KPMG

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Financial Statements

June 30, 2014

(With Independent Auditors' Report Thereon)

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

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(A Component Unit of the State of Illinois)

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

Agency Officials

Executive Director	Mary R. Kenney
Assistant Executive Director/Chief of Staff	Bryan E. Zises
General Counsel	Maureen G. Ohle
Chief Financial Officer (4/21/14 - Present)	Nandini Natarajan
Acting Chief Financial Officer (12/7/13 - 4/21/14)	Bryan E. Zises
Chief Financial Officer (4/18/11 - 12/6/13)	Hazim Taib
Controller	Michele Williams

Agency Officials are located at:

401 North Michigan Avenue, Suite 700
Chicago, Illinois 60611

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

Financial Statement Report

Summary

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

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

Summary of Findings

The auditors identified matters involving the Authority's internal control over financial reporting that they considered to be material weaknesses. The material weaknesses are described in the accompanying schedule of findings and responses listed in the table of contents as finding 2014-001 (Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process) and 2014-002 (Inaccurate Recording of Grant Revenue).

Exit Conference

On November 25, 2014, the Illinois Housing Development Authority waived the exit conference relating to the audit of the June 30, 2014 financial statements.

The responses to the recommendations were provided in correspondence from Michele Williams, Controller, on November 25, 2014.

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Honorable William G. Holland
Auditor General of the State of Illinois
and
The Board of Directors
Illinois Housing Development Authority:

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General of the State of Illinois, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority, a component unit of the State of Illinois, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2(s) to the financial statements, in 2014, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters

2013 Comparative Information

The accompanying financial comparative information of the Authority as of June 30, 2013, included within note 8 to the 2014 financial statements, was audited by other auditors whose report thereon dated November 5, 2013, expressed unmodified opinions on those financial statements.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 6 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information on pages 70 through 80 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

Chicago, Illinois
November 26, 2014

This Section of the Illinois Housing Development Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- Net position of the Authority increased $118.6 million, to $994.4 million as of June 30, 2014, from an increase in the Authority's business-type ($29.2 million) and governmental ($89.4 million) activities.
- The increase in net position, after transfers, of the Authority's business-type activities decreased $4.0 million from the prior year primarily due to lower development fees ($0.9 million), lower interest earned on program loans ($8.2 million), lower federal assistance programs ($13.1 million), and increased provision for estimated losses on program loans ($12.2 million), partially offset by lower interest expense ($2.7 million), lower financing costs ($0.6 million), and increases in investment income ($23.4 million).
- Authority debt issuances during fiscal year 2014 totaled $70.3 million. The Authority's debt outstanding (net of discounts and premiums) of $1,282.1 million as of June 30, 2014 was $167.7 million below the amount outstanding as of June 30, 2013.
- The Authority issued one new series of tax-exempt Multi-Family Housing Bonds totaling $12.0 million to fund the acquisition and rehabilitation of senior housing.
- The Authority issued one new series of single family Housing Revenue Bonds totaling $16.9 million secured by Government National Mortgage Association (GNMA) certificates and Fannie Mae mortgage backed securities (FNMA) to fund its homeownership loan program.
- The Authority financed five short-term Multi-Family loans totaling $41.4 million with direct bank loans from Wintrust Commercial Banking and PNC Bank.
- Loan originations for the year totaled $21.4 million and $89.8 million in the Authority's governmental and business-type activities, respectively, compared to fiscal year 2013 loan originations of $44.2 million and $82.2 million, respectively.
- During fiscal year 2014 the Authority has continued to address foreclosure issues throughout the State of Illinois (the State) through ongoing implementation of the Hardest Hit Fund (HHF) Program. Under the Hardest Hit Fund, the Authority approved and disbursed $109.4 million in direct mortgage payment assistance that helped 10,647 households avoid foreclosure on their homes. The Authority further expanded its efforts through the launching of a statewide resource, the Illinois Foreclosure Prevention Network (IFPN). The referral resource provided homeowners with a central location to receive information on foreclosure prevention efforts that produced 214,257 web site hits; 40,773 hotline calls; 1,201 attendees at events; and 40,862 housing counseling referrals.

Overview of the Financial Statements

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

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

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

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

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

- Governmental funds – The Authority has ten governmental funds. The Authority is the administrator of these funds, the revenues of which are appropriated annually to the Illinois Department of Revenue except for revenues received directly from HUD and the U.S. Treasury for the purpose of making housing grants and loans. These fund statements focus on how cash and other financial assets flowing into the funds have been used. Revenues converted to long-term loans comprise a substantial portion of the funds' fund balance.
- Proprietary funds – The Authority's primary activities are in its four enterprise funds, which activities are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of bonds, both tax-exempt and taxable, the proceeds of which are primarily used to make various types of loans to finance low and moderate-income housing. Funding from IHDA Dispositions LLC (the LLC) is primarily rental incomes collected by the property until such time as

(Continued)

disposition occurs. The net position of these funds represents accumulated earnings since their inception and is generally restricted for program purposes.

Financial Analysis of the Authority as a Whole

Net Position

The combined net position of the Authority increased by $118.6 million, or 13.5%, from the June 30, 2013 amount. The following table shows a summary of changes from prior year amounts.

Net Position
(In millions of dollars)

	Governmental activities		Business-type activities		Total		Increase/(Decrease)	
	2014	2013	2014	2013	2014	2013	Amount	Percentage
Current assets:								
Cash and investments – unrestricted	$ 246.7	140.5	500.3	421.8	747.0	562.3	184.7	0.3%
Program loans receivable	15.8	7.9	51.7	59.2	67.5	67.1	0.4	0.6%
Other current assets	17.3	(3.6)	16.3	18.7	33.6	15.1	18.5	122.5%
Total current assets	279.8	144.8	568.3	499.7	848.1	644.5	203.6	31.6%
Investments – restricted	—	—	419.6	555.1	419.6	555.1	(135.5)	-24.4%
Net program loans receivable	612.0	618.6	850.7	918.3	1,462.7	1,536.9	(74.2)	-4.8%
Capital assets, net	0.2	0.1	25.5	29.0	25.7	29.1	(3.4)	-11.7%
Other assets	—	0.1	127.2	129.2	127.2	129.3	(2.1)	-1.6%
Total noncurrent assets	612.2	618.8	1,423.0	1,631.6	2,035.2	2,250.4	(215.2)	-9.6%
Total assets	892.0	763.6	1,991.3	2,131.3	2,883.3	2,894.9	(11.6)	-0.4%
Deferred outflow of resources:								
Accumulated decrease in fair value of hedge derivatives	—	—	2.1	2.5	2.1	2.5	(0.4)	-16.0%
Loss on refinanced debt	—	—	2.4	2.9	2.4	2.9	(0.5)	-17.2%
Total deferred outflow of resources	—	—	4.5	5.4	4.5	5.4	(0.9)	-16.7%
Current liabilities:								
Due to grantees	53.6	—	—	—	53.6	—	53.6	100.0%
Due to State of Illinois	46.4	23.0	—	—	46.4	23.0	23.4	101.7%
Bonds and notes payable	—	—	39.0	123.0	39.0	123.0	(84.0)	-68.3%
Deposits held in escrow	—	—	156.7	164.5	156.7	164.5	(7.8)	-4.7%
Other current liabilities	2.5	42.7	46.2	40.7	48.7	83.4	(34.7)	-41.6%
Total current liabilities	102.5	65.7	241.9	328.2	344.4	393.9	(49.5)	-12.6%
Noncurrent liabilities:								
Due to State of Illinois	303.4	301.2	—	—	303.4	301.2	2.2	0.7%
Bonds and notes payable	—	—	1,243.1	1,326.8	1,243.1	1,326.8	(83.7)	-6.3%
Other liabilities	—	—	2.1	2.5	2.1	2.5	(0.4)	-16.0%
Total noncurrent liabilities	303.4	301.2	1,245.2	1,329.3	1,548.6	1,630.5	(81.9)	-5.0%
Total liabilities	$ 405.9	366.9	1,487.1	1,657.5	1,893.0	2,024.4	(131.4)	-6.5%

Net Position

(In millions of dollars)

	Governmental activities		Business-type activities		Total		Increase/(Decrease)	
	2014	2013	2014	2013	2014	2013	Amount	Percentage
Deferred inflow of resources:								
Accumulated increase in fair value of hedging derivatives	$ —	—	—	0.1	—	0.1	(0.1)	-100.0%
Gain on refunded debt	—	—	0.4	—	0.4	—	0.4	0.0%
Total deferred inflow of resources	—	—	0.4	0.1	0.4	0.1	0.3	300.0%
Net position:								
Net investment in capital assets	0.2	0.1	(5.3)	(6.7)	(5.1)	(6.6)	1.5	22.7%
Restricted	485.9	396.6	369.9	361.6	855.8	758.2	97.6	12.9%
Unrestricted	—	—	143.7	124.2	143.7	124.2	19.5	15.7%
Total net position	$ 486.1	396.7	508.3	479.1	994.4	875.8	118.6	13.5%

Governmental Activities

Net position of the Authority's governmental activities increased $89.4 million, or 22.5%, to $486.1 million, mainly from increases in the Federal HOME Program Fund due to the conversion of grant revenues to program loans receivable and grant receipts in the Build Illinois Bond (BIB) Program Fund, Hardest Hit Fund (HHF) Program and Nonmajor Governmental Funds. No net position of the Authority's other two governmental activities are recorded on the Authority's financial statements. The equity of the Illinois Affordable Housing Trust Fund (Housing Program) is recorded as due to the State of Illinois. All revenues of the Rental Housing Support Program Fund are ultimately disbursed as grant or administrative expenses, and therefore no net position is recorded on the Authority's financial statements.

Total program loans receivable (current and noncurrent), increased by $1.3 million, or 0.2%, to $627.8 million primarily attributable to the BIB Program. Cash and investments increased by $106.2 million, or 75.6%. State statute and federal regulations restrict the use of the governmental funds to program activities.

Due to the State of Illinois (current and noncurrent) increased $25.6 million. This item reflects a liability for the State of Illinois' interest in the equity of the Housing Program as the Authority acts only as the administrator of the Housing Program and accounts for the interest in the equity to be that of the State of Illinois.

Business-type Activities

Net position of the Authority's business-type activities increased $29.2 million, to $508.3 million consisting of an increase in net position before transfers and gains of $22.9 million, gain on disposition of $1.1 million, and the annual transfer of $5.2 million from the Affordable Housing Trust Fund. Program loans receivable (current and noncurrent) decreased $68.8 million, or 7.1%, to $902.4 million from decreases in the Authority's Single Family

Program Fund ($74.6 million) and Mortgage Loan Program Fund ($56.7 million), partially offset by increases in the Administrative Fund ($62.4 million) primarily due to financing of short term Multi-Family loans. The decrease in program loans receivable in the Single Family Program Fund was due to Illinois whole loans being packaged into GNMA certificates and FNMA Mortgage Backed Securities (MBS).

Cash and investments (current and noncurrent) decreased $54.7 million, or 5.6%, mainly from decreases in the Mortgage Loan Program Fund ($72.0 million) and Administrative Fund ($7.7 million), partially offset by increases in the Single Family Program Fund ($23 million).

Total bonds and notes payable (current and noncurrent) decreased $167.7 million, or 11.6%, from decreases of $152.3 million in the Mortgage Loan Program Fund and $49.7 million in the Single Family Program Fund, partially offset by an increase in the Administrative Fund ($37.2 million).

Deposits held in escrow decreased $7.8 million, or 4.7% due to lower required funding levels.

Restricted net position of the Authority's business-type activities increased $8.0 million, or 2.2%, of which $6.1 million were from increases within the Authority's bond funds. Except for net position invested in capital assets within the Mortgage Loan Program Fund ($6.5 million deficit) and the net position ($0.5 million) of the Multi-Family Housing Revenue Bonds (Marywood), which are classified as unrestricted, all net position of the Authority's bond funds are classified as restricted. The remaining restricted increases in net position were from the FAF program, earnings of which are recorded in the Authority's Administrative Fund.

Statement of Activities

The statement of activities shows the sources of the Authority's changes in net position as they arise through its various programs and functions. Five programs: the Illinois Affordable Housing Trust Fund, the HOME Program Fund, the Rental Housing Support Program Fund, the Hardest Hit Fund, and the Build Illinois Bond Program Fund are major governmental funds included within governmental activities while the nonmajor governmental funds included within governmental activities include the Foreclosure Prevention Program Fund, the Community Development Block Grant Fund, the American Recovery and Reinvestment Act (ARRA) Fund, the Neighborhood Stabilization Program Fund, and the Abandoned Properties Program Fund. The business-type activities consist of two housing lending programs, the results of which are primarily recorded within the funds comprising the two major bond funds (the Mortgage Loan Program Fund and the Single Family Program Fund), the IHDA Dispositions LLC, which maintains and operates rental properties until such time as disposition occurs, federal assistance activities, which involve the allocation of various federal subsidy funds directly to certain of the Authority's borrowers, the tax credit authorization and monitoring, and Financial Adjustment Factor (FAF) lending programs, both of which activities are recorded in the Authority's Administrative Fund.

A condensed summary of changes in net position for the fiscal year ended June 30, 2014 is shown in the following table.

Changes in Net Position

(In millions of dollars)

	Governmental activities		Business-type activities		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue:						
Program revenues:						
Charges for services	$ 26.9	17.8	77.9	95.9	104.8	113.7
Operating/grant/federal revenues	304.6	211.6	120.6	135.0	425.2	346.6
Capital contributions	—	—	0.1	0.2	0.1	0.2
General revenues:						
Investment income	—	—	31.8	8.3	31.8	8.3
Total revenues	331.5	229.4	230.4	239.4	561.9	468.8
Expenses:						
Direct	236.9	214.4	187.9	200.1	424.8	414.5
Administrative	—	—	19.6	11.3	19.6	11.3
Total expenses	236.9	214.4	207.5	211.4	444.4	425.8
Increase in net position before transfers and special items	94.6	15.0	22.9	28.0	117.5	43.0
Gain on disposition	—	—	1.1	—	1.1	—
Transfers	(5.2)	(5.2)	5.2	5.2	—	—
Increase in net position	89.4	9.8	29.2	33.2	118.6	43.0
Net position at beginning of year	396.7	386.9	479.1	445.9	875.8	832.8
Net position at end of year	$ 486.1	396.7	508.3	479.1	994.4	875.8

Governmental Activities

Revenues of the Authority's governmental activities increased $102.1 million from the prior year, primarily due to increases in the Illinois Affordable Housing Trust Fund ($7.3 million), HOME Program Fund ($3.4 million), Rental Housing Support Program Fund ($8.3 million), HHF ($43.1 million), BIB Program Fund ($56.1 million) and in Nonmajor Governmental Funds ($6.7 million).

Direct expenses of the Authority's governmental activities increased $22.5 million from the prior year, primarily due to increases in the Illinois Affordable Housing Trust Fund ($7.3 million), HOME Program Fund ($0.8 million), Rental Housing Support Program Fund ($8.3 million), HHF ($22.4 million), BIB Program Fund ($4.8 million) and Nonmajor Governmental Funds ($2.4 million). The transfer ($5.2 million) from the governmental activities to the Authority's business-type activities represents an annual transfer, pursuant to the Illinois Affordable Housing Act, from the Illinois Affordable Housing Trust Fund to the Mortgage Loan Program Fund.

Business-Type Activities

Revenues of the Authority's business-type activities decreased $9.0 million from the prior year from decreases in charges for services ($18.0 million), federal assistance ($14.3 million) and capital contributions ($0.1 million), offset by increased unrestricted investment income ($23.4 million). Charges for services mainly consist of interest income on program loans ($47.0 million), program investment income ($11.3 million), servicing and development fees ($13.7 million), other income ($16.0 million) and rental income ($0.9 million). Program investment income is that income earned within the Authority's bond funds, the investments and the income of which is restricted to those funds. Such income increased by $6.1 million from the prior year due primarily to increases in the fair value of investments.

Direct expenses of the Authority's business-type activities, which consist primarily of interest expense ($49.1 million) on Authority debt incurred to fund its various lending programs and the pass-through of federal assistance programs' funds ($119.9 million), decreased $12.2 million from the prior year, due mainly to lower federal assistance ($13.1 million), lower interest expense ($2.7 million), and lower financing costs ($8.3 million), partially offset by increased estimated losses on program loans receivable ($12.0 million).

The Authority's business-type activities also generated $31.8 million of unrestricted investment income, which was used primarily to fund and finance single family loans through the use of FNMA MBS's and GNMA certificates, and to partially offset its administrative costs. Program revenues of the Mortgage Loan Program Fund exceeded direct expenses by $18.4 million (See the Statement of Activities) and thus provided most of the Authority's increase in net position.

Proprietary Fund Results

Net position of the Authority's proprietary funds increased from the June 30, 2013 amount by $29.2 million, to $508.3 million. The following table summarizes the revenues, expenses, and changes in fund net position of the Authority's proprietary funds for the fiscal years ended June 30, 2014 and 2013.

