NOTE 15: PRIOR PERIOD ADJUSTMENT (Continued)

available to redeem bonds on or after December 1, 2001, pursuant to the provisions of the Indenture. In the event of an optional or mandatory redemption of the bonds prior to December 1, 2006, amounts on deposit in the Bullet Payment Sinking Fund shall be transferred as necessary at the direction of the issuer to the bond fund and applied in accordance with the provisions of the Indenture. In the event that the bonds are not redeemed prior to or upon the final expiration of the HAP Contract, then the amounts in the Bullet Payment Sinking Fund are to be transferred as necessary at the direction of the issuer to the bond fund in accordance with the provisions of the Indenture.

Upon receipt of the additional security, the trustee invested the Bullet Payment Sinking Fund in Zero Coupon US Treasury Strips with maturity dates ranging between May 15, 2008 – November 15, 2011 and interest rates ranging between 3.05% - 8.25%. Through September 30, 2006, interest earned on the securities and related fair market adjustments amounting to $3,470,400 were recorded as investment income and fair value adjustments of the trust-estate. The $1,275,000 was collected from the owner as a security to the bond holders and hence any interest earned on the securities and subsequent fair value adjustments should have been credited to the owner. The normal situation is for the additional security deposit and any appreciation in value to be paid out to the owner and this ultimately took place. Interest earned through the years and appreciation in value through September 30, 2006 totaled $3,470,400. The accreted interest and fair value adjustment through September 30, 2005 were $3,309,533. The balance of $160,867 relates to the increase in fair value and accreted interest in fiscal year 2006. This resulted in a restatement of the 2006 financial statements.

As a result of the restatement, net assets as of October 1, 2005 were reduced by $3,309,533. Investment income was reduced by $160,867 in the Statement of Revenues, Expenses and Changes in Net Assets for the year ended September 30, 2006. In addition, deferred credits increased by $3,470,400.

NOTE 16: CONTINGENT LIABILITY

HUD Risk-Sharing Program

In fiscal year 2007, the risk-sharing program faced the first casualty in its portfolio where the Section 8 HAP subsidies were abated by HUD due to successive REAC failures by Parkway Overlook East & West (the property). The Agency took over the operations of the property as a mortgagee in possession and is working diligently to expedite the disposition of the property. The Agency's

NOTE 16: CONTINGENT LIABILITY (Continued)

HUD Risk-Sharing Program (Continued)

financial exposure as joint insurer of the property depends upon how soon the disposition of the property is carried out and how much can be realized from the disposition. Given the real-estate market in the District the Agency believes that if a loss is sustained it would be negligible. The Agency has determined such exposure to be $67,177 and has established a contingent liability for the amount.

NOTE 17: SUBSEQUENT EVENTS

The following subsequent events have occurred:

- On October 25, 2007, the Agency made a draw of $17.195 million on its single family mortgage revenue bonds draw down series 2005.
- On November 9, 2007, the Agency issued single family revenue bonds Series 2007 A & B for $100 million.
- On November 28, 2007, the Agency made an additional draw of $1.6 million on its single family mortgage revenue bonds draw down series 2005.
- On December 28, 2007, the Agency redeemed $27.115 million of its multifamily draw down series 2005.
- On December 31, 2007, the Agency issued multifamily housing revenue bonds of $36.8 million for Parkside Terrace.
- On January 22, 2008, the Agency issued Multifamily housing revenue bonds of $5.7 million for Henson Ridge II UFAS.

SUPPLEMENTAL INFORMATION

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
COMBINING BALANCE SHEET
SEPTEMBER 30, 2007 AND 2006