Changes in Net Position/Proprietary Funds

(In millions of dollars)

	Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund		IHDA Dispositions, LLC	
	2014	2013	2014	2013	2014	2013	2014	2013
Operating revenues:								
Interest earned on program loans	$ 2.0	3.7	24.9	24.4	20.2	27.1	—	—
Investment income	20.5	3.1	0.3	0.1	10.9	5.1	—	—
Federal assistance programs	116.9	129.1	3.0	3.9	—	—	—	—
Service fees	12.4	13.8	—	—	—	—	—	—
Development fees	1.3	8.5	—	—	—	—	—	—
HUD savings	0.9	2.1	—	—	—	—	—	—
Rental income and vacancies	—	—	—	—	—	—	0.9	2.0
Other	8.8	13.4	7.0	6.3	—	(3.7)	0.1	0.1
Total operating revenues	162.8	173.7	35.2	34.7	31.1	28.5	1.0	2.1
Operating expenses:								
Interest expense	1.0	0.7	22.6	24.2	25.5	26.8	—	—
Federal assistance programs	116.9	129.1	3.0	3.9	—	—	—	—
Salaries and benefits	15.4	14.7	—	—	—	—	0.1	0.3
Professional fees	0.4	0.6	—	—	—	—	—	—
Other general and administrative	5.8	1.2	0.2	0.2	3.6	2.0	0.6	1.4
Financing costs	0.6	0.3	1.0	6.1	2.8	6.3	—	—
Program grants	4.3	2.1	—	—	—	—	—	—
Change in accrual for estimated losses on mortgage participation certificate program	(0.6)	(0.9)	—	—	—	—	—	—
Provision for (reversal of) estimated losses on program loans receivable	(0.9)	(2.4)	2.5	(0.2)	2.5	(5.2)	—	—
Total operating expenses	142.9	145.4	29.3	34.2	34.4	29.9	0.7	1.7
Operating income (loss)	19.9	28.3	5.9	0.5	(3.3)	(1.4)	0.3	0.4
Capital contribution	—	—	—	—	—	—	0.1	0.2
Gain on disposition	—	—	—	—	—	—	1.1	—
Transfers	(3.2)	(1.7)	16.7	5.2	0.3	1.7	(8.6)	—
Change in net position	16.7	26.6	22.6	5.7	(3.0)	0.3	(7.1)	0.6
Net position at beginning of year	168.7	142.1	218.7	213.0	84.4	84.1	7.3	6.7
Net position at end of year	$ 185.4	168.7	241.3	218.7	81.4	84.4	0.2	7.3

Net position of the Administrative Fund increased $16.7 million, compared to the prior year increase of $26.6 million. Administrative Fund operating income was $19.9 million, a decrease of $8.4 million from the prior year, and net transfers (out) were $3.2 million compared to $1.7 million in the prior year. The fiscal year 2014 decrease in operating earnings was primarily from decreases in federal assistance programs ($12.2 million), development fees ($7.2 million), increased provision for estimated losses on program loans receivable ($1.8 million), and other revenue ($4.6 million), partially offset by increases in investment income ($17.4 million).

Net position of the Mortgage Loan Program Fund increased $22.6 million, compared to a prior year increase of $5.7 million, due to operating income of $5.9 million and net transfers in of $16.7 million. Operating income was $5.4 million above the prior year, primarily due to lower financing costs ($5.1 million), lower interest expense ($1.6 million), partially offset by increased provision ($2.7 million) for estimated losses on program loans receivable, increases in investment income ($0.2 million), other revenue ($0.7 million), and interest earned on program loans ($0.5 million). The net transfer in represents the annual transfer (in) of $5.2 million from the Illinois Affordable Housing Trust Fund and $11.5 million from the IHDA Dispositions LLC related to the sale and disposition of the Marywood property.

Net position of the Single Family Program Fund decreased $3.0 million, compared to a prior year increase of $0.3 million. Operating loss was $1.9 million lower than the prior year operating loss primarily due to increases in the provision ($7.7 million) for estimated losses on program loans, other general and administrative ($1.6 million), higher investment income ($5.8 million), partially offset by lower interest expense ($1.3 million), lower financing costs ($3.5 million), lower interest earned on program loans ($6.9 million), and lower other revenue ($3.7 million).

Net position of the LLC decreased $7.1 million, compared to a prior year increase of $0.6 million, due to a decrease of $8.7 million in net capital contributions and transfers. These amounts represent the disposition and transfers of REO properties from the IHDA Dispositions LLC to the Mortgage Loan Program Fund and the Administrative Fund for the Marywood, Kankakee Scattered Sites, and School Street Apartments holding.

Authority Debt

Authority gross debt issuances during fiscal year 2014 totaled $70.3 million with the issuance of Housing Bonds ($12.0 million) within the Mortgage Loan Program Fund, Housing Revenue Bonds ($16.9 million) within the Single Family Program Fund, and direct bank loans from Wintrust Commercial Banking and PNC Bank ($41.4 million) within the Administrative Fund. Debt retirements within the Mortgage Loan Program, Single Family Program and Administrative Funds were $167.2 million, $66.6 million and $4.2 million, respectively. Total bonds and notes payable decreased $167.7 million. For additional information, see note 8, Bonds and Notes Payable in the Notes to the Financial Statements.

As of July 1, 2013, the Authority's Issuer Credit Ratings were A1 (Stable) by Moody's Investors Service, A+ (Positive) by Standard and Poor's and AA – (Stable) by Fitch Ratings.

During fiscal year 2014, Standard and Poor's upgraded the Authority's Issuer Credit Rating to AA – from A+ and revised the outlook to stable from positive. The upgrade impacts all bond programs with the Authority's general obligation pledge.

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

Economic Factors

During fiscal year 2014, long term interest rates remained at historic lows. The Authority issued one series of multifamily bonds under the Mortgage Loan Program Fund totaling $12.0 million.

The Authority continued to pursue crossover buyers, such as MBS investors, to finance single family loans in its homeownership program by issuing one series of single family bonds under the Single Family Program Fund totaling $16.9 million.

Historically, the resources required to finance single family loans have been generated through the issuance of bonds. However, market conditions currently do not support the use of tax-exempt bonds to finance single family mortgages. Therefore, beginning in fiscal year 2014, the Authority transitioned to a secondary market program whereby loans are pooled into MBS, specifically GNMA Certificates and FNMA MBS, and sold. The Authority uses forward commitments to lock in the price of securities related to secondary markets.

Contacting the Authority's Financial Management

This financial report is designed to provide the citizens of Illinois, our constituents and investors with a general overview of the Authority's finances and to demonstrate the Authority's financial accountability over its resources. If you have questions about this report or need additional financial information, contact the Controller at the Illinois Housing Development Authority, 401 North Michigan Ave, Suite 700, Chicago, IL 60611 or visit our web site at: www.ihda.org.

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

Statement of Net Position

June 30, 2014

	Governmental activities	Business-type activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 207,294,426	434,769,178	642,063,604
Funds held by State Treasurer	12,363,710	—	12,363,710
Investments	27,000,574	65,545,174	92,545,748
Investment income receivable	11,715	144,717	156,432
Investment income receivable – restricted	—	881,367	881,367
Program loans receivable	15,832,574	51,665,350	67,497,924
Grant receivable	22,792,642	—	22,792,642
Securities lending collateral	747,000	—	747,000
Interest receivable on program loans	375,064	4,896,733	5,271,797
Internal balances	(6,592,362)	6,592,362	—
Other	—	3,815,976	3,815,976
Total current assets	279,825,343	568,310,857	848,136,200
Noncurrent assets:			
Investments – restricted	—	419,596,462	419,596,462
Program loans receivable, net of current portion	655,525,730	881,665,284	1,537,191,014
Less allowance for estimated losses	(43,552,792)	(30,966,269)	(74,519,061)
Net program loans receivable	611,972,938	850,699,015	1,462,671,953
Real estate held for sale, net	—	15,957,229	15,957,229
Due from Fannie Mae	—	93,965,168	93,965,168
Due from Freddie Mac	—	4,736,346	4,736,346
Capital assets, net	175,334	25,461,576	25,636,910
Derivative instrument asset	—	41,815	41,815
Other	—	12,521,953	12,521,953
Total noncurrent assets	612,148,272	1,422,979,564	2,035,127,836
Total assets	891,973,615	1,991,290,421	2,883,264,036
Deferred outflows of resources:			
Accumulated decrease in fair value of hedging derivatives	—	2,097,158	2,097,158
Unamortized loss on bond refunding	—	2,442,787	2,442,787
Total deferred outflows of resources	—	4,539,945	4,539,945

(Continued)

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

Statement of Net Position

June 30, 2014

	Governmental activities	Business-type activities	Total
Liabilities:			
Current liabilities:			
Due to grantees	$ 53,619,841	—	53,619,841
Due to State of Illinois	46,372,696	—	46,372,696
Securities lending collateral obligation	747,000	—	747,000
Bonds and notes payable	—	39,004,000	39,004,000
Accrued interest payable	—	18,042,283	18,042,283
Unearned revenue	—	10,685,577	10,685,577
Deposits held in escrow	—	156,651,805	156,651,805
Accrued liabilities and other	1,735,921	17,512,770	19,248,691
Accrued property taxes	—	6,877	6,877
Total current liabilities	102,475,458	241,903,312	344,378,770
Noncurrent liabilities:			
Due to State of Illinois	303,427,799	—	303,427,799
Bonds and notes payable, net of current portion	—	1,243,071,926	1,243,071,926
Derivative instrument liability	—	2,097,158	2,097,158
Security deposits	—	2,750	2,750
Total noncurrent liabilities	303,427,799	1,245,171,834	1,548,599,633
Total liabilities	405,903,257	1,487,075,146	1,892,978,403
Deferred inflows of resources:			
Accumulated increase in fair value of hedging derivatives	—	41,815	41,815
Unamortized gain on bond refunding	—	391,096	391,096
Total deferred inflows of resources	—	432,911	432,911
Net position:			
Net investment in capital assets	175,334	(5,323,424)	(5,148,090)
Restricted for bond resolution purposes	—	328,747,862	328,747,862
Restricted for loan and grant programs	485,895,024	41,195,659	527,090,683
Unrestricted	—	143,702,212	143,702,212
Total net position	$ 486,070,358	508,322,309	994,392,667

See accompanying notes to financial statements.

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

Statement of Activities

Year ended June 30, 2014

Functions/programs		Expenses	Program revenues: Charges for services and interest income	Program revenues: Operating grant/federal revenues	Program revenues: Capital contributions	Net (expenses) revenues and changes in net position: Governmental activities	Net (expenses) revenues and changes in net position: Business-type activities	Net (expenses) revenues and changes in net position: Total
Governmental activities:								
Illinois Affordable Housing Trust Program	$	12,568,375	8,893	17,759,482	—	5,200,000	—	5,200,000
HOME Program		13,580,940	3,057,248	19,277,633	—	8,753,941	—	8,753,941
Rental Housing Support Program		18,912,367	49,310	18,863,057	—	—	—	—
Hardest Hit Fund Program		158,769,187	20,573,363	150,000,000	—	11,804,176	—	11,804,176
Build Illinois Bond Program		21,206,222	21,691	80,519,847	—	59,335,316	—	59,335,316
Other Programs		11,906,883	3,184,387	18,241,575	—	9,519,079	—	9,519,079
Total governmental activities		236,943,974	26,894,892	304,661,594	—	94,612,512	—	94,612,512
Business-type activities:								
Administrative Programs		19,555,784	1,984,814	—	—	—	(17,570,970)	(17,570,970)
Multi-Family Mortgage Loan Programs		29,810,315	48,213,041	—	—	—	18,402,726	18,402,726
Multi-Family Federal Assistance Programs		119,890,678	—	119,890,678	—	—	—	—
Single-Family Mortgage Loan Programs		36,132,832	20,335,407	—	—	—	(15,797,425)	(15,797,425)
Tax Credit Authorization and Monitoring		1,391,482	6,233,950	—	—	—	4,842,468	4,842,468
FAF Lending Program		—	105,947	758,286	—	—	864,233	864,233
IHDA Dispositions LLC		688,602	1,020,444	—	89,843	—	421,685	421,685
Total business-type activities		207,469,693	77,893,603	120,648,964	89,843	—	(8,837,283)	(8,837,283)
Total Authority	$	444,413,667	104,788,495	425,310,558	89,843	94,612,512	(8,837,283)	85,775,229
General revenues:								
Unrestricted investment income						—	31,771,381	31,771,381
Gain on disposition						—	1,076,274	1,076,274
Transfers						(5,200,000)	5,200,000	—
Total general revenues and transfers						(5,200,000)	38,047,655	32,847,655
Change in net position						89,412,512	29,210,372	118,622,884
Net position at beginning of year, as restated (Note 2s)						396,657,846	479,111,937	875,769,783
Net position at end of year					$	486,070,358	508,322,309	994,392,667

See accompanying notes to financial statements.

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

Governmental Funds

Balance Sheet

June 30, 2014

	Major Funds						
Assets	**Illinois Affordable Housing Trust Fund**	**Home Program Fund**	**Rental Housing Support Program Fund**	**Hardest Hit Fund**	**Build Illinois Bond Program Fund**	**Nonmajor Governmental Funds**	**Total**
Current assets:							
Cash	$ 27,458,539	—	28,468,616	54,909,779	93,621,254	2,836,238	207,294,426
Funds held by State Treasurer	—	12,363,710	—	—	—	—	12,363,710
Investments	10,996,867	—	16,003,707	—	—	—	27,000,574
Investment income receivable	—	—	11,271	444	—	—	11,715
Program loans receivable	6,518,062	2,391,979	—	6,773,998	—	148,535	15,832,574
Grant receivable	2,969,218	90,183	10,379,968	—	—	9,353,273	22,792,642
Securities lending collateral	—	747,000	—	—	—	—	747,000
Interest receivable on program loans	161,020	195,955	—	—	—	18,089	375,064
Total current assets	48,103,706	15,788,827	54,863,562	61,684,221	93,621,254	12,356,135	286,417,705
Noncurrent assets:							
Program loans receivable, net of current portion	320,691,578	232,963,370	—	19,879,655	2,717,440	79,273,687	655,525,730
Less allowance for estimated losses	(17,263,779)	(7,860,635)	—	(17,304,094)	—	(1,124,284)	(43,552,792)
Net program loans receivable	303,427,799	225,102,735	—	2,575,561	2,717,440	78,149,403	611,972,938
Total noncurrent assets	303,427,799	225,102,735	—	2,575,561	2,717,440	78,149,403	611,972,938
Total assets	$ 351,531,505	240,891,562	54,863,562	64,259,782	96,338,694	90,505,538	898,390,643
Liabilities and Fund Balances							
Current liabilities:							
Due to grantees	$ —	—	53,619,841	—	—	—	53,619,841
Due to State of Illinois	46,372,696	—	—	—	—	—	46,372,696
Securities lending collateral obligation	—	747,000	—	—	—	—	747,000
Unearned revenue	—	195,955	—	—	—	18,089	214,044
Accrued liabilities and other	6,787	408,563	970,114	349,222	—	1,235	1,735,921
Due to other funds	1,724,223	97,291	273,607	4,131,833	—	365,408	6,592,362
Total current liabilities	48,103,706	1,448,809	54,863,562	4,481,055	—	384,732	109,281,864
Noncurrent liabilities:							
Due to State of Illinois	303,427,799	—	—	—	—	—	303,427,799
Total liabilities	351,531,505	1,448,809	54,863,562	4,481,055	—	384,732	412,709,663
Fund balances:							
Restricted	—	239,442,753	—	59,778,727	96,338,694	90,120,806	485,680,980
Total fund balances	—	239,442,753	—	59,778,727	96,338,694	90,120,806	485,680,980
Total liabilities and fund balances	$ 351,531,505	240,891,562	54,863,562	64,259,782	96,338,694	90,505,538	
Amounts reported for governmental activities in the statement of net position are different due to:							
Unearned interest receivable on certain program loans receivable							214,044
Capital assets							175,334
Net position of governmental activities							$ 486,070,358

See accompanying notes to financial statements.

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

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

June 30, 2014

	Major Funds						
	Illinois Affordable Housing Trust Fund	**Home Program Fund**	**Rental Housing Support Program Fund**	**Hardest Hit Fund**	**Build Illinois Bond Program Fund**	**Nonmajor Governmental Funds**	**Total**
Revenues:							
Grant from State of Illinois	$ 17,759,482	—	18,863,057	—	80,519,847	10,381,718	127,524,104
Federal funds	—	19,277,633	—	150,000,000	—	7,859,857	177,137,490
Interest and investment income	8,893	3,040,867	49,310	20,573,363	21,691	3,184,387	26,878,511
Total revenues	17,768,375	22,318,500	18,912,367	170,573,363	80,541,538	21,425,962	331,540,105
Expenditures:							
Grants	9,098,069	10,710,541	18,242,218	140,354,082	21,206,222	11,483,814	211,094,946
General and administrative	3,461,413	2,098,185	670,149	17,773,048	—	616,527	24,619,322
Program income transferred to State of Illinois	8,893	—	—	—	—	—	8,893
Provision for (reversal of) estimated losses on program loans receivable	—	772,214	—	710,866	—	(193,458)	1,289,622
Total expenditures	12,568,375	13,580,940	18,912,367	158,837,996	21,206,222	11,906,883	237,012,783
Excess of revenues over expenditures	5,200,000	8,737,560	—	11,735,367	59,335,316	9,519,079	94,527,322
Other financing uses:							
Transfers out	(5,200,000)	—	—	—	—	—	(5,200,000)
Net change in fund balances	—	8,737,560	—	11,735,367	59,335,316	9,519,079	89,327,322
Fund balances at beginning of year	—	230,705,193	—	48,043,360	37,003,378	80,601,727	
Fund balances at end of year	$ —	239,442,753	—	59,778,727	96,338,694	90,120,806	
Amounts reported for governmental activities in the statement of activities are different due to:							
Unearned interest receivable on certain program loans receivable							16,381
Capital outlay							92,753
Depreciation on capital assets							(23,944)
Change in net position of governmental activities							$ 89,412,512

See accompanying notes to financial statements.