ASSETS	General Fund	Single Family Fund	Multi-Family Fund	DC Building Finance Corporation	2007	2006
CURRENT ASSETS						
Cash and cash equivalents	$ 26,895,760	$ -	$ -	$ -	$ 26,895,760	$ 19,938,715
Restricted cash and cash equivalents	24,841,611	-	-	-	24,841,611	22,639,768
Accrued interest receivable	23,625	2,675,612	4,608,344	-	7,307,581	5,795,063
Other receivables	1,315,814	44,406	-	-	1,360,220	521,933
Total current assets	53,076,810	2,720,018	4,608,344	-	60,405,172	48,895,479
NON-CURRENT ASSETS						
Other assets:						
Investments	2,039,717	-	-	-	2,039,717	5,712,869
Loans receivable	-	-	140,000	-	140,000	140,000
Prepaids	202,038	-	-	20,432	222,470	295,837
Due from (to) other funds	2,715,357	(2,684,067)	(25,545)	(5,745)	-	-
Bond issue costs—net	-	2,089,913	11,775,936	72,943	13,938,792	15,788,823
Total other assets	4,957,112	(594,154)	11,890,391	87,630	16,340,979	21,937,529
Restricted assets:						
Cash and cash equivalents	-	146,888	1,077,947	-	1,224,835	85,361
Investments held in trust	-	287,920,969	237,394,642	276,877	525,592,488	575,826,290
Mortgage backed securities at fair value	-	101,797,944	134,804,857	-	236,602,801	203,392,447
Mortgage and construction loans receivable	-	2,049,042	488,209,736	-	490,258,778	424,209,954
Loans receivable	-	-	2,017,593	-	2,017,593	1,899,930
McKinney Act fund receivables	2,045,660	-	-	-	2,045,660	1,598,421
Drawdown bonds receivable	-	-	25,200,000	-	25,200,000	-
Other receivables	25,979	-	70,430	135,834	232,243	1,828,341
Total restricted assets	2,071,639	391,914,843	888,775,205	412,711	1,283,174,398	1,208,840,744
Capital assets:						
Land	-	-	-	573,000	573,000	573,000
Depreciable property and equipment	1,769,206	-	-	1,795,238	3,564,444	3,481,256
Leasehold improvements	1,223,905	-	-	-	1,223,905	1,127,040
Less accumulated depreciation and amortization	(2,268,546)	-	-	(611,339)	(2,879,885)	(2,688,090)
Total capital assets	724,565	-	-	1,756,899	2,481,464	2,493,206
Total non-current assets	7,753,316	391,320,689	900,665,596	2,257,240	1,301,996,841	1,233,271,479
TOTAL ASSETS	$ 60,830,126	$ 394,040,707	$ 905,273,940	$ 2,257,240	$ 1,362,402,013	$ 1,282,166,958

(Continued)

See Accompanying Independent Auditor's Report.

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
COMBINING BALANCE SHEET - CONTINUED
SEPTEMBER 30, 2007 AND 2006

LIABILITIES AND NET ASSETS	General Fund	Single Family Fund	Multi-Family Fund	DC Building Finance Corporation	2007	2006
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	$ 546,531	$ 12,905	$ 274,751	$ 236,264	$ 1,070,451	$ 943,881
Accrued salary and vacation payable	288,223	-	-	-	288,223	302,207
Deferred revenue	1,637,664	-	-	138,609	1,776,273	829,818
Current portion of bonds payable	-	50,495,000	55,099,663	-	105,594,663	33,315,000
Current portion of certificates of participation	-	-	-	125,000	125,000	115,000
Total current liabilities	2,472,418	50,507,905	55,374,414	499,873	108,854,610	35,505,906
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS						
Tenant subsidy funds	1,078,182	-	-	-	1,078,182	851,412
Escrow deposits	3,687,528	-	3,161,890	-	6,849,418	3,108,368
Deferred credits	11,006,484	6,123,832	58,776,074	-	75,906,390	68,804,756
Deferred revenue	-	923,634	9,976,774	-	10,900,408	4,781,573
Interest payable	-	3,398,072	8,168,480	-	11,566,552	10,785,924
Total current liabilities payable from restricted assets	15,772,194	10,445,538	80,083,218	-	106,300,950	88,332,033
NON-CURRENT LIABILITIES						
Loans payable	-	-	462,152	-	462,152	463,929
Bonds payable—less current portion	-	329,446,050	726,957,778	-	1,056,403,828	1,070,467,296
Certificates of participation—less current portion	-	-	-	1,400,000	1,400,000	1,525,000
Total non-current liabilities	-	329,446,050	727,419,930	1,400,000	1,058,265,980	1,072,456,225
Total liabilities	18,244,612	390,399,493	862,877,562	1,899,873	1,273,421,540	1,196,294,164
NET ASSETS						
Invested in capital assets—net of related debt	669,817	-	-	-	669,817	853,206
Restricted for:						
Bond Fund and Risk Share	3,667,367	3,641,214	42,396,378	-	49,704,959	52,046,365
McKinney Act Fund	8,234,373	-	-	-	8,234,373	7,934,190
Total restricted net assets	11,901,740	3,641,214	42,396,378	-	57,939,332	59,980,555
Unrestricted net assets	30,013,957	-	-	357,367	30,371,324	25,039,033
Total net assets	42,585,514	3,641,214	42,396,378	357,367	88,980,473	85,872,794
TOTAL LIABILITIES AND NET ASSETS	$ 60,830,126	$ 394,040,707	$ 905,273,940	$ 2,257,240	$ 1,362,402,013	$ 1,282,166,958