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

Proprietary Funds

Statement of Net Position

June 30, 2014

Assets	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	IHDA Dispositions LLC	Total
Current assets:					
Cash and cash equivalents	$ 267,877,032	95,223,333	70,429,909	1,238,904	434,769,178
Investments	65,545,174	—	—	—	65,545,174
Investment income receivable	144,717	—	—	—	144,717
Investment income receivable – restricted	138	116,783	764,446	—	881,367
Program loans receivable	15,516,349	22,893,822	13,255,179	—	51,665,350
Interest receivable on program loans	172,544	1,244,015	3,480,174	—	4,896,733
Due from other funds	11,958,293	14,313,392	345,457	—	26,617,142
Other	3,815,856	—	—	120	3,815,976
Total current assets	365,030,103	133,791,345	88,275,165	1,239,024	588,335,637
Noncurrent assets:					
Investments – restricted	7,165,480	114,822,925	297,608,057	—	419,596,462
Program loans receivable, net of current portion	81,588,553	471,720,448	328,356,283	—	881,665,284
Less allowance for estimated losses	(3,499,291)	(17,590,613)	(9,876,365)	—	(30,966,269)
Net program loans receivable	78,089,262	454,129,835	318,479,918	—	850,699,015
Real estate held for sale	41,943	463,330	15,451,956	200,000	16,157,229
Due from Fannie Mae	—	93,965,168	—	—	93,965,168
Due from Freddie Mac	—	4,736,346	—	—	4,736,346
Capital assets, net	1,202,475	24,059,101	—	—	25,261,576
Derivative instrument asset	—	41,815	—	—	41,815
Other	973,638	122,763	11,425,552	—	12,521,953
Total noncurrent assets	87,472,798	692,341,283	642,965,483	200,000	1,422,979,564
Total assets	452,502,901	826,132,628	731,240,648	1,439,024	2,011,315,201
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	—	—	2,097,158	—	2,097,158
Unamortized loss on bond refunding	—	2,442,787	—	—	2,442,787
Total deferred outflows of resources	—	2,442,787	2,097,158	—	4,539,945

(Continued)

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

Proprietary Funds

Statement of Net Position

June 30, 2014

Liabilities	**Administrative Fund**	**Mortgage Loan Program Fund**	**Single Family Program Fund**	**IHDA Dispositions LLC**	**Total**
Current liabilities:					
Bonds and notes payable	3,175,000	18,625,000	17,204,000	—	39,004,000
Accrued interest payable	66,697	9,425,471	8,550,115	—	18,042,283
Unearned revenue	10,685,577	—	—	—	10,685,577
Deposits held in escrow	156,651,805	—	—	—	156,651,805
Accrued liabilities and other	11,142,305	5,043,538	91,152	1,235,775	17,512,770
Due to other funds	14,658,849	4,903,850	457,154	4,927	20,024,780
Accrued property taxes	—	—	—	6,877	6,877
Total current liabilities	196,380,233	37,997,859	26,302,421	1,247,579	261,928,092
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	70,703,575	548,801,480	623,566,871	—	1,243,071,926
Derivative instrument liability	—	—	2,097,158	—	2,097,158
Security deposits	—	—	—	2,750	2,750
Total noncurrent liabilities	70,703,575	548,801,480	625,664,029	2,750	1,245,171,834
Total liabilities	267,083,808	586,799,339	651,966,450	1,250,329	1,507,099,926
Deferred Inflows of Resources					
Accumulated increase in fair value of hedging derivatives	—	41,815	—	—	41,815
Unamortized gain on bond refunding	—	391,096	—	—	391,096
Total deferred inflows of resources	—	432,911	—	—	432,911
Net Position					
Net investment in capital assets	1,202,475	(6,525,899)	—	—	(5,323,424)
Restricted for bond resolution purposes	—	247,376,506	81,371,356	—	328,747,862
Restricted for loan and grant programs	41,195,659	—	—	—	41,195,659
Unrestricted	143,020,959	492,558	—	188,695	143,702,212
Total net position	$ 185,419,093	241,343,165	81,371,356	188,695	508,322,309

See accompanying notes to financial statements.

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

Proprietary Funds

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

Year ended June 30, 2014

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	IHDA Dispositions LLC	Total
Operating revenues:					
Interest and other investment income	$ 18,664,818	656,956	8,466,977	—	27,788,751
Net increase (decrease) in fair value of investments	1,861,317	(365,161)	2,486,474	—	3,982,630
Total investment income	20,526,135	291,795	10,953,451	—	31,771,381
Interest earned on program loans	1,977,099	24,898,835	20,154,063	—	47,029,997
Federal assistance programs	116,914,884	2,975,794	—	—	119,890,678
Service fees	12,379,450	—	—	—	12,379,450
Development fees	1,324,924	—	—	—	1,324,924
HUD savings	864,233	—	—	—	864,233
Rental income	—	—	—	923,954	923,954
Other	8,954,412	7,040,102	38,327	96,490	16,129,331
Total operating revenues	162,941,137	35,206,526	31,145,841	1,020,444	230,313,948
Operating expenses:					
Interest expense	970,499	22,614,901	25,539,625	—	49,125,025
Federal assistance programs	116,914,884	2,975,794	—	—	119,890,678
Salaries and benefits	15,323,689	—	—	101,365	15,425,054
Professional fees	429,225	—	—	—	429,225
Other general and administrative	5,838,562	219,961	3,667,100	587,237	10,312,860
Financing costs	634,701	1,030,308	2,782,239	—	4,447,248
Program grants	4,287,441	—	—	—	4,287,441
Change in accrual for estimated losses on mortgage participation certificate program	(655,378)	—	—	—	(655,378)
Provision for (reversal of) estimated losses on program loans receivable	(709,527)	2,448,909	2,468,158	—	4,207,540
Total operating expenses	143,034,096	29,289,873	34,457,122	688,602	207,469,693
Operating income (loss)	19,907,041	5,916,653	(3,311,281)	331,842	22,844,255
Nonoperating revenues:					
Gain on disposition, net	—	—	—	1,076,274	1,076,274
Total nonoperating revenues	—	—	—	1,076,274	1,076,274
Income (loss) before contributions and transfers	19,907,041	5,916,653	(3,311,281)	1,408,116	23,920,529
Capital contributions	—	—	—	89,843	89,843
Transfers in	10,778,481	16,722,731	297,665	2,897,073	30,695,950
Transfers out	(13,973,219)	—	—	(11,522,731)	(25,495,950)
Total capital contributions and transfers	(3,194,738)	16,722,731	297,665	(8,535,815)	5,289,843
Change in net position	16,712,303	22,639,384	(3,013,616)	(7,127,699)	29,210,372
Net position, beginning of year, as restated (Note 2s)	168,706,790	218,703,781	84,384,972	7,316,394	479,111,937
Net position, end of year	$ 185,419,093	241,343,165	81,371,356	188,695	508,322,309

See accompanying notes to financial statements.

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

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2014

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	IHDA Dispositions LLC	Total
Cash flows from operating activities:					
Receipts for program loans, interest, and service fees	$ 16,183,941	112,614,557	94,417,709	—	223,216,207
Receipts for rental operations	—	—	—	2,158,089	2,158,089
Receipts from sale of properties	—	—	—	7,382,281	7,382,281
Payments for program loans	(60,007,881)	(29,866,275)	—	—	(89,874,156)
Receipts for federal assistance programs	116,914,884	2,975,794	—	—	119,890,678
Payments for federal assistance programs	(116,914,884)	(2,975,794)	—	—	(119,890,678)
Payments for credit enhancements	—	(2,654,204)	—	—	(2,654,204)
Payments for program grants	(4,287,442)	—	—	—	(4,287,442)
Payments to suppliers	(2,688,326)	(1,217,604)	(6,443,100)	—	(10,349,030)
Payments to employees	(15,425,778)	—	—	(101,365)	(15,527,143)
Payments for rental operations	—	—	—	(1,147,595)	(1,147,595)
Interest paid on revenue bonds and notes	(971,708)	(23,495,954)	(26,469,307)	—	(50,936,969)
Other receipts	7,224,412	11,146,616	—	—	18,371,028
Net cash provided by (used in) operating activities	(59,972,782)	66,527,136	61,505,302	8,291,410	76,351,066
Cash flows from noncapital financing activities:					
Due to other funds	—	(7,583)	11,829	—	4,246
Due from other funds	2,267,823	—	—	—	2,267,823
Proceeds from sale of revenue bonds and notes	41,396,400	12,000,000	16,927,940	—	70,324,340
Principal paid on revenue bonds and notes	(4,178,884)	(167,228,005)	(66,619,743)	—	(238,026,632)
Transfers in	10,778,481	16,722,731	297,665	2,897,073	30,695,950
Transfers out	(13,973,219)	—	—	(11,522,731)	(25,495,950)
Net cash provided by (used in) noncapital financing activities	36,290,601	(138,512,857)	(49,382,309)	(8,625,658)	(160,230,223)
Cash flows from capital financing and related activities:					
Acquisition and disposition of capital assets	(786,879)	(341,551)	—	—	(1,128,430)
Cash flows from investing activities:					
Purchase of investment securities	(480,615,964)	(257,102,410)	(171,530,266)	—	(909,248,640)
Proceeds from sales and maturities of investment securities	574,507,062	375,942,630	184,195,193	—	1,134,644,885
Interest received on investments	16,768,328	338,620	10,940,632	—	28,047,580
Net cash provided by investing activities	110,659,426	119,178,840	23,605,559	—	253,443,825
Net increase (decrease) in cash and cash equivalents	86,190,366	46,851,568	35,728,552	(334,248)	168,436,238
Cash and cash equivalents, beginning of year	181,686,666	48,371,765	34,701,357	1,573,152	266,332,940
Cash and cash equivalents, end of year	$ 267,877,032	95,223,333	70,429,909	1,238,904	434,769,178

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

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2014

		Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	IHDA Dispositions LLC	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$	19,907,041	5,916,653	(3,311,281)	331,842	22,844,255
Gain on disposition		—	—	—	1,076,274	1,076,274
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Investment income		(20,526,135)	(291,795)	(10,953,451)	—	(31,771,381)
Depreciation and amortization		260,940	885,783	—	(72,727)	1,073,996
Change in accrual for estimated losses on mortgage participation certificate program		(655,378)	—	—	—	(655,378)
Provision for (reversal of) estimated losses on program loans receivable		(692,014)	1,085,839	2,468,158	—	2,861,983
Changes in assets and liabilities:						
Program loans receivable		(53,588,879)	57,393,419	71,304,260	—	75,108,800
Interest receivable on program loans		(90,687)	206,739	3,664,397	—	3,780,449
Other liabilities		(2,716,268)	4,394,595	(1,311,717)	580,566	947,176
Other assets		(141,402)	(409,893)	(355,064)	6,375,455	5,469,096
Due from Fannie Mae		—	(2,654,204)	—	—	(2,654,204)
Other		(1,730,000)	—	—	—	(1,730,000)
Total adjustments		(79,879,823)	60,610,483	64,816,583	6,883,294	52,430,537
Net cash provided by (used in) operating activities	$	(59,972,782)	66,527,136	61,505,302	8,291,410	76,351,066
Noncash investing capital and financing activities:						
Transfer of foreclosed assets	$	77,202	182,605	13,227,607	200,000	13,687,414
The fair value of investments increased		1,117,713	467,574	4,435,348	—	6,020,635

See accompanying notes to financial statements.

(1) Authorizing Legislation

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

The bonds and notes outstanding as of June 30, 2014, as shown on the Authority's financial statements consist of both general and special limited obligations of the Authority (see note 8). The full faith and credit of the Authority are pledged for payment of general obligation bonds and notes. The Authority has the power under the Act to have up to $3.6 billion of general and special limited obligation bonds and notes outstanding, excluding those issued to refund outstanding bonds and notes. At June 30, 2014, amounts outstanding against this limitation were approximately $1.7 billion.

(2) Summary of Significant Accounting Policies

The following summarizes the significant accounting policies of the Authority:

(a) Reporting Entity

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

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

(b) Fiscal dependency on the primary government.

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

The LLC was organized on September 25, 2012 as a member-managed limited liability company under the Illinois Limited Liability Company Act. The LLC was organized by, and is a component unit of, the

Authority, a body politic and corporate of the State of Illinois. The sole member of the LLC is the Authority. To the extent provided by the Illinois Limited Liability Company Act, the Authority's liability is limited. The LLC maintains, improves and disposes of multi-family properties, acquired through foreclosure or deed-in-lieu of foreclosure, that are owned by single asset entity LLC's of which the LLC will be the sole member. Since the LLC qualifies as a disregarded entity-single member LLC, income from the LLC would pass through to the 100% owner, the Authority. During fiscal year 2014, the LLC disposed of Marywood Apartment Homes, Kankakee Scattered Sites, and School Street Apartments through real estate sales.

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

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

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

(b) Basis of Presentation

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

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

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

The Authority reports the following major governmental funds:

Illinois Affordable Housing Trust Fund

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

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

HOME Program Fund

The Authority is designated program administrator for the HOME Investment Partnerships Program (HOME Program) for the State, the funds of which are appropriated to the Illinois Department of Revenue by the General Assembly. Under this program, the Authority seeks applicants and approves funding commitments for federal affordable housing funds made available under the HOME Program provisions of the 1990 National Affordable Housing Act.

Rental Housing Support Program Fund

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

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

Hardest Hit Fund

The Authority is designated program administrator for the Hardest Hit Fund (HHF) for grants appropriated to the State of Illinois by the United States Department of the Treasury (the Treasury) as authorized by the Emergency Economic Stabilization Act of 2008 (Public Law

110-343), as amended, as the same may be amended from time to time (EESA). The funds can be used to assist unemployed or substantially underemployed homeowners with interim mortgage payment assistance that will allow them to pursue sustainable income and homeownership through new employment or job training efforts without the immediate threat of default or foreclosure. Approved grants are paid directly to mortgage loan servicers and the Authority is responsible for compliance monitoring and reporting of these funds.

Build Illinois Bond Program Fund

The Authority's Build Illinois Bond Program (BIBP) is funded by bond proceeds, allocated for affordable housing, from the Build Illinois Bond Fund. BIBP funds are appropriated to the Illinois Department of Revenue by the General Assembly. Under this program, the Authority makes affordable housing grants, loans and investments for low-income families, individuals, senior citizens and persons with disabilities, and at-risk displaced veterans.

The Authority reports the following major proprietary funds:

Administrative Fund

Development fee and financing fee income related to Multi-Family mortgage loans, income from service fees, and operating expenses of the Authority are accounted for in the Administrative Fund. In addition, the Administrative Fund has provided for supplemental financing of certain developments through residual income loans and below market financing for various developments through the Authority's Housing Partnership Program (see note 5), and its lending program in conjunction with a debt service savings sharing agreement (the FAF Savings Program) with the United States Department of Housing and Urban Development (HUD) (see note 13).

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

Mortgage Loan Program Fund

The Mortgage Loan Program Fund accounts for the financing of low and moderate income housing developments from the proceeds of Housing Bonds, Multifamily Initiative Bonds, Multi-Family Housing Revenue Bonds (Marywood), Multi-Family Bonds (Turnberry II) and Affordable Housing Program Trust Fund Bonds, and for the retirement of such obligations.

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

Single Family Program Fund

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

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

IHDA Dispositions LLC

The LLC maintains, improves, and disposes of Multi-Family properties, acquired through foreclosure or deed-in-lieu of foreclosure, that are owned by single asset entity LLC's of which the LLC will be the sole member. Tenant rental receipts and other operating expenses of the property are reported by the LLC until such time as disposition occurs. Since the LLC qualifies as a disregarded entity-single member LLC, income from the LLC would pass through to the 100% owner, the Authority.

(c) Basis of Accounting

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

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

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

The accounting policies and financial reporting practices of the Authority conform to U.S. generally accepted accounting principles (GAAP), as promulgated in pronouncements of the Governmental Accounting Standards Board (GASB).

(d) Fund Balances

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

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

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

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

Assigned – This consists of net amounts that are constrained by the Authority's intent to be used for specific purposes, but that are neither restricted not committed.

Unassigned – This consists of residual deficit fund balances.

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

(e) Net Position

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

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

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

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

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

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

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

A portion of the Authority's Administrative Fund unrestricted net position as of June 30, 2014 is designated as follows:

Downpayment Assistance Program	$	10,000,000
To pay expenses for planned technology enhancements		5,000,000
To pay possible losses arising in the Multi-Family Bond Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans		15,000,000
Provide funds to purchase homeownership mortgage loans and/or mortgage-backed securities under the Homeownership Mortgage Loan Program, which will eventually be purchased with proceeds from future issuance of Authority debt or sold in the secondary market		60,000,000
Provide funds and reserves to support the Mortgage Participation Certificate Program, including the purchase and/or repurchase of loans and/or certificates within the Program		40,000,000
	$	130,000,000

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

(f) Use of Estimates

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

(g) Deferred Inflow/Outflow of Resources

A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period and a deferred outflow of resources is defined as a

 (Continued)

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

Deferred outflows/inflows of resources include unamortized losses/gains on bond refundings, which are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt, and amounts reported as accumulated decrease/increase in fair value of hedging derivatives, which represent the anticipated future utilization of the net position of interest rate swap agreements deemed to be effective hedging derivatives.

(h) Risks and Uncertainties

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

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

(i) Cash and Cash Equivalents

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

(j) Investments

Investments of the Authority are reported at fair value, with the exception of nonparticipating investment contracts (demand repurchase agreements), which are reported at cost. Fair value is determined by reference to public market prices and quotations from a securities pricing service.

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

(k) Program Loans Receivable

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

(l) Capital Assets

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

The Authority records depreciation against Lakeshore Plaza (ML-181) on a straight-line basis over forty years. At June 30, 2014, the net carrying value of ML-181 was $24,059,101 which is net of accumulated depreciation of $18,263,852. Depreciation expense for fiscal year 2014 was $885,783. Although the Authority does not regularly own and operate properties as part of its normal business operations for the benefit of furthering their affordable housing mission it is within their scope to do so. Since its acquisition ML-181 has continued to be owned and operated by the Authority as part of its business operations and therefore is reported as a capital asset. The Authority will continue to evaluate the operation of ML-181 and its impact on operations accordingly.

Capital assets for governmental activities at June 30, 2014 totaling $285,867 are used in the HHF. Depreciation and amortization for these items are recorded on a straight-line basis over three years and amounted to $23,944 during fiscal year 2014.

(m) IHDA Dispositions LLC Real Estate Held for Sale

At June 30, 2014, one Multi-Family property was reported by the LLC as follows:

Property name	Net carrying value	Total no. of units	Out-of-service units	Estimated annual real estate taxes	FY 2014 management fees
Primera Ves	$ 200,000	8	1	$ 7,183	5,220

Primera Ves is subject to one or more land use restriction agreements (LURA) that restrict occupancy to households that are low income, very low income, or extremely low income. The Authority recorded the LURA against each property at the time it originally provided financing and enforces the LURA until it disposes of the properties. Primera Ves is valued at current signed sales contract.

(n) Real Estate Held for Sale

Real estate held for sale arises from foreclosures or other mortgage default-related actions on properties pledged as collateral on mortgage loans. Real estate held for sale is recorded at the lesser of 1) unpaid principal balance plus accrued interest on the loans as of the date the loans become real estate owned, plus subsequent expenses incurred less any insurance or other loan-related payments received, or 2) fair market value less costs to sell. Since a substantial majority of all such loans are covered by pool insurance, based on the Authority's past experience, it is anticipated that the Authority will recover a majority of the unpaid principal balances of the loans through proceeds arising from the sale of such property and certain insurance proceeds.

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

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

(p) Operations

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

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

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

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

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

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

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

(q) Compensated Absences

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

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

Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Due within one year
$ 744,988	1,633,353	(1,735,442)	642,899	642,899

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

(r) Provision for Estimated Losses on Program Loans

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

(s) New Accounting Pronouncements

During fiscal year 2014, the Authority adopted the provision of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

This statement requires that the debt issuance costs should be recorded as an expense in the period incurred. As of July 1, 2013, implementation of this statement required the Authority to write off all prior unamortized debt issuance costs. Additionally, implementation of this standard required the Authority to write off all previously deferred loan origination fees (costs). As a result of these adjustments, beginning net position was restated as of July 1, 2013 as follows:

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total Business-type Activities
Net position, July 1, 2013 as previously reported	$ 160,533,026	222,297,488	91,557,814	474,388,328
Change in accounting principles to adopt GASB 65:				
Unamortized bond issuance costs	—	(5,524,521)	(5,330,502)	(10,855,023)
Unamortized loan origination fees (costs)	8,173,764	1,930,814	(1,842,340)	8,262,238
Net position, July 1, 2013, as restated	$ 168,706,790	218,703,781	84,384,972	471,795,543

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62* was established to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The Authority is required to implement this statement for the year ended June 30, 2014.

Management has determined that this statement has no impact on the financial statements of the Authority.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The Authority is required to implement this statement for the year ended June 30, 2014. Management has determined that this statement has no impact on the financial statements of the Authority.

(3) Cash and Investments

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

- *Safety of principal* – Preservation and safety of principal is the foremost objective of the Authority's investments. Each investment transaction shall seek to ensure that capital losses within the investment portfolio are avoided, whether they are from securities defaults or erosion of market value.
- *Liquidity* – The investments portfolio shall remain sufficiently flexible to enable the Authority to meet all operating requirements that may be reasonably anticipated in any fund. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demand.
- *Maximum rate of return* – The investment portfolio shall be designed with the purpose of regularly exceeding the average return of U.S. Treasury obligations of comparable maturities. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles.

(a) Interest Rate Risk

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

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

As of June 30, 2014, the Authority had cash & cash equivalents totaling $642,063,604 which consists of cash of $297,102,546 and cash equivalents held in investments of $344,961,058 as noted below:

		Investment maturities (in days)			
Investment	**Carrying amount**	**Less than 7**	**Less than 30**	**Less than 60**	**Less than 90**
Sweep Accounts-Repurchase Agreement	$ 71,940,469	71,940,469	—	—	—
Sweep Accounts-Money Market Fund	273,020,589	273,020,589	—	—	—
	$ 344,961,058	344,961,058	—	—	—

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

As of June 30, 2014, the Authority had the following investments:

		Investment maturities (in years)			
Investment	**Carrying amount**	**Less than 1**	**1–5**	**6–10**	**More than 10**
Demand repurchase agreements	$ 223,462	—	200,000	—	23,462
Federal Home Loan Bank Bonds	34,421,769	34,421,769	—	—	—
Federal Farm Credit Bank Bonds	22,775,407	4,002,120	18,773,287	—	—
Federal Home Loan Mortgage Corp.	15,192,269	13,657,413	—	—	1,534,856
Federal National Mortgage Assn. Benchmark Notes	1,671,708	—	—	—	1,671,708
Federal Home Loan Bank Discount Notes	75,983,171	75,983,171	—	—	—
Federal Home Loan Mortgage Corp. Discount Notes	48,359,151	48,359,151	—	—	—
Government National Mortgage Association	194,387,219	—	—	—	194,387,219
Federal National Mortgage Assn.	94,725,878	14,288,010	1,131,140	—	79,306,728
Municipal Obligations	399,909	399,909	—	—	—
U.S. Treasury Strips	1,167,664	—	—	—	1,167,664
U.S. Treasury Bonds	6,882,671	—	—	6,882,671	—
U.S. Treasury Notes	15,951,932	10,122,874	5,829,058	—	—
	$ 512,142,210	201,234,417	25,933,485	6,882,671	278,091,637

Demand repurchase agreements are collateralized by obligations of the U.S. Government or its agencies, or direct investments of such obligations and have one-day demand of funds provisions exercisable at the Authority's option. The market value of securities subject to such agreements must be maintained at least equal to 100% 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.

(b) Credit Risk

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

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

The counterparties to the demand repurchase agreements and repurchase agreements are institutions whose unsecured debt securities are rated at least equal to the ratings on the Authority's debt, or in the case of short-term program fund investments, the highest short-term rating category.

The Authority's investments in municipal obligations are rated Aa3 by Moody's and AA by Standard & Poor's.

The counterparties, carrying amount of the repurchase agreements, and ratings as of June 30, 2014 are listed below.

Counterparty	Rating S&P / Moody's		Carrying value
Morgan Guaranty Trust Company	A+ (STABLE)/Aa3	$	200,000
Portigon AG	NR (N/R)/Aa1		23,462
Total investments		$	223,462
Bank of America	A (NEGATIVE)/A2	$	71,940,469
Total repurchase agreements		$	71,940,469

(c) Custodial Credit Risk

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

The Authority's cash carrying value balance totaled $297,102,546 at June 30, 2014. The June 30, 2014 cash bank balance for the Authority totaled $298,153,291, of which $617,781 was not covered by federal depository insurance or by collateral held by an agent in the Authority's name. Additionally, the Authority's cash equivalents at June 30, 2014, consisted of sweep accounts, held in the Authority's name, with the funds in these accounts invested in money market funds that invest in U.S. Treasury securities, or were held in accounts that were either FDIC insured or collateralized with U.S. government obligations. A portion of the LLC's cash consisted of checking and money market accounts held in the names of property management agents, however, the LLC has the sole right to these account balances. The Authority's investments at June 30, 2014 were held in the Authority's name in separate Authority custodial accounts. Collateral is pledged in the Authority's name and consists of U.S. Treasury obligations.

(d) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. The Authority's policy does not limit the amounts the Authority may invest in any one issuer. The Authority is considered to have a concentration of credit risk if its investments in any one single issuer (other than securities explicitly guaranteed by the U.S. government) are greater than 5% of total investments. Investments which comprise more than 5% of the Authority's investments as of June 30, 2014 are as follows:

Investment	Fair value
Federal Home Loan Bank	$ 110,404,940
Federal National Mortgage Association	96,397,586
Federal Home Loan Mortgage Corporation	63,551,420

(e) Forward Commitments

The Authority sells forward commitments to deliver Ginnie Mae guaranteed mortgage-backed securities and Fannie Mae mortgage-backed securities. Commitments are sold as mortgage loan reservations are taken to hedge against market fluctuations prior to loan origination and securitization. The Authority is subject to market value fluctuations in the event that mortgage loans are not originated as expected and the committed securities cannot be delivered. A net increase in fair value of $3,815,856 on these forward commitments, classified as investment derivative instruments, has been recorded in investment income in the Administrative Fund for the year ended June 30, 2014. In addition, $3,815,856 of forward commitments is recorded on the statement of net position as other current assets at June 30, 2014.

The Authority is subject to credit risk with respect to counterparties for the forward commitment contracts, summarized below with their credit ratings as of June 30, 2014.

Counterparty	Rating [1]	Number of Contracts		Par Amount
Piper Jaffray & Co.	A-/A-2 (Neg); Baa2/P-2 (Pos)	12	$	21,700,000
Raymond James & Associates, Inc.	BBB (Stable); Baa2 (Stable)	16		68,300,000
Simmons First Investment Group	Not Rated	33		93,300,000
Wells Fargo Securities, LLC	AA-/A-1+ (Stable); Aa3/P-1 (Stable)	53		171,524,500
Total forward commitments		114	$	354,824,500

(1) S&P/Moody's

(f) Securities Lending Transactions

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

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

During fiscal year 2014, Deutsche Bank AG lent U.S. Treasury and U.S. agency securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregated market value of the loaned securities. Loans are marked to market daily. If the market value of collateral falls below 100%, the borrower must provide additional collateral to raise the market value to 100%.

The Treasurer did not impose any restrictions during fiscal year 2014 on the amount of the loans available or the eligible securities. In the event of borrower default, Deutsche Bank AG provides the Treasurer with counterparty default indemnification. Deutsche Bank AG is obligation to indemnify the State Treasurer of the Deutsche Bank AG loses any securities, collateral or investments of the Treasurer in Deutsche Bank AG's custody. Moreover, there were no losses, during fiscal year 2014 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2014, the Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. The Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral invested in repurchase agreements and the fair value of the securities on loan for the Treasurer as of June 30, 2014 were $5,758,768,923 and $5,727,657,697, respectively. The Authority recorded a share of the securities lending cash collateral and associated liability in the HOME Program Fund in the amount of $747,000 as of June 30, 2014.

(4) Interfund Receivables, Payables, and Transfers

Interfund Balances

The Authority reports interfund balances among its funds. These balances generally consist of accruals for various revenues or expenses due to a fund, but received or paid to another, and subsidy transfers between funds. These amounts are generally paid or received within the subsequent fiscal year.

Interfund accounts receivable (payable) balances at June 30, 2014 consisted of the following:

	Payable From									
	Governmental Funds					Proprietary Funds				
Receivable To	Illinois Affordable Housing Trust Fund	Home Program Fund	Rental Housing Support Program Fund	Hardest Hit Fund	Nonmajor Govern-mental Funds	Adminis-trative Fund	Mortgage Loan Program Fund	Single Family Program Fund	IHDA Dispositions LLC	Total
Proprietary Funds:										
Administrative Fund	$ 1,724,223	97,291	273,607	4,131,833	365,408	—	4,903,850	457,154	4,927	11,958,293
Mortgage Loan Program Fund	—	—	—	—	—	14,313,392	—	—	—	14,313,392
Single Family Program Fund	—	—	—	—	—	345,457	—	—	—	345,457
	$ 1,724,223	97,291	273,607	4,131,833	365,408	14,658,849	4,903,850	457,154	4,927	26,617,142

The interfund accounts receivable (payable) between the Mortgage Loan Program Fund and the Administrative Fund primarily consist of a fiscal year 2000 operating transfer of $10.4 million to the Multi-Family Housing Revenue Bond Accounts made from the Administrative Fund in conjunction with the issuance of the Multi-Family Housing Revenue Bonds, Series 2000A (Lakeshore Plaza Development) and the corresponding transfer of the carrying value of the real estate investment, ML-181, to these accounts, partially reversed by a $5.4 million fiscal year 2006 transfer to the Administrative Fund, plus interfund accounts receivables related to mortgage assistance provided to two previously distressed loans, Innsbruck Apartments ($4.4 million) and Larkin Village ($2.8 million). The Innsbruck Apartments mortgage obligations were paid in full to the Authority on June 21, 2013. The Authority intends to apply a portion of the proceeds from the payoff to satisfy the $4.4 million interfund payable from the Administrative Fund to the Mortgage Loan Program. The Authority intends to reverse the remaining amounts of the transfers upon the disposition of Lakeshore Plaza and Larkin Village.

Interfund accounts payable from governmental funds represent reimbursements due to the Authority for a portion of operating expenses incurred to administer certain governmental programs. Other interfund accounts receivable to the Administrative Fund mainly consist of reimbursements for certain costs incurred in administering programs.

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

Transfers

Transfers for the year ended June 30, 2014 consisted of the following:

		Transfers out			
Transfers in		**Illinois Affordable Housing Trust Fund**	**Administrative Fund**	**IHDA Dispositions LLC**	**Total**
Administrative Fund	$	—	—	10,778,481	10,778,481
Mortgage Loan Program Fund		5,200,000	10,778,481	744,250	16,722,731
Single Family Program Fund		—	297,665	—	297,665
IHDA Dispositions LLC		—	2,897,073	—	2,897,073
	$	5,200,000	13,973,219	11,522,731	30,695,950

Pursuant to the Illinois Affordable Housing Act, amounts up to $10,000,000 in any fiscal year may be transferred, following an annual Authority certification to the Illinois Department of Revenue of the amounts required to be withdrawn, from the Illinois Affordable Housing Trust Fund to the Affordable Housing Program Trust Fund Bond Accounts. The amounts transferred during the year ended June 30, 2014 totaled $5,200,000.

The $10,778,481 transfer from the LLC to the Administrative Fund, which was then transferred to the Mortgage Loan Program Fund, was the result of the disposition of an LLC property originally financed in the Mortgage Loan Program Fund. The amount of $2,897,073 was transferred from the Administrative Fund to the LLC to satisfy the insurance claim with HUD on this property. A related transfer of $744,250 had been made from the LLC to the Mortgage Loan Program Fund for an annual interest payment on the HUD-issued debenture.

Transfers totaling $297,665 from the Administrative Fund to the Single Family Program Fund were made to fund bond issuance costs and other costs of Housing Revenue Bonds.

(5) Program Loans Receivable

The following summarizes program loans receivable, net of allowance for estimated losses, activity for the Authority for the year ended June 30, 2014:

		Net program loans receivable June 30, 2013	Loan disbursements	Loan repayments	Change in loan loss provision	Net program loans receivable June 30, 2014
				(Dollars in thousands)		
Governmental Funds:						
Illinois Affordable Housing Trust Fund	$	306,661	13,372	(10,666)	579	309,946
HOME Program Fund		225,757	6,519	(4,797)	16	227,495
Hardest Hit Fund		16,593	(2,640)	(3,892)	(711)	9,350
Build Illinois Bond Program Fund		—	3,471	(754)	—	2,717
Nonmajor governmental funds		77,536	715	(146)	193	78,298
Total Governmental Funds	$	626,547	21,437	(20,255)	77	627,806
Proprietary Funds:						
Administrative Fund	$	39,367	59,966	(6,475)	748	93,606
Mortgage Loan Program Funds:						
Housing Bonds		431,997	20,122	(61,941)	229	390,407
Multifamily Initiative Bonds		58,081	6,690	(12,408)	(42)	52,321
Multifamily Housing Revenue Bonds (Marywood)		8,327	—	—	(1,834)	6,493
Multifamily Bonds (Turnberry)		4,594	—	(4,887)	293	—
Affordable Housing Program Trust Fund Bonds		32,641	3,055	(8,160)	267	27,803
Total Mortgage Loan Program Fund		535,640	29,867	(87,396)	(1,087)	477,024
Single Family Program Fund		404,501	—	(70,298)	(2,468)	331,735
Total Proprietary Funds	$	979,508	89,833	(164,169)	(2,807)	902,365

Net program loans receivable for Proprietary Funds as of June 30, 2013 in the table above has been restated from a total of $971,245,000 to $979,508,000 due to the recognition of unamortized loan origination fees and costs, in the amount of $8,263,000, in connection with the implementation of GASB Statement No. 65.

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

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

At June 30, 2014, for loans financed under the Mortgage Loan Program Fund, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

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

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

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

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

As of June 30, 2014, no mortgage loans in the Mortgage Loan Program Fund were on nonaccrual status. In addition, the Authority does not accrue interest income on approximately $10.1 million of mortgage loans

(Continued)

recorded in the Administrative Fund. Payments made on such loans, which generally are payable from residual receipts, if any, of the affected development funds, are recognized only as received. The annual amount of interest on these loans is approximately $176,000.

The Authority, through its Housing Partnership Program, provides loans to not-for-profit organizations, community groups and cities to finance the rehabilitation of existing housing and for the construction of new housing for low and moderate income persons and families. The program's activities are recorded in the Administrative Fund. At June 30, 2014, loans receivable under this program were approximately $134,000.

In June 1994, the Authority entered into a Risk Sharing Agreement (the Agreement) with HUD that permitted the Authority to participate in HUD's Risk Sharing Program, which has since been converted to a permanent program. Under this program, HUD will insure certain mortgage loans on Multi-Family housing developments (the Risk Sharing loans). HUD has authorized the Authority to make an unlimited amount of loans for such developments. Under the Agreement, the Authority will underwrite the Risk Sharing Loans following its underwriting guidelines. HUD will insure the Risk Sharing Loans and will bear 10% to 90% of the loss as elected by the Authority, in the event of a foreclosure. The Authority will bear the remainder of the risk. The program's service and insurance fee incomes are recorded in the Administrative Fund.

The Authority, as of June 30, 2014, has entered into forty-nine Risk Sharing Loans totaling $286,115,699 and elected that HUD assume 10% to 90% of the loss with respect to those loans. Nine of these loans totaling $59,121,699 were financed through the issuance of the Authority's Housing Bonds, ten loans totaling $67,898,000 were financed through the issuance of the Authority's Multi-Family Initiative Bonds, four loans totaling $15,975,000 were financed by the Administrative Fund, and one loan in the amount of $15,460,000 was financed through the issuance of the Authority's Multi-Family Housing Revenue Bonds (Marywood), The remaining twenty-five loans totaling $127,661,000 are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties.