See Accompanying Independent Auditor's Report.

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	General Fund	Single Family Fund	Multi-Family Fund	DC Building Finance Corporation	2007	2006
OPERATING REVENUES						
Mortgage-backed security income	$ -	$ 3,705,801	$ 5,461,143	$ -	$ 9,166,944	$ 6,726,493
Interest on mortgage and construction loans	-	185,451	19,739,110	-	19,924,561	19,784,506
McKinney Act revenue	323,204	-	-	-	323,204	500,137
Application and commitment fees	246,269	-	-	-	246,269	124,543
HUD Section 8 housing assistance receipts	8,701,592	-	-	-	8,701,592	12,534,868
Service project receipts	7,372,920	-	-	-	7,372,920	7,192,215
Other	6,943,216	314,898	7,354,444	210,177	14,822,735	13,334,407
Total operating revenues	23,587,201	4,206,150	32,554,697	210,177	60,558,225	60,197,169
OPERATING EXPENSES						
Operations	1,649,586	242,920	4,678,794	-	6,571,300	4,875,342
Personnel and related costs	3,664,314	-	-	-	3,664,314	3,801,585
Interest expense	-	19,945,333	34,575,729	84,681	54,605,743	53,756,296
Depreciation and amortization	125,305	-	-	66,490	191,795	248,507
Federal program payments	7,372,920	-	-	-	7,372,920	7,192,215
Housing assistance payments	8,701,592	-	-	-	8,701,592	12,534,868
Bond amortization	-	626,204	483,436	8,754	1,118,394	745,688
Trustee fees and other expenses	-	97,799	1,893,546	500	1,991,845	2,748,468
Loss On Extinguishment Of Debt	-	1,013,143	1,178,141	-	2,191,284	267,054
Total operating expenses	21,513,717	21,925,399	42,809,646	160,425	86,409,187	86,170,023
OPERATING INCOME (LOSS)	2,073,484	(17,719,249)	(10,254,949)	49,752	(25,850,962)	(25,972,854)
NON-OPERATING REVENUES						
Investment income	1,472,408	17,033,509	10,435,454	17,270	28,958,641	27,780,553
Change in Net Assets	3,545,892	(685,740)	180,505	67,022	3,107,679	1,807,699
Net Assets, Beginning of Year	39,039,622	4,326,954	42,215,873	290,345	85,872,794	87,374,628
Prior Period Adjustment	-	-	-	-	-	(3,309,533)
Net Assets, Beginning of Year, As Restated	39,039,622	4,326,954	42,215,873	290,345	85,872,794	84,065,095
Net Assets, End Of Year	$ 42,585,514	$ 3,641,214	$ 42,396,378	$ 357,367	$ 88,980,473	$ 85,872,794

See Accompanying Independent Auditor's Report.

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
COMBINING STATEMENT OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	General Fund	Single Family Fund	Multi-Family Fund	DC Building Finance Corporation	2007	2006
Operating Activities						
Cash receipts from loans and interest	$ 2,094,136	$ 3,476,952	$ 13,489,093	$ -	$ 19,060,181	$ 64,825,827
Other cash receipts	6,648,866	271,991	5,629,210	198,108	12,748,175	9,685,754
Cash payments to vendors	(1,746,141)	(246,440)	(1,314,958)	-	(3,307,539)	(4,496,414)
Cash payments to employees	(3,681,084)	-	-	-	(3,681,084)	(3,791,507)
Receipts of federal program income	16,074,512	-	-	-	16,074,512	19,727,083
Payments of federal program expenses	(16,074,512)	-	-	-	(16,074,512)	(19,724,125)
Other cash payments	-	(97,799)	-	-	(97,799)	(1,777,686)
Net cash provided by operating activities	3,315,777	3,404,704	17,803,345	198,108	24,721,934	64,448,932
Capital and Related Financing Activities						
Acquisition of fixed assets	(180,053)	-	-	-	(180,053)	(40,017)
Payments of bonds and long-term debt	-	-	-	(115,000)	(115,000)	(110,000)
Payments of interest and charges	-	-	-	(86,540)	(86,540)	(91,875)
Net cash used in capital related financing activities	(180,053)	-	-	(201,540)	(381,593)	(241,892)
Non-Capital Financing Activities						
Funds disbursed for multi-family rehab	-	-	(40,740,337)	-	(40,740,337)	(2,082,275)
Proceeds from rehab financed by tax credits	-	-	65,065,548	-	65,065,548	-
Proceeds from long-term bonds	-	102,145,000	93,570,000	-	195,715,000	559,366,574
Payments of long-term debt	-	(101,813,363)	(61,033,247)	-	(162,846,610)	(441,997,238)
Interest paid on bonds	-	(19,945,333)	(32,765,279)	-	(52,710,612)	(53,399,464)
Net cash provided (used) in non-capital financing activities	-	(19,613,696)	24,096,685	-	4,482,989	61,887,597
Investing Activities						
Receipts of interest and dividends	1,472,408	17,033,509	10,435,454	17,270	28,958,641	27,934,700
Principal payments (purchases) on mortgage and construction loans	-	-	(72,378,468)		(72,378,468)	(60,901,205)
Sale of investments and mortgage-backed securities	4,550,756	249,466,461	350,704,510	627,067	605,348,794	703,162,821
Purchase of investments and mortgage-backed securities	-	(250,149,595)	(329,663,436)	(640,905)	(580,453,936)	(789,976,650)
Net cash provided (used) in investing activities	6,023,164	16,350,375	(40,901,940)	3,432	(18,524,969)	(119,780,334)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,158,888	141,383	998,090	-	10,298,361	6,314,303
Cash and cash equivalents at October 1	42,578,483	5,505	79,857	-	42,663,845	36,349,541
Cash and cash equivalents at September 30	$ 51,737,371	$ 146,888	$ 1,077,947	$ -	$ 52,962,206	$ 42,663,844

(Continued)

See Accompanying Independent Auditor's Report.

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
COMBINING STATEMENT OF CASH FLOWS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	General Fund	Single Family Fund	Multi-Family Fund	DC Building Finance Corporation	2007	2006
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities						
Operating income (loss)	$ 2,073,484	$ (17,719,249)	$ (10,254,949)	$ 49,752	$ (25,850,962)	$ (25,972,854)
Interest expense	-	19,945,333	34,575,729	84,681	54,605,743	53,669,596
Loss on early extinguishment of debt	-	1,013,143	1,178,141		2,191,284	267,054
Depreciation	125,305	-	-	66,490	191,795	248,507
Amortization	-	626,204	483,437	-	1,109,641	325,620
Decrease (increase) in assets						
Receivables	(720,452)	(777,286)	(23,893,959)	-	(25,391,697)	(1,106,823)
Other current assets	(294,350)	-	-	(59,900)	(354,250)	437,570
Loans receivables	-	-	-	-	-	745
Increase (decrease) in liabilities						
Payables	(99,341)	-	3,363,836	-	3,264,495	152,546
Accrued liabilities	(13,984)	-	-	500	(13,484)	10,078
Deferred revenue and credits	1,439,185	320,080	12,351,110	56,585	14,166,960	35,596,054
Escrow Deposits	805,930	-	-	-	805,930	403,431
Current liabilities and changes in mortgage loans	-	(3,521)	-	-	(3,521)	417,408
Net cash provided by operating activities	$ 3,315,777	$ 3,404,704	$ 17,803,345	$ 198,108	$ 24,721,934	$ 64,448,932

See Accompanying Independent Auditor's Report.