Marywood Apartments Homes, L. P., the borrower for the Marywood Apartment Homes development, defaulted under the loans made by the Authority, which include a Risk Sharing Loan within the Authority's Multi-Family Housing Revenue Bonds (Marywood) and loans within the Administrative Fund and Housing Bond Fund Accounts. As a result foreclosure proceedings initiated in 2009 and the subsequent filing of a risk share claim with HUD, the Authority issued to HUD a debenture on November 14, 2008, which bears interest at an annual rate of 5% in the amount of $14,884,996, and matured on November 14, 2013.

Under the terms of the risk share insurance in respect to the above development, HUD bears 50% of the loss on the risk sharing loan. The two buildings associated with the Marywood Apartment Homes were sold on August 21, 2013 and November 14, 2013 respectively, and a risk share settlement claim was prepared and submitted to HUD on December 13, 2013. The Authority received the approved claim from HUD on January 15, 2014 in which a 50% loss in the amount of $3,782,702 was applied towards the outstanding debenture. A payment of $11,102,293 was paid by the Authority to HUD to settle the debenture on February 21, 2014. The Authority has reviewed the program loans receivable pertaining to the Marywood Apartment Homes development, for the purpose of determining ultimate collectability, and believes that the allowances for estimated losses at June 30, 2014 in the accompanying financial statements are adequate to cover estimated losses of the remaining loans receivable within the Multi-Family Housing Revenue Bonds (Marywood), Administrative Fund and Housing Bond Fund Accounts.

At June 30, 2014 for loans financed under the risk sharing program where the Authority sold 100% participation interests in the loans to outside parties, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

As of June 30, 2014, for mortgage loans insured with Ambac Assurance Corporation (Ambac Loans) on Multi-Family housing developments under the Authority's Mortgage Participation Certificate Program, the Authority has entered into four Ambac Loans totaling $14,891,200. These loans are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties. Ambac has guaranteed repayment of principal and interest due on a timely or accelerated basis in accordance with the agreement between the Authority and Ambac. The agreement allows (or provides) the Authority to share its risk with Ambac on the aggregate loan portfolio after the satisfaction of certain requirements and thresholds.

At June 30, 2014, for loans financed under the Mortgage Participation Certificate Program where the Authority sold 100% participation interests in the loans to outside parties, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

With respect to the mortgage loans funded by the Homeowner Mortgage Revenue Bonds, a substantial majority of all delinquent mortgage loans receivable at June 30, 2014, were covered by pool insurance, which provides for an aggregate limit equal to 3.5% of the aggregate original principal amount of mortgage loans so covered, less a deductible ranging from 0% to 1.0% of the aggregate of the original amount of all mortgage loans covered.

Loans made through the Illinois Affordable Housing Trust Fund, governmental fund, are to acquire, construct, rehabilitate, develop, operate, insure, and retain affordable single family and Multi-Family housing for low and very low-income households. Interest rates on these loans are set at below market rates and have ranged from 0% to 5.75%, with most rates set at 2% or below. Loans have maturities of up to 40 years, with some loans carrying deferred payment terms. The approximate aging of the Illinois Affordable Housing Trust Fund gross receivables balances as of June 30, 2014 are as follows:

Interest rate %	Principal due by June 30 2015	2016-2020	2021-2030	After 2030	Total
	(Dollars in thousands)				
0 - 0.99	$ 1,414	11,688	47,083	99,163	$ 159,348
1 - 1.99	3,245	15,936	61,355	63,093	143,629
2 - 3.99	421	2,949	6,438	4,803	14,611
4 - 5.75	1,438	2,551	1,302	4,331	9,622
	$ 6,518	$ 33,124	$ 116,178	$ 171,390	$ 327,210

Loans are made through the HOME Program Fund, governmental fund, in order to provide decent and affordable housing, particularly housing for low and very low income Americans. Interest rates on these loans are set at below market rates and have ranged from 0% to 6.5%, with most rates set at 2% or below. The approximate aging of the gross receivables balances of the HOME program as of June 30, 2014 are as follows:

Interest rate %	Principal due by June 30 2015	2016-2020	2021-2030	After 2030	Total
	(Dollars in thousands)				
0 - 0.99	$ 1,928	3,388	32,625	20,168	$ 58,109
1 - 1.99	235	17,355	71,829	74,080	163,499
2 - 3.99	217	1,757	1,961	3,938	7,873
4 - 6.50	12	1,208	3,374	1,280	5,874
	$ 2,392	$ 23,708	$ 109,789	$ 99,466	$ 235,355

The Authority has reviewed each program loan receivable, including those for developments in the construction or rent-up phases, for the purpose of determining ultimate collectability. The Authority believes that the allowances for estimated losses at June 30, 2014 in the accompanying financial statements are adequate to cover estimated losses of the various funds. The following summarizes the changes in the allowance for estimated losses on program loans receivable during the year ended June 30, 2014:

		Allowance for estimated losses June 30, 2013	Provision for estimated losses	Write-offs of uncollectible losses, net of recoveries	Allowance for estimated losses June 30, 2014
			(Dollars in thousands)		
Governmental Funds:					
Illinois Affordable Housing Trust Fund	$	17,843	2,284	(2,863)	17,264
HOME Program Fund		7,877	772	(788)	7,861
Hardest Hit Fund		16,593	711	—	17,304
Nonmajor Governmental Funds		1,317	(193)	—	1,124
Total governmental funds	$	43,630	3,574	(3,651)	43,553
Proprietary Funds:					
Administrative Fund	$	4,247	(709)	(39)	3,499
Mortgage Loan Program Fund		16,505	2,449	(1,363)	17,591
Single Family Program Fund		7,408	2,468	—	9,876
Total proprietary funds	$	28,160	4,208	(1,402)	30,966

state statute requires that all uncollected receivables due that exceed $1,000 be submitted to the Illinois Attorney General to be certified as uncollectible before the Authority can delete such receivables from its records. As of June 30, 2014, the Authority has requested five such certifications totaling $461,825, all for loans within the Illinois Affordable Housing Trust Fund. Additional certification requests are anticipated to be filed as loss amounts are determined following the conclusion of foreclosure or other loss mitigation activities. The Authority has established provisions for estimated losses against such loans requested and to be requested for such certifications in amounts equal to the outstanding principal balances of the loans.

Scheduled receipts of principal on proprietary fund program loans gross receivable balance in the five years subsequent to June 30, 2014 and thereafter are as follows (dollars in thousands):

2015	$	51,665
2016		55,683
2017		63,288
2018		30,715
2019		34,344
After 2019		697,636
	$	933,331

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

(6) Real Estate Held for Sale

An analysis of other real estate owned is as follows:

		Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	IHDA Dispositions LLC	Total
Balance at June 30, 2013	$	—	326,368	16,458,502	—	16,784,870
Transfers of loans		77,202	182,605	13,227,607	200,000	13,687,414
Proceeds received		(35,259)	(45,643)	(14,234,153)	—	(14,315,055)
Balance at June 30, 2014	$	41,943	463,330	15,451,956	200,000	16,157,229

(7) Capital Assets

Capital asset activity for the year ended June 30, 2014 for governmental activities was as follows:

		Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets being depreciated					
Furniture and equipment	$	193,114	143,600	(50,847)	285,867
Total capital assets being depreciated		193,114	143,600	(50,847)	285,867
Accumulated depreciation					
Furniture and equipment		86,589	23,944	—	110,533
Total accumulated depreciation		86,589	23,944	—	— 110,533
Capital assets, net of depreciation	$	106,525	119,656	(50,847)	175,334

Capital asset activity for the year ended June 30, 2014 for business-type activities was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Land - IHDA Dispositions LLC Fund	$ 2,600,000	—	2,600,000	—
Capital assets being depreciated				
Administrative Fund				
Furniture and equipment	2,402,343	786,879	—	3,189,222
Mortgage Loan Program Fund				
Real estate	41,981,402	341,551	—	42,322,953
IHDA Dispositions LLC Fund				
Building	3,779,900	—	3,779,900	—
Total capital assets being depreciated	48,163,645	1,128,430	3,779,900	45,512,175
Total capital assets	50,763,645	1,128,430	6,379,900	45,512,175
Accumulated depreciation				
Administrative Fund				
Furniture and equipment	1,725,807	260,940	—	1,986,747
Mortgage Loan Program Fund				
Real estate	17,378,069	885,783	—	18,263,852
IHDA Dispositions LLC Fund				
Building	73,893	—	73,893	—
Total accumulated depreciation	19,177,769	1,146,723	73,893	20,250,599
Capital assets, net of depreciation	$ 31,585,876	(18,293)	6,306,007	25,261,576

(8) Bonds and Notes Payable

The following summarizes the debt activity for the Authority's proprietary funds for the year ended June 30. 2014:

	June 30, 2013	Additions	Deductions	June 30, 2014	Amount due within one year
Administrative Fund-Direct Bank Loans	$ 36,661,059	41,396,400	(4,178,884)	73,878,575	3,175,000
Mortgage Loan Program Fund:					
Housing Bonds	482,550,000	12,000,000	(100,580,000)	393,970,000	14,915,000
Discount on Housing Bonds	(125,511)	—	21,991	(103,520)	—
Multi-Family Initiative Bonds	166,140,000	—	(13,640,000)	152,500,000	2,180,000
Multi-Family Housing Revenue Bonds (Marywood)	14,884,996	—	(14,884,996)	—	—
Multi-Family Bonds (Turnberry II)	4,865,000	—	(4,865,000)	—	—
Affordable Housing Program Trust Fund Bonds	54,340,000	—	(33,280,000)	21,060,000	1,530,000
Total Mortgage Loan Program Fund	722,654,485	12,000,000	(167,228,005)	567,426,480	18,625,000
Single Family Program Fund:					
Residential Mortgage Revenue Bonds	315,667	1,730	(100,000)	217,397	110,000
Homeowner Mortgage Revenue Bonds	492,700,000	—	(48,270,000)	444,430,000	13,260,000
Premium on Homeowner Mortgage Revenue Bonds	892,621	—	(178,387)	714,234	—
Housing Revenue Bonds	196,584,645	16,926,210	(17,942,305)	195,568,550	3,834,000
Premium on Housing Revenue Bonds	916,016	—	(147,201)	768,815	—
Discount on Housing Revenue Bonds	(946,275)	—	18,150	(928,125)	—
Total Single Family Program Fund	690,462,674	16,927,940	(66,619,743)	640,770,871	17,204,000
Total Proprietary Funds	$ 1,449,778,218	70,324,340	(238,026,632)	1,282,075,926	39,004,000

Debt outstanding as of June 30, 2013 in the table above has been restated from a total of $1,446,843,575 to $1,449,778,218 due to the reclassification of unamortized gain/loss on refunding to deferred outflows/inflows of resources in connection with the implementation of GASB Statement No. 65.

Bonds and notes outstanding are general obligations (G.O.) of the Authority with the exception of Homeowner Mortgage Revenue Bonds, Housing Revenue Bonds, Multi-Family Initiative Bonds, Affordable Housing Program Trust Fund Bonds and Multi-Family Bonds (Turnberry), which are special limited obligations (S.L.O.) of the Authority. S.L.O. bonds, other than Housing Revenue Bonds, are payable from pledged property as defined in their respective general resolutions. Housing Revenue Bonds are payable from pledged mortgage-backed securities. Certain issues of Multi-Family Initiative Bonds are

(Continued)

credit enhanced by Fannie Mae and Freddie Mac. The Authority has also pledged its general obligation to the payment of the Affordable Housing Program Trust Fund Bonds to a limited extent and amounts.

The Authority has pledged future mortgage loan revenues, net of specified operating expenses, to repay outstanding $813.6 million (principal) in S.L.O. Bonds as noted in the following schedules for the Mortgage Loan Program Fund and Single Family Program Fund. The total principal and interest remaining to be paid on the S.L.O. Bonds is $1.3 billion. For bonds payable from pledged property, interest paid for the current year was $32.1 million, and total related mortgage loan principal and interest received were $90.8 million and $27.3 million, respectively.

Bonds and notes outstanding at June 30, 2014 are as follows. The June 30, 2013 amounts are shown for comparative purposes only.

(a) Mortgage Loan Program Fund

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

	Maturity dates	Interest rate range %		Debt class		Amount June 30 2014	2013
Housing Bonds:							
2003 Series A	2014–2046	4.20-5.05	%	G.O.	$	—	17,275,000
2003 Series B	2014–2041	3.95-5.05		G.O.		—	31,135,000
2003 Series C	2014–2035	4.20-4.95		G.O.		—	3,885,000
2004 Series A	2014–2040	4.05-4.70		G.O.		14,940,000	16,160,000
2004 Series B(1)	2014–2035	variable		G.O.		4,400,000	4,500,000
2004 Series C	2014–2045	4.75-5.45		G.O.		8,975,000	9,380,000
2005 Series A	2014–2036	3.80-4.60		G.O.		13,175,000	13,815,000
2005 Series C	2015–2042	4.38-5.00		G.O.		9,780,000	9,930,000
2005 Series D	2014–2048	4.88		G.O.		6,195,000	6,260,000
2005 Series E	2014–2036	4.00-4.80		G.O.		23,505,000	23,950,000
2005 Series F (Taxable)	2014–2029	5.12-5.84		G.O.		11,370,000	12,330,000
2006 Series A	2014–2039	4.90-5.05		G.O.		7,370,000	7,520,000
2006 Series B	2014–2047	4.75-5.00		G.O.		12,605,000	12,790,000
2006 Series D	2014–2042	4.85-5.00		G.O.		—	5,845,000
2006 Series E	2014–2042	4.35-4.95		G.O.		7,510,000	7,615,000
2006 Series F	2014–2047	4.35-5.00		G.O.		3,405,000	3,500,000
2006 Series G	2014–2037	4.15-4.85		G.O.		21,455,000	28,100,000
2006 Series H (Taxable)	2014–2029	5.46-6.06		G.O.		7,470,000	7,985,000

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2014	Amount June 30 2013
2006 Series I	$ 2014–2049	4.70-4.85 %	G.O.	$ 6,915,000	6,980,000
2006 Series J	2014–2049	4.50-5.00	G.O.	3,320,000	3,350,000
2006 Series K	2014–2024	4.20-4.60	G.O.	1,920,000	2,180,000
2006 Series M	2014–2048	4.00-4.50	G.O.	11,725,000	11,855,000
2007 Series A	2014–2048	4.25-5.55	G.O.	3,900,000	4,285,000
2007 Series C	2014–2045	4.20-5.38	G.O.	9,190,000	9,295,000
2007 Series D	2014–2043	4.00-5.05	G.O.	19,635,000	20,135,000
2007 Series E (Taxable)	2014–2033	5.66-6.54	G.O.	6,885,000	7,345,000
2007 Series F	2014–2044	4.70-5.35	G.O.	6,390,000	6,480,000
2007 Series G	2014–2044	4.70-5.35	G.O.	5,320,000	5,390,000
2008 Series A(1)	2027	variable	G.O.	12,370,000	12,730,000
2008 Series B(1)	2014–2028	variable	G.O.	30,585,000	31,985,000
2008 Series C(1)	2042	variable	G.O.	5,095,000	5,185,000
2013 Series B (Taxable)	2014–2047	0.55-4.79	G.O.	100,835,000	127,605,000
2013 Series C	2014–2047	1.75-4.60	G.O.	5,730,000	5,775,000
2013 Series D	2014–2048	0.65-4.95	G.O.	12,000,000	—
				393,970,000	482,550,000
Less unamortized discount thereon				(103,520)	(125,511)
Total Housing Bonds				$ 393,866,480	482,424,489

(1) In accordance with the indenture, interest rates on the bonds are determined weekly and are paid monthly at a rate established by the remarketing agents on each rate determination date. The variable rates paid on the subject bonds ranged from 0.05% to 0.55% at June 30, 2014. Pursuant to the liquidity agreements, the bonds are subject for purchase by liquidity providers (Liquidity Providers) in the event of a tender by bondholders (Bank Bonds). Subject to other provisions within the liquidity agreements, the Bank Bonds will bear interest at a rate specified within the agreements and continue to be subject for remarketing by Remarketing Agents. In the event the Remarketing Agents are unable to remarket the Bank Bonds over a certain period of time, the Bank Bonds are subject to a put whereby the Authority is required to purchase and redeem the Bank Bonds over a period stated within the agreements. The Authority has a take-out agreement with the Liquidity Providers to convert the bonds to an installment loan payable over a three-to-five year period. The interest rate that is to be paid during the liquidity and the put periods is 1 Month LIBOR plus 50 basis points for the Housing Bonds 2004 Series B, and the higher of 7.5%, Prime Rate or Adjusted One Month LIBOR rate for the Housing Bonds 2008 A, B, and C. The current liquidity agreements for Housing Bonds 2004 Series B and Housing Bonds 2008 A, B, and C expire on March 29, 2019 and April 24, 2019, respectively.

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

	Maturity dates	Interest rate range %		Debt class		Amount June 30 2014	Amount June 30 2013
Multifamily Initiative Bonds:							
Series 2009 B	2014–2051	3.50	%	S.L.O.	$	14,160,000	26,250,000
Series 2009 C	2014–2051	3.01		S.L.O.		21,620,000	22,040,000
Series 2009 D	2014–2041	3.48		S.L.O.		58,400,000	59,070,000
Series 2009 E	2014–2042	2.32		S.L.O.		4,700,000	4,700,000
Series 2009 F	2014–2041	2.32		S.L.O.		5,610,000	5,700,000
Series 2009 G	2014–2041	2.32		S.L.O.		8,400,000	8,530,000
Series 2009 H	2014–2041	2.32		S.L.O.		11,040,000	11,190,000
Series 2009 I	2014–2051	2.32		S.L.O.		9,570,000	9,570,000
Series 2009 J	2014–2043	1.47		S.L.O.		19,000,000	19,090,000
Total Multifamily Initiative Bonds						152,500,000	166,140,000
Multifamily Housing Revenue Bonds:							
Marywood Apartment Homes HUD Risk share Debenture	2014	5.00		G.O.		—	14,884,996
Multifamily Bonds:							
Turnberry Village II Apartments	2014–2045	4.50-4.75		S.L.O.		—	4,865,000
Affordable Housing Program:							
Trust Fund Bonds:							
Series 2004 (Taxable)	2014–2026	5.50-6.21		S.L.O.		—	31,840,000
Series 2005 A (Taxable)	2014–2027	5.60-6.35		S.L.O.		21,060,000	22,500,000
Total Affordable Housing Program Trust Fund Bonds						21,060,000	54,340,000
Total Mortgage Loan Program Fund					$	567,426,480	722,654,485

(b) Single Family Program Fund

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

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2014	Amount June 30 2013
Homeowner Mortgage					
Revenue Bonds:					
1998 Series A (Taxable)	2013–2016	6.45-6.52 %	S.L.O.	$ 515,000	825,000
2001 Series F (Taxable) (1)	2016–2021	variable	S.L.O.	10,000,000	10,000,000
2002 Series B (Taxable) (2)	2013–2023	variable	S.L.O.	3,395,000	3,750,000
2003 Series B	2013–2034	4.45-5.15	S.L.O.	18,610,000	20,830,000
2004 Series A	2013–2035	3.55-4.75	S.L.O.	14,620,000	15,730,000
2004 Series A-3 (3)	2026–2035	variable	S.L.O.	10,675,000	10,675,000
2004 Series	2013–2035	4.45-5.35	S.L.O.	36,065,000	39,125,000
2004 Series C-3 (3)	2025–2035	variable	S.L.O.	16,000,000	16,000,000
2005 Series A	2013–2036	3.80-4.80	S.L.O.	21,125,000	23,345,000
2005 Series A-3 (3)	2025–2036	variable	S.L.O.	20,000,000	20,000,000
2005 Series C	2013–2036	3.80-5.25	S.L.O.	49,620,000	56,345,000
2006 Series A	2013–2037	4.00-5.00	S.L.O.	38,340,000	44,130,000
2006 Series C	2013–2038	4.25-5.15	S.L.O.	69,880,000	77,220,000
2007 Series A	2013–2038	4.00-4.90	S.L.O.	45,425,000	48,870,000
2007 Series D	2013–2039	4.50-5.35	S.L.O.	34,270,000	41,765,000
2007 Series H (remarketed 1/30/08)	2013–2039	3.35-5.20	S.L.O.	38,375,000	42,565,000
2008 Series A	2013–2039	3.35-5.20	S.L.O.	4,205,000	5,095,000
2011 Series A	2013–2019	2.80-4.30	S.L.O.	4,535,000	6,675,000
2011 Series B	2013–2029	2.80-5.38	S.L.O.	8,775,000	9,755,000
				444,430,000	492,700,000
Plus unamortized premium thereon				714,234	892,621
Total Homeowner Mortgage Revenue Bonds				$ 445,144,234	493,592,621

(1) In accordance with the indenture, interest rates on the bonds are determined and paid monthly based upon an index of one month LIBOR rate plus 0.40% for 2001 Series F. The variable rates paid on the subject bonds was 0.551% at June 30, 2014. The Authority has entered into pay-fixed, receive variable, interest rate swap agreements in connection with these bonds, the objective of which is to establish a maximum debt service which may be paid over the life of the underlying bonds.

(2) In accordance with the indenture, interest rates on the bonds are determined and paid semi-annually based upon an index of one month LIBOR rate plus 0.415%. The variable rates paid on the subject bonds was 0.566% at June 30, 2014.

(3) In accordance with the indenture, interest rates on the bonds are determined weekly and are paid monthly at a rate established by the remarketing agents on each rate determination date. The variable rates paid on the subject bonds ranged from 0.05% to 0.09% at June 30, 2014. Pursuant to the liquidity agreements, the bonds are subject for

purchase by liquidity providers (Liquidity Providers) in the event of a tender by bondholders (Bank Bonds). Subject to other provisions within the liquidity agreements, the Bank Bonds will bear Interest at a rate specified within the agreements and continue to be subject for remarketing by remarketing agents. In the event the remarketing agents are unable to remarket the Bank Bonds over a certain period of time, the Bank Bonds are subject to a put whereby the Authority is required to purchase and redeem the Bank Bonds over a period stated within the agreements. The Authority has a take-out agreement with the liquidity providers to convert the bonds to an installment loan payable over a three-to-five year period. The interest rate that is to be paid during the liquidity and the put periods is 1 Month LIBOR plus 50 basis points for the Homeowner Mortgage Revenue Bonds (HMRB) 2004 Subseries A-3, and 3 Month LIBOR plus 150 basis points for the HMRB 2004 Subseries C-3 and the HMRB 2005 Subseries A-3. The liquidity agreements for HMRB 2004 Subseries A-3, HMRB 2004 Subseries C-3 and HMRB 2005 Subseries A-3 will expire on March 15, 2019, July 13, 2015, and March 10, 2016, respectively.

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

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2014	Amount June 30 2013
Housing Revenue Bonds:					
Series 2011-1A	2014–2041	3.285 %	S.L.O.	$ 13,286,730	15,059,007
Series 2011-1B	2014–2041	3.285	S.L.O.	30,163,298	35,187,095
Series 2011-1C	2014–2041	3.285	S.L.O.	7,500,000	7,500,000
Series 2012A (Taxable)	2014–2042	2.625	S.L.O.	35,366,944	39,399,289
Series 2013A	2014–2043	2.450	S.L.O.	72,490,241	78,226,675
Series 2013B (Taxable)	2014–2043	2.750	S.L.O.	20,101,305	21,212,579
Series 2013C	2014–2043	3.875	S.L.O.	16,660,032	—
				195,568,550	196,584,645
Plus unamortized premium thereon				768,815	916,016
Less unamortized discount thereon				(928,125)	(946,275)
Total Housing Revenue Bonds				$ 195,409,240	196,554,386

	Maturity dates	Interest rate range %	Debt class		Amount June 30 2014	2013
Residential Mortgage Revenue Bonds:						
1983 Series A	2015	10.872%	G.O.	$	4,700	4,228
1983 Series B	2015	10.746	G.O.		4,703	4,236
1984 Series B	2016	11.257	G.O.		4,179	3,768
1985 Series A	2017	10.75	G.O.		3,815	3,435
1987 Series B	2014	8.13	G.O.		100,000	100,000
1987 Series C	2014	7.50	G.O.		—	100,000
1987 Series D	2017	8.65	G.O.		100,000	100,000
Total Residential Mortgage Revenue Bonds				$	217,397	315,667

The cumulative accretion in value from the date of issuance of the capital appreciation bonds included in the above amounts is summarized as follows:

Series	Redemption basis and period		Original issue amount (1)	Accreted Value June 30 2014	2013	Aggregate value to be redeemed
1983 Series A	Maturity 2/1/15	$	180	4,700	4,228	5,000
1983 Series B	Maturity 2/1/15		193	4,703	4,236	5,000
1984 Series B	Maturity 2/1/16		166	4,179	3,768	5,000
1985 Series A	Maturity 2/1/17		190	3,815	3,435	5,000

(1) Amounts reflect original issue amounts of capital appreciation bonds outstanding as of June 30, 2014.

Total Single Family Program Fund	$	640,770,871	690,462,674

(c) Administrative Fund

Outstanding debt of the Administrative Fund is as follows:

	Maturity date	Interest rate	Debt class	Amount June 30 2014	Amount June 30 2013
Direct bank loans:					
	2013	0.35 %	Loan	$ —	3,750,000
	2014	0.33	Loan	2,750,000	—
	2016	0.85	Loan	14,530,000	—
	2017	1.05	Loan	24,116,400	—
	2022	2.31	Loan	7,000,000	7,000,000
	2022	2.32	Loan	15,377,000	15,670,000
	2027	2.70	Loan	10,105,175	10,241,059
				$ 73,878,575	36,661,059

(d) Defeased Debt

The Authority has defeased debt by placing the proceeds of new bonds and other amounts in an irrevocable trust to provide for all future debt service payments of the old bonds. At June 30, 2014, the following outstanding bonds are considered defeased.

Issue	Amount
Insured Mortgage Housing Development Bonds, 1976 Series A	$ 1,460,000
Multi-Family Housing Bonds, 1981 Series A	22,040,000
	$ 23,500,000

(e) Other Financings

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

As of June 30, 2014, there were forty-two series of such bonds or notes outstanding, with an aggregate principal amount payable of $403,378,218.

(f) Assets Restricted for Capital and Debt Service Reserves

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

Bonds	Requirement
Affordable Housing Program Trust Fund Bonds	Maximum amounts of principal, sinking fund installments and interest due in the then current or any future bond year for all bonds then outstanding.
Housing Bonds	The amount established by each series resolution, currently six months of maximum principal and interest payments.
Multi-Family Initiative Bonds	The maximum amount of principal and interest due on any interest payment date excluding the final interest payment date.
Homeowner Mortgage Revenue Bonds Residential Mortgage Revenue Bonds	The sum of all amounts established by each series resolution, but such amount cannot be less than 2% for the Homeowner Mortgage Revenue Bonds, and 4% for the Residential Mortgage Revenue Bonds, of the sum of (i) the outstanding principal balance of related mortgage loans and (ii) the amount on deposit to the credit of series program accounts of the program fund.

The amounts of such reserves, for measurement purposes against the various bond resolution reserve requirements, are valued at book value or par, or, if purchased at less than par, at their cost to the Authority. At June 30, 2014, these reserve amounts, which were not less than the amounts required, are as follows:

Housing Bonds	$	18,742,707
Multi-Family Initiative Bonds		1,668,057
Homeowner Mortgage Revenue Bonds		20,365,943
	$	40,776,707

In addition to the above, the debt service reserve requirement of the following bond issue is satisfied by a surety arrangement.

Issue	Valuation
Affordable Housing Program Trust Fund Bonds, Series 2005A	$ 2,815,685

(g) Debt Service Requirements

Debt service requirements (dollars in millions) through 2019 and in five-year increments thereafter to maturity for the Authority's proprietary funds are as follows:

	Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund		Total	
	Principal	Interest	Principal	Interest	Principal*	Interest	Principal*	Interest
Year ending June 30:								
2015	$ 3.2	1.2	18.6	21.4	17.2	24.9	39.0	47.5
2016	15.0	1.1	22.5	20.7	18.9	24.2	56.4	46.0
2017	24.6	0.9	17.2	19.8	20.5	23.5	62.3	44.2
2018	0.5	0.8	18.2	19.1	20.2	22.7	38.9	42.6
2019	0.5	0.7	18.2	18.4	19.8	21.9	38.5	41.0
Five years ending June 30:								—
2020-2024	21.8	2.6	90.5	80.7	107.1	96.7	219.4	180.0
2025-2029	8.3	0.7	98.4	62.3	116.9	74.6	223.6	137.6
2030-2034	—	—	90.3	44.9	161.1	48.6	251.4	93.5
2035-2039	—	—	84.6	27.5	127.6	16.5	212.2	44.0
2040-2044	—	—	85.4	12.7	30.9	1.3	116.3	14.0
2045-2049	—	—	20.8	2.3	—	—	20.8	2.3
2050-2054	—	—	2.9	0.2	—	—	2.9	0.2
	$ 73.9	8.0	567.6	330.0	640.2	354.9	1,281.7	692.9

* Includes capital appreciation bonds at their final redemption values.

(h) Derivative Instruments

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

a) The reduction of exposure to changes in interest rates on a particular financial transaction;

b) A lower net cost of borrowing with respect to the Authority's debt;

c) The management of variable interest rate exposure consistent with prudent debt practices; and

d) The achievement of more flexibility meeting overall financial and programmatic objectives that cannot be achieved in conventional markets.

As of June 30, 2014, the Authority has one active swap contract and three active interest rate caps. Details are shown in the following tables.

	Changes in fair value		Fair value at June 30, 2014		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Business-type activities:					
Cash flow hedges:					
Pay-fixed/receive variable, interest rate swap:					
Series 2001 F	Deferred outflow	$ 388,274	*	$ (2,097,158)	$ 10,000,000
Rate caps	Deferred inflow	(71,104)	**	41,815	48,050,000

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

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

The fair value of the interest rate swap and rate caps were estimated by the Authority using data provided by the counterparties.

June 30, 2014

Associated bond issue	Notional amounts	Effective date	Fixed rate paid (3)	Variable rate received	Fair values (1)	Termination date	Counter-party credit rating (2)
Active Swap contract:							
HMRB*:							
Series 2001 F	$ 10,000,000	01/2002	6.615	%1 mo LIBOR+40bp	$ (2,097,158)	08/2020	A-/Baa2
Active Interest Rate Caps:							
HB**:							
Series 2008 A	$ 12,370,000	01/2013	5.75	NIA	$ 2,555	12/2017	AA-/Aa2
Series 2008 B	30,585,000	07/2011	5.50	NIA	172	06/2016	A/A2
Series 2008 C	5,095,000	06/2006	4.75	NIA	39,088	06/2021	A/A2
	$ 48,050,000				$ 41,815		

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

To protect against the potential of rising interest rates, the Authority has entered into one pay-fixed, receive variable, interest rate swap agreement, the objective of which is to achieve a synthetic fixed interest rate on the underlying bonds at a cost anticipated to be less than the amounts paid had the Authority issued fixed-rate debt. In addition, the Authority has entered into three interest rate cap agreements, the objective of which is to establish a maximum debt service which may be paid over the life of the underlying bonds.

The terms, fair values, and credit ratings of the outstanding agreements as of June 30, 2014 are shown in the above table. The notional amount of the swap and caps match the principal amount of the associated debt.

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

Because interest rates have declined since the implementation of the swap agreement, it had negative fair value as of June 30, 2014. The negative fair value may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

As of June 30, 2014, the Authority was not exposed to credit risk for the swap that had negative fair value. As interest rates change and the fair value becomes positive, the Authority is exposed to credit risk in the amount of the swap's or cap's fair value. The Authority is exposed to credit risk on the caps with positive fair value (2008 A, 2008 B, and 2008 C). The aggregate fair value of hedging derivative instruments with positive fair value at June 30, 2014 was $41,815. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. Fair value is a factor only upon termination.

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

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

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

As of June 30, 2014, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

	Variable-rate bonds		Interest rate	
	Principal	Interest	swap, net	Total
Year ending June 30:				
2015	$ 2,060,000	89,661	606,400	2,756,061
2016	3,070,000	88,407	606,400	3,764,807
2017	4,290,000	78,824	515,440	4,884,264
2018	4,295,000	66,411	394,160	4,755,571
2019	4,510,000	53,939	272,880	4,836,819
	18,225,000	377,242	2,395,280	20,997,522
Five years ending June 30:				
2024	17,200,000	137,830	181,920	17,519,750
2029	22,135,000	62,693	—	22,197,693
2034	2,600,000	18,701	—	2,618,701
2039	1,485,000	5,561	—	1,490,561
2044	805,000	877	—	805,877
	44,225,000	225,662	181,920	44,632,582
Total	$ 62,450,000	602,904	2,577,200	65,630,104

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

(9) Deposits Held In Escrow

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

(10) Operating Leases

The Authority leases office facilities at two locations, 401 N. Michigan Ave. (401 facility) and 122 S. Michigan Ave. (122 facility) in Chicago, Illinois.

The lease for the 401 facility extends through July 31, 2016 and provides the Authority two successive five-year options to extend the lease beyond that date and, during certain time periods, to lease additional office facilities. The office lease provides for annual base rent of approximately $948,000 for fiscal year 2014, plus approximately $922,000 for the Authority's 7.16% share of ownership taxes and operating expenses, which also are subject to adjustment, based on the actual costs incurred by the lessor. Under this lease, total rent expense for fiscal year 2014 was $1,679,215.

The 122 facility is leased through July 31, 2016 under a space utilization agreement with another Illinois agency. Total rent expense under this agreement for fiscal year 2014 was $370,554.

The future minimum lease commitments of the two operating leases subsequent to June 30, 2014 are as follows:

Year		401 Facility	122 Facility
2015	$	974,636	353,928
2016		1,001,036	364,073
2017		83,603	31,279
	$	2,059,275	749,280

(11) Other Liabilities

The bonds issued by the Authority after 1980 are subject to a variety of Internal Revenue Service (IRS) regulations that limit the amount of income that may be earned with nonmortgage investments to an amount not greater than the amount that would have been earned had the funds been invested at the yield on the bonds as defined by the IRS.

Excess earnings must be rebated annually, or every five years, depending on the date and type of bond issue. Included in other liabilities at June 30, 2014, is an estimated rebate liability of $291,670.

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

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

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

(12) Retirement Plan

The Authority provides a defined contribution retirement plan for the benefit of its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full time employees are eligible to participate in and are fully vested in the plan from the date of employment. All plan assets and investments are administered by a trustee, which maintains an individual account for each participant. The Authority contributes 6% of its employees' salaries and employees, at their option, may contribute up to 19% (within a maximum dollar limit) of their salaries to the plan. In addition, the Authority, under the provisions of the Economic Growth and Tax Relief Act of 2001, permits additional contributions each calendar year for those employees who attain age 50 (or higher) during the calendar year. The plan may be amended or terminated by the Authority at any time and for any reason in the future, but no such action can deprive employees of their vested interests.

The Authority's total payroll in fiscal year 2014 was $17,157,919. The Authority's contributions were calculated using the base salary amount of $16,753,000. The Authority contributed $1,005,180 or 6.0% of the base salary amount, in fiscal year 2014. Employee contributions amounted to $981,002, in fiscal year 2014, or approximately 5.9% of the base salary amount.

(13) Commitments

At June 30, 2014, the Authority had authorized loans and grants totaling $32,599,687 for the Illinois Affordable Housing Trust Fund.

Under the HOME Program, $470 million and $15.5 million for federal fiscal years 1992 through 2013 and 2014, respectively, have been allocated to the State by HUD, to be administered by the Authority, under the HOME Program provisions of the 1990 National Affordable Housing Act. In fiscal year 1994, the Authority was allocated $10.2 million of additional HOME funds to be used for flood disaster relief. At June 30, 2014, the Authority had authorized loans and grants totaling $18.1 million for the HOME Program.

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

These redemptions were accomplished through the issuance of the Authority's Multi-Family Housing Bonds, 1991 Series A and B, 1992 Series A and B, and 1993 Series A and B. In November of 2006, the Authority entered into a new agreement (the F AF Refunding Agreement) with HUD at the time of delivery of the Authority's Housing Bonds, 2006 Series G to refund the Multi-Family Housing Bonds, 1991 Series A, 1992 Series A, and 1993 Series A. Pursuant to federal legislation and a written agreement with the Authority, HUD has agreed to share a portion of such savings (the FAF Savings Program) with the Authority in order to create and maintain affordable housing opportunities for individuals of "very low income" (as such term is defined in the 1937 Housing Act) in the State. These savings, which are to be used solely for the purpose stated above, became available beginning in fiscal year 1992 for the 1991 Series A and B Bonds, in fiscal year 1993 for the 1992 Series A and B Bonds, in fiscal year 1994 for the 1993 Series A and B Bonds, and in fiscal year 2008 for the 2006 Series E, and are recorded as other income of the Administrative Fund. At June 30, 2014, loans receivable under this program were approximately $28.0 million.

(14) Subsequent Events

On July 24, 2014, the Authority issued its Homeowner Mortgage Revenue Bonds, 2014 Series A and 2014 Series B, in the aggregate principal amount of $111,250,000. Proceeds from the bonds were used to refund a portion of the Authority's outstanding Homeowner Mortgage Revenue Bonds. The bonds are special limited obligations and not general obligations of the Authority.

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

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2014

Assets		Foreclosure Prevention Program Fund	Community Development Block Grant Fund	ARRA Fund	Neighborhood Stabilization Program Fund	Abandoned Property Program Fund	Total
Current assets:							
Cash	$	340,961	134,899	809,822	1,550,556	—	2,836,238
Program loans receivable		—	—	148,535	—	—	148,535
Grant receivable		2,404,136	—	—	—	6,949,137	9,353,273
Interest receivable on program loans		—	—	18,089	—	—	18,089
Total current assets		2,745,097	134,899	976,446	1,550,556	6,949,137	12,356,135
Noncurrent assets:							
Program loans receivable, net of current portion		—	6,234,338	73,039,349	—	—	79,273,687
Less allowance for estimated losses		—	(107,963)	(1,016,321)	—	—	(1,124,284)
Net program loans receivable		—	6,126,375	72,023,028	—	—	78,149,403
Total noncurrent assets		—	6,126,375	72,023,028	—	—	78,149,403
Total assets	$	2,745,097	6,261,274	72,999,474	1,550,556	6,949,137	90,505,538
Liabilities and Fund Balances							
Current liabilities:							
Unearned revenue	$	—	—	18,089	—	—	18,089
Accrued liabilities and other		—	—	—	1,235	—	1,235
Due to other funds		109,564	—	—	97,186	158,658	365,408
Total current liabilities		109,564	—	18,089	98,421	158,658	384,732
Fund balances:							
Restricted		2,635,533	6,261,274	72,981,385	1,452,135	6,790,479	90,120,806
Total fund balances		2,635,533	6,261,274	72,981,385	1,452,135	6,790,479	90,120,806
Total liabilities and fund balances	$	2,745,097	6,261,274	72,999,474	1,550,556	6,949,137	90,505,538

See accompanying independent auditors' report.

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

Nonmajor Governmental Funds

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

Year ended June 30, 2014

	Foreclosure Prevention Program Fund	Community Development Block Grant Fund	ARRA Fund	Neighborhood Stabilization Program Fund	Abandoned Property Program Fund	Total
Revenues:						
Grant from State of Illinois	$ 3,432,581	—	—	—	6,949,137	10,381,718
Federal funds	—	5,911,185	—	1,948,672	—	7,859,857
Interest and other investment income	—	—	211,615	2,972,772	—	3,184,387
Total revenues	3,432,581	5,911,185	211,615	4,921,444	6,949,137	21,425,962
Expenditures:						
Grants	3,124,080	4,988,846	—	3,370,888	—	11,483,814
General and administrative	287,009	72,439	—	98,421	158,658	616,527
Provision for (reversal of) estimated losses on program loans receivable	—	72,615	(266,073)	—	—	(193,458)
Total expenditures	3,411,089	5,133,900	(266,073)	3,469,309	158,658	11,906,883
Net change in fund balances	21,492	777,285	477,688	1,452,135	6,790,479	9,519,079
Fund balances at beginning of year	2,614,041	5,483,989	72,503,697	—	—	80,601,727
Fund balances at end of year	$ 2,635,533	6,261,274	72,981,385	1,452,135	6,790,479	90,120,806

See accompanying independent auditors' report.

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

Mortgage Loan Program Fund

Combining Schedule of Net Position

June 30, 2014

		Housing Bonds	Multifamily Initiative Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Assets:							
Currents assets:							
Cash and cash equivalents	$	81,153,191	3,699,681	—	—	10,370,461	95,223,333
Investment income receivable – restricted		116,783	—	—	—	—	116,783
Program loans receivable		19,713,257	1,003,913	—	—	2,176,652	22,893,822
Interest receivable on program loans		970,535	173,559	—	—	99,921	1,244,015
Due from other funds		14,313,392	—	—	—	—	14,313,392
Total current assets		116,267,158	4,877,153	—	—	12,647,034	133,791,345
Noncurrent assets:							
Investments – restricted		114,822,925	—	—	—	—	114,822,925
Program loans receivable, net of current portion		375,355,529	51,610,946	15,039,073	—	29,714,900	471,720,448
Less allowance for estimated losses		(4,662,115)	(293,748)	(8,546,448)	—	(4,088,302)	(17,590,613)
Net program loans receivable		370,693,414	51,317,198	6,492,625	—	25,626,598	454,129,835
Real estate held for sale, net		463,330	—	—	—	—	463,330
Due from Fannie Mae		—	93,965,168	—	—	—	93,965,168
Due from Freddie Mac		—	4,736,346	—	—	—	4,736,346
Capital assets, net		24,059,101	—	—	—	—	24,059,101
Derivative instrument assets		41,815	—	—	—	—	41,815
Other		98,989	—	—	—	23,774	122,763
Total noncurrent assets		510,179,574	150,018,712	6,492,625	—	25,650,372	692,341,283
Total assets		626,446,732	154,895,865	6,492,625	—	38,297,406	826,132,628
Deferred outflow of resources:							
Unamortized loss on bond refunding		2,442,787	—	—	—	—	2,442,787
Liabilities:							
Current liabilities:							
Bonds and notes payable		14,915,000	2,180,000	—	—	1,530,000	18,625,000
Accrued interest payable		7,640,317	1,606,835	—	—	178,319	9,425,471
Accrued liabilities and other		433,964	355,397	4,106,514	—	147,663	5,043,538
Due to other funds		2,803,101	159,213	1,893,553	—	47,983	4,903,850
Total current liabilities		25,792,382	4,301,445	6,000,067	—	1,903,965	37,997,859
Noncurrent liabilities:							
Bonds and notes payable, net of current portion		378,951,480	150,320,000	—	—	19,530,000	548,801,480
Total noncurrent liabilities		378,951,480	150,320,000	—	—	19,530,000	548,801,480
Total liabilities		404,743,862	154,621,445	6,000,067	—	21,433,965	586,799,339
Deferred inflows of resources:							
Accumulated increase in fair value of hedging derivatives		41,815	—	—	—	—	41,815
Unamortized gain on bond refunding		391,096	—	—	—	—	391,096
Total deferred inflows of resources		432,911	—	—	—	—	432,911
Net position:							
Net investment in capital assets		(6,525,899)					(6,525,899)
Restricted for bond resolution purposes		230,238,645	274,420	—	—	16,863,441	247,376,506
Unrestricted		—	—	492,558	—	—	492,558
Total net position	$	223,712,746	274,420	492,558	—	16,863,441	241,343,165

See accompanying independent auditors' report.

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

Mortgage Loan Program Fund

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

Year ended June 30, 2014

	Housing Bonds	Multifamily Initiative Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Inter-Account Eliminations	Total
Operating revenues:							
Interest and other investment income	$ 604,427	1,580	—	—	50,949	—	656,956
Net increase (decrease) in fair value of investments	(371,111)	(1,191)	—	—	7,141	—	(365,161)
Total investment income	233,316	389	—	—	58,090	—	291,795
Interest earned on program loans	21,395,527	2,283,962	—	—	1,219,346	—	24,898,835
Federal assistance programs	2,975,794	—	—	—	—	—	2,975,794
Other	7,040,102	—	—	—	—	—	7,040,102
Total operating revenues	31,644,739	2,284,351	—	—	1,277,436	—	35,206,526
Operating expenses:							
Interest expense	17,285,342	1,957,180	274,959	8,818	3,088,602	—	22,614,901
Federal assistance programs	2,975,794	—	—	—	—	—	2,975,794
Other general and administration	—	219,961	—	—	—	—	219,961
Financing costs	871,457	132,904	—	2,803	23,144	—	1,030,308
Provision for (reversal of) estimated losses on program loans receivable	1,020,184	41,464	1,834,478	(293,250)	(153,967)	—	2,448,909
Total operating expenses	22,152,777	2,351,509	2,109,437	(281,629)	2,957,779	—	29,289,873
Operating income (loss)	9,491,962	(67,158)	(2,109,437)	281,629	(1,680,343)	—	5,916,653
Transfers in	240,573	—	11,522,731	—	5,200,000	(240,573)	16,722,731
Transfers out	—	—	—	(240,573)	—	240,573	—
Total transfers	240,573	—	11,522,731	(240,573)	5,200,000	—	16,722,731
Change in net position	9,732,535	(67,158)	9,413,294	41,056	3,519,657	—	22,639,384
Net position at beginning of year as restated (Note 2s)	213,980,211	341,578	(8,920,736)	(41,056)	13,343,784	—	218,703,781
Net position at end of year	$ 223,712,746	274,420	492,558	—	16,863,441	—	241,343,165

See accompanying independent auditors' report.

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

Mortgage Loan Program Fund

Combining Schedule of Cash Flows

Year ended June 30, 2014

	Housing Bonds	Multifamily Initiative Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Cash flows from operating activities:						
Receipts for program loans, interest service fees	$ 83,706,587	14,736,289	—	4,908,271	9,263,410	112,614,557
Payments for program loans	(20,121,573)	(6,689,740)	—	—	(3,054,962)	(29,866,275)
Receipts for federal assistance programs	2,975,794	—	—	—	—	2,975,794
Payments for federal assistance programs	(2,975,794)	—	—	—	—	(2,975,794)
Payments for credit enhancements	—	(2,654,204)	—	—	—	(2,654,204)
Payments to suppliers	(824,573)	(367,084)	—	(2,803)	(23,144)	(1,217,604)
Interest paid on revenue bonds and notes	(17,363,911)	(2,114,229)	(744,249)	(84,406)	(3,189,159)	(23,495,954)
Other receipts	7,040,102	—	4,106,514	—	—	11,146,616
Net cash provided by operating activities	52,436,632	2,911,032	3,362,265	4,821,062	2,996,145	66,527,136
Cash flows from noncapital financial activities:						
Due to other funds	(40,271)	37,379	—	(6,462)	1,771	(7,583)
Due from other funds	(21,940)	—	—	21,940	—	—
Proceeds from sale of revenue bonds and notes	12,000,000	—	—	—	—	12,000,000
Principal paid on revenue bonds and notes	(100,558,009)	(13,640,000)	(14,884,996)	(4,865,000)	(33,280,000)	(167,228,005)
Transfers in	240,573	—	11,522,731	—	5,200,000	16,963,304
Transfers out	—	—	—	(240,573)	—	(240,573)
Net cash used in noncapital financing activities	(88,379,647)	(13,602,621)	(3,362,265)	(5,090,095)	(28,078,229)	(138,512,857)
Cash flows from capital financing and related activities:						
Acquisition of capital assets	(341,551)	—	—	—	—	(341,551)
Cash flows from investing activities:						
Purchase of investment securities	(230,134,385)	—	—	—	(26,968,025)	(257,102,410)
Proceeds from sales and maturities of investment securities	312,035,121	1,995,695	—	—	61,911,814	375,942,630
Interest received on investments	261,508	1,128	—	—	75,984	338,620
Net cash provided by investing activities	82,162,244	1,996,823	—	—	35,019,773	119,178,840
Net increase (decrease) in cash and cash equivalents	45,877,678	(8,694,766)	—	(269,033)	9,937,689	46,851,568
Cash and cash equivalents at beginning of year	35,275,513	12,394,447	—	269,033	432,772	48,371,765
Cash and cash equivalents at end of year	$ 81,153,191	3,699,681	—	—	10,370,461	95,223,333
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	$ 9,491,962	(67,158)	(2,109,437)	281,629	(1,680,343)	5,916,653
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Investment income	(233,316)	(389)	—	—	(58,090)	(291,795)
Depreciation and amortization	885,783	—	—	—	—	885,783
Provision for (reversal of) estimated losses on program loans receivable	(229,161)	41,464	1,834,478	(293,250)	(267,692)	1,085,839
Changes in assets and liabilities:						
Program loans receivable	41,682,799	5,717,955	—	4,887,499	5,105,165	57,393,418
Interest receivable on program loans	143,673	44,632	—	20,772	(2,338)	206,739
Other liabilities	1,104,785	(171,268)	3,637,224	(75,588)	(100,557)	4,394,596
Other assets	(409,893)	—	—	—	—	(409,893)
Due from Fannie Mae	—	(2,654,204)	—	—	—	(2,654,204)
Total adjustments	42,944,670	2,978,190	5,471,702	4,539,433	4,676,488	60,610,483
Net cash provided by operating activities	$ 52,436,632	2,911,032	3,362,265	4,821,062	2,996,145	66,527,136
Noncash investing capital and financing activities:						
Transfer of foreclosed assets	$ 182,605	—	—	—	—	182,605
The fair value of investments increased (decreased)	$ 457,633	(2,382)	—	—	12,323	467,574

See accompanying independent auditors' report.

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

Single Family Program Fund

Combining Schedule of Net Position

June 30, 2014

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Housing Revenue Bonds	Total
Assets:				
Current assets:				
Cash and cash equivalents	$ 67,299,689	143,822	2,986,398	70,429,909
Investment income receivable – restricted	149,910	5,767	608,769	764,446
Program loans receivable	13,255,179	—	—	13,255,179
Interest receivable on program loans	3,480,174	—	—	3,480,174
Due from other funds	345,457	—	—	345,457
Total current assets	84,530,409	149,589	3,595,167	88,275,165
Noncurrent assets:				
Investments – restricted	88,278,908	200,000	209,129,149	297,608,057
Program loans receivable, net of current portion	328,356,283	—	—	328,356,283
Less allowance for estimated losses	(9,876,365)	—	—	(9,876,365)
Net program loans receivable	318,479,918	—	—	318,479,918
Real estate held for sale net	15,451,956	—	—	15,451,956
Other	11,425,552	—	—	11,425,552
Total noncurrent assets	433,636,334	200,000	209,129,149	642,965,483
Total assets	518,166,743	349,589	212,724,316	731,240,648
Deferred outflow of resources:				
Accumulated decrease in fair value of hedging derivatives	2,097,158	—	—	2,097,158
Liabilities				
Current liabilities:				
Bonds and notes payable	13,260,000	110,000	3,834,000	17,204,000
Accrued interest payable	8,078,421	6,989	464,705	8,550,115
Accrued liabilities and other	72,413	—	18,739	91,152
Due to other funds	205,041	—	252,113	457,154
Total current liabilities	21,615,875	116,989	4,569,557	26,302,421
Noncurrent liabilities:				
Bonds and notes payable, net of current portion	431,884,234	107,397	191,575,240	623,566,871
Derivative instrument liability	2,097,158	—	—	2,097,158
Total noncurrent liabilities	433,981,392	107,397	191,575,240	625,664,029
Total liabilities	455,597,267	224,386	196,144,797	651,966,450
Net position:				
Restricted for bond resolution purposes	64,666,634	125,203	16,579,519	81,371,356
Total net position	$ 64,666,634	125,203	16,579,519	81,371,356

See accompanying independent auditors' report.

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

Single Family Program Fund

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

Year ended June 30, 2014

		Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Housing Revenue Bonds	Inter-Account Eliminations	Total
Operating revenues:						
Interest and other investment income	$	1,126,858	17,656	7,322,463	—	8,466,977
Net increase (decrease) in fair value of investments		(91,117)	—	2,577,591	—	2,486,474
Total investment income		1,035,741	17,656	9,900,054	—	10,953,451
Interest earned on program loans		20,154,063	—	—	—	20,154,063
Other		38,327	—	—	—	38,327
Total operating revenues		21,228,131	17,656	9,900,054	—	31,145,841
Operating expenses:						
Interest expense		20,062,394	22,880	5,454,351	—	25,539,625
Other general and administrative		3,667,100	—	—	—	3,667,100
Financing costs		1,704,421	—	1,077,818	—	2,782,239
Provision for estimated losses on program loans receivable		2,468,158	—	—	—	2,468,158
Total operating expenses		27,902,073	22,880	6,532,169	—	34,457,122
Operating income (loss)		(6,673,942)	(5,224)	3,367,885	—	(3,311,281)
Transfers in		88,726	—	5,955,038	(5,746,099)	297,665
Transfers out		(5,657,373)	—	(88,726)	5,746,099	—
Total transfers		(5,568,647)	—	5,866,312	—	297,665
Change in net position		(12,242,589)	(5,224)	9,234,197	—	(3,013,616)
Net position at beginning of year as restated (Note 2s)		76,909,223	130,427	7,345,322	—	84,384,972
Net position at end of year	$	64,666,634	125,203	16,579,519	—	81,371,356

See accompanying independent auditors' report.

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

Single Family Program Fund

Combining Schedule of Cash Flows

Year ended June 30, 2014

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Housing Revenue Bonds	Total
Cash flows from operating activities:				
Receipts for program loans, interest and service fees	$ 94,417,709	—	—	94,417,709
Payments to suppliers	(5,371,521)	—	(1,071,579)	(6,443,100)
Interest paid on revenue bonds and notes	(21,001,064)	(26,006)	(5,442,237)	(26,469,307)
Net cash provided by (used in) operating activities	68,045,124	(26,006)	(6,513,816)	61,505,302
Cash flows from noncapital financing activities:				
Due to other funds	(24,387)	—	36,216	11,829
Proceeds from sale of revenue bonds and notes	—	1,730	16,926,210	16,927,940
Principal paid on revenue bonds and notes	(48,448,387)	(100,000)	(18,071,356)	(66,619,743)
Transfers in	88,726	—	5,955,038	6,043,764
Transfers out	(5,657,373)	—	(88,726)	(5,746,099)
Net cash used in noncapital financing activities	(54,041,421)	(98,270)	4,757,382	(49,382,309)
Cash flows from investing activities:				
Purchase of investment securities	(135,594,115)	—	(35,936,151)	(171,530,266)
Proceeds from sales and maturities of investment securities	154,735,074	100,000	29,360,119	184,195,193
Interest received on investments	1,028,169	20,278	9,892,185	10,940,632
Net cash provided by investing activities	20,169,128	120,278	3,316,153	23,605,559
Net increase (decrease) in cash and cash equivalents	34,172,831	(3,998)	1,559,719	35,728,552
Cash and cash equivalents at beginning of year	33,126,858	147,820	1,426,679	34,701,357
Cash and cash equivalents at end of year	$ 67,299,689	143,822	2,986,398	70,429,909
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (6,673,942)	(5,224)	3,367,885	(3,311,281)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Investment income	(1,035,741)	(17,656)	(9,900,054)	(10,953,451)
Provision for estimated losses on program loans receivable	2,468,158	—	—	2,468,158
Changes in assets and liabilities:				
Program loans receivable	71,304,260	—	—	71,304,260
Interest receivable on program loans	3,664,397	—	—	3,664,397
Other liabilities	(1,326,944)	(3,126)	18,353	(1,311,717)
Other assets	(355,064)	—	—	(355,064)
Total adjustments	74,719,066	(20,782)	(9,881,701)	64,816,583
Net cash provided by (used in) operating activities	$ 68,045,124	(26,006)	(6,513,816)	61,505,302
Noncash investing capital and financing activities:				
Transfer of foreclosed assets	$ 13,227,607	—	—	13,227,607
The fair value of investments increased (decreased)	$ 2,233,494	(5)	2,201,859	4,435,348

See accompanying independent auditors' report.

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

IHDA Dispositions LLC

Combining Schedule of Net Position

June 30, 2014

		Marywood Apartment Homes	Kankakee Scattered Sites	School Street Apartments	Primera Ves	Total
Assets:						
Current assets:						
Cash and cash equivalents	$	1,125,222	46,249	62,587	4,846	1,238,904
Other		—	—	—	120	120
Total current assets		1,125,222	46,249	62,587	4,966	1,239,024
Noncurrent assets:						
Real estate held for sale		—	—	—	200,000	200,000
Total noncurrent assets		—	—	—	200,000	200,000
Total assets		1,125,222	46,249	62,587	204,966	1,439,024
Liabilities:						
Current liabilities:						
Accrued liabilities and other		1,120,295	46,249	62,587	6,644	1,235,775
Accrued property taxes		—	—	—	6,877	6,877
Due to other funds		4,927	—	—	—	4,927
Total current liabilities		1,125,222	46,249	62,587	13,521	1,247,579
Noncurrent liabilities:						
Security deposits		—	—	—	2,750	2,750
Total noncurrent liabilities		—	—	—	2,750	2,750
Total liabilities		1,125,222	46,249	62,587	16,271	1,250,329
Net position:						
Unrestricted		—	—	—	188,695	188,695
Total net position	$	—	—	—	188,695	188,695

See accompanying independent auditors' report.

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

IHDA Dispositions LLC

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

Year ended June 30, 2014

	Marywood Apartment Homes	Kankakee Scattered Sites	School Street Apartments	Primera Ves	Total
Operating revenues:					
Rental income	$ 861,433	18,559	20,800	23,162	923,954
Other	28,425	675	48,087	19,303	96,490
Total operating revenues	889,858	19,234	68,887	42,465	1,020,444
Operating expenses:					
Salaries and benefits	101,365	—	—	—	101,365
Other general and administrative	433,424	23,347	76,696	53,770	587,237
Total operating expenses	534,789	23,347	76,696	53,770	688,602
Operating income (loss)	355,069	(4,113)	(7,809)	(11,305)	331,842
Nonoperating revenues:					
Gain (loss) on disposition	1,138,203	(31,701)	(30,228)	—	1,076,274
Total nonoperating revenues	1,138,203	(31,701)	(30,228)	—	1,076,274
Income (loss) before contributions and transfers	1,493,272	(35,814)	(38,037)	(11,305)	1,408,116
Capital contributions	—	(47,960)	(62,197)	200,000	89,843
Transfers in	2,897,073	—	—	—	2,897,073
Transfers out	(11,522,731)	—	—	—	(11,522,731)
Total capital contributions and transfers	(8,625,658)	(47,960)	(62,197)	200,000	(8,535,815)
Change in net position	(7,132,386)	(83,774)	(100,234)	188,695	(7,127,699)
Net position at beginning of year	7,132,386	83,774	100,234	—	7,316,394
Net position at end of year	$ —	—	—	188,695	188,695

See accompanying independent auditors' report.

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

IHDA Dispositions LLC

Combining Schedule of Cash Flows

Year ended June 30, 2014

	Marywood Apartment Homes	Kankakee Scattered Sites	School Street Apartments	Primera Ves	Total
Cash flows from operating activities:					
Receipts for rental operations	$ 2,072,374	23,595	17,025	45,095	2,158,089
Receipts from sale of properties	7,265,476	48,199	68,606	—	7,382,281
Payments to employees	(101,365)	—	—	—	(101,365)
Payments for rental operations	(1,051,259)	(31,153)	(24,934)	(40,249)	(1,147,595)
Net cash provided by operating activities	8,185,226	40,641	60,697	4,846	8,291,410
Cash flows from noncapital financing activities:					
Transfers in	2,897,073	—	—	—	2,897,073
Transfers out	(11,522,731)	—	—	—	(11,522,731)
Net cash provided by (used in) noncapital financing activities	(8,625,658)	—	—	—	(8,625,658)
Net increase (decrease) in cash and cash equivalents	(440,432)	40,641	60,697	4,846	(334,248)
Cash and cash equivalents at beginning of year	1,565,654	5,608	1,890	—	1,573,152
Cash and cash equivalents at end of year	$ 1,125,222	46,249	62,587	4,846	1,238,904
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ 355,069	(4,113)	(7,809)	(11,305)	331,842
Gain (loss) on disposition	1,138,203	(31,701)	(30,228)	—	1,076,274
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Deprecation and amortization	(72,727)	—	—	—	(72,727)
Changes in assets and liabilities:					
Other liabilities	475,094	37,439	51,762	16,271	580,566
Other assets	6,289,587	39,016	46,972	(120)	6,375,455
Total adjustments	6,691,954	76,455	98,734	16,151	6,883,294
Net cash provided by operating activities	$ 8,185,226	40,641	60,697	4,846	8,291,410
Noncash investing capital and financing activities:					
Transfer of foreclosed assets	$ —	—	—	200,000	200,000

See accompanying independent auditors' report.

KPMG LLP
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Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable William G. Holland
Auditor General of the State of Illinois
and
The Board of Directors
Illinois Housing Development Authority:

As Special Assistant Auditors for the Auditor General of the State of Illinois, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 26, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as findings 2014-001 and 2014-002 to be material weaknesses.

Compliance and Other Matters

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

Authority's Response to Findings

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

Purpose of this Report

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

KPMG LLP

Chicago, Illinois
November 26, 2014

Finding 2014-001 Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process

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

During our audit, we reviewed the allowance for loan loss methodology for the single family loan program and the multi-family loan program and noted that the Authority could not produce an analysis supporting the rationale for its calculation of the loan loss reserve factors (probability of default and expected loss) that are used in its allowance for loan loss calculation and has not recently performed an analysis to further substantiate the ongoing appropriateness of the metrics' used in the allowance for loan loss estimate. The Authority has not documented how the loan loss reserve factors have been historically calculated and over what period the probability of default is measured. Further, the Authority did not perform back-testing (typically performed on at least an annual basis) on its allowance for loan loss estimates to determine whether the allowance for loan loss produces estimates that have been historically sufficient to cover incurred losses over a period of time that aligns with the period used to estimate the probability of default values.

Additionally, during our testing of 40 multi-family loan relationships risk ratings (61 loans) as of June 30, 2014, we noted differences in the ratings determined by the Authority on their loan rating scale compared to our independent ratings determined during our review. We found the Authority's risk ratings to be reasonable on 29 of the 40 relationships (46 of the 61 loans) and we found the Authority's risk ratings to be unreasonable for 11 of the 40 relationships (15 of the 61 loans). These loan rating differences are primarily attributable to the timing of updating the loan risk ratings by the Authority and the Authority's reliance on the mitigating factor of the "Extended Use Period" relating to low income housing tax credits (LIHTCs) to not downgrade a loan risk rating.

The most recent risk rating form for all loans reviewed had been completed using the fiscal year 2012 financial statements of the borrower (generally December 31st), with the exception of loans rated substandard or below. These risk rating forms were the source of the risk rating input used within the Authority's allowance for loan loss calculation as of June 30, 2014. We further noted that in most instances the fiscal year 2013 financial statements had been obtained and evaluated for the debt service coverage ratio prior to June 30, 2014, however, an updated risk rating form was not completed and the risk rating was not updated. This practice results in a timing lag between when updated financial statement information is received and when the associated impact to the risk rating is reflected.

The following differences in loan ratings are attributable to the timing of updating the loan risk ratings by the Authority:

- Two differences in Home loan ratings resulted in an under reserve of $633,445 and four differences in Home loan ratings resulted in an over reserve of $306,997 for the Home Program Fund. A proposed adjustment for these differences was not recorded by the Authority.
- One difference in a Multi-Family Initiative loan rating resulted in an over reserve of $46,716 for the Mortgage Loan Program Fund. A proposed adjustment for this difference was not recorded by the Authority.
- Three differences in Housing Trust Fund loan ratings resulted in an over reserve of $456,625 and one difference in a Housing Trust Fund loan rating resulted in an under reserve of $161,283 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for these differences was not recorded by the Authority.

The following differences in loan ratings are attributable to the Authority's reliance on the mitigating factor of the "Extended Use Period" relating to LIHTCs:

- One Administrative loan rating difference, one Housing Trust Fund loan rating difference, and two Trust Fund Bonds loan rating differences resulted in an under reserve of $49,486 for the Administrative Fund, $38,304 for the Illinois Affordable Housing Trust Fund, and $551,241 for the Mortgage Loan Program Fund, respectively. In these instances, the Authority should not have relied upon the "Extended Use Period" relating to the LIHTC's in estimating the ratings on these respective loans. A proposed adjustment for these differences was not recorded by the Authority.

Additionally, there were four loans within our testing where the file materials lacked sufficient documentation to support the Authority's reliance on LIHTCs in estimating the ratings on these respective loans.

Furthermore, the Authority is not consistently applying the allowance for loan loss methodology for the Build Illinois Bond Program Fund, the Hardest Hit Fund, the Administrative Fund, and the Single Family Program Fund as noted below:

- The Build Illinois Bond Program Fund had a net program loans receivable balance at June 30, 2014 of $2,717,000, however, the Authority did not record an allowance for loan loss related to these loans, as these loans were initially funded in the second half of the Authority's 2014 fiscal year. An adjustment was not recorded in the Authority's financial statements.
- The Authority's reserving methodology for the Hardest Hit Fund is to reserve 50% of outstanding program loans receivable, however, during fiscal year 2014 the percentage of the allowance for loan loss ($17,304,094) to the outstanding program loans receivable balance ($26,653,653) was calculated at 65%. The resulting allowance for loan loss was within our acceptable range and an adjustment was not recorded in the Authority's financial statements.

- The Authority erroneously included twenty-two Section 1602 grants totaling $75,185,477 in its calculation of the loan reserve for the Administrative Fund, however, these amounts were properly excluded from the Authority's outstanding loan receivable balance at June 30, 2014. This resulted in an over reserve of $1,576,023. The difference was adjusted and corrected in the Authority's financial statements.
- The allowance for loan losses for the program loans receivable within the Single Family Program Fund were incorrectly calculated at June 30, 2014, resulting in an over reserve of $802,111. A proposed adjustment for this difference was not recorded by the Authority.

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

Authority management stated turnover within the asset management financial analysis staff who are responsible for rating multi-family loans and maintaining sufficient documentation to support the loan ratings has contributed to the time lag in applying the most current information available to the loan rating that is used for calculating the allowance for loan loss.

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

Recommendation:

We recommend the Authority review its current policies and procedures to ensure the assumptions used in the allowance for loan loss calculation are appropriate, loan rating assessments are performed timely based on available financial information, and that loan ratings are adequately documented.

Authority Response:

Authority management concurs with the recommendation and will analyze assumptions used in its policies for the allowance for estimated losses regarding loan loss calculations are appropriate based on market conditions and other related factors that may impact the risk of loss associated for at risk loans

(Continued)

within the portfolio. Asset Management staff will timely update the loan rating forms simultaneously with the annual review of the audits and/or financial statements. The Asset Management staff will update its policies and procedures to reduce the time lag for addressing loan ratings to include acknowledgment by the Asset Management, Accounting and Loan and Portfolio departments for any revisions resulting from loan rating form updates or changes made during the loan monitoring and special mentions meetings.

Finding 2014-002 Inaccurate Recording of Grant Revenue

The Illinois Housing Development Authority (Authority) did not accurately record grant revenue received from the State of Illinois.

The grant revenue received from the State of Illinois recorded by the Authority is appropriated to the Illinois Department of Revenue (IDOR) by the General Assembly and the funds are held by the State Treasurer. The Authority submits payout requests to IDOR for expenses incurred to administer State grants and the State Treasurer will pay funds to the Authority from the funds appropriated to IDOR.

During fiscal year 2014, the Authority submitted payout requests to IDOR for expenses incurred during the fiscal year to administer State grants. The State Treasurer paid certain funds to the Authority during the State lapse period (July 1, 2014 through August 31, 2014), however, the Authority did not properly record these payout requests as of June 30, 2014. As a result, we noted the following adjustments were required to accurately record the lapse period appropriations:

- $1,250,000 adjustment was made to the Illinois Affordable Housing Trust Fund to record a grant receivable.
- $10,107,604 adjustment was made to the Rental Housing Support Program Fund to record a grant receivable and grant revenue.
- $2,294,572 adjustment was made to the Foreclosure Prevention Program Fund to record a grant receivable and grant revenue.
- $6,869,687 adjustment was made to the Abandoned Property Program Fund to record grant revenue.

Governmental Accounting Standards Board Statement No. 33 requires grant revenue to be recorded when all applicable eligibility requirements have been met. On the modified accrual basis, grant revenues should be recorded when all applicable eligibility requirements have been met and the resources are available. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to accurately record grant revenue.

Authority management stated there were a number of disbursement requests submitted by various program staff of the Authority to the Illinois Department of Revenue during the lapse period for funding various approved projects. Some of these requests were not properly communicated to the Accounting Department and therefore this oversight caused the non-recognition of grant revenues that should have been captured as part of the fiscal year 2014 appropriation period.

Failure to accurately record grant revenue may result in the misstatement of the Authority's financial statements. (Finding Code No. 2014-002)

Recommendation:

We recommend the Authority review its current policies and procedures to ensure grant revenue is accurately reported in the financial statements.

Authority Response:

Authority management concurs with the recommendation and will revise its governmental accounting policies and procedures for the fiscal year end close process to include a detailed review of payout requests sent by program staff responsible for remitting such requests to the Illinois Department of Revenue during the lapse period. We believe this additional level of review will provide for proper communications to occur between the Accounting department and IDOR for recording disbursements made during the lapse period to the correct fiscal year appropriation.

A. Loan Receivable Balance and Allowance for Loan Loss Balance Overstated

The Authority has loan balances in the multi-family program recorded in their financial statements that should be removed due to the loans being uncollectible. (Finding Code 2013-001, 12-01, 11-02, 10-03, 09-02, 08-03)

In the current year, the Authority has continued to be successful in addressing outstanding loan write-off requests submitted to the Attorney General's Office, resulting in the Authority obtaining approval for additional write-offs.

B. Capital Assets Not Being Depreciated

The Authority did not depreciate capital asset additions made to real estate owned. (Finding Code 2013-002)

In the current year, similar exceptions were not identified in the sample tested.

C. Loan Interest Receivable and Revenue Overstated

The Authority over accrued interest receivable for program loans in the Single Family Loan Program Fund. (Finding Code 2013-003)

In the current year, similar exceptions were not identified in the sample tested.