

Alaska Housing Capital Corporation

a component unit of the State of Alaska

Financial Statements

June 30, 2021

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Independent Auditor's Report

To the Board of Directors
Alaska Housing Capital Corporation
Anchorage, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of Alaska Housing Capital Corporation (AHCC), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise AHCC'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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. 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 auditor's 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 and each major fund of AHCC, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
October 15, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is an overview and analysis of the financial activities of Alaska Housing Capital Corporation (the "Corporation") for the fiscal year ended June 30, 2021. This information should be read in conjunction with the Independent Auditor's Report, financial statements and accompanying notes. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

The Corporation is a component unit of the State of Alaska (the "State") and is presented as a blended component of the general fund in the State's financial statements.

FINANCIAL HIGHLIGHTS

- During the fiscal year ended June 30, 2021, \$3,640,000 was paid for fiscal year 2021 expenses. An additional \$1,369,000 of fiscal year 2021 expenses were accrued.
- In fiscal year 2019, the Corporation advanced \$9,761,000 to the Alaska Housing Finance Corporation (AHFC) for major maintenance of AHFC's affordable housing portfolio. As of June 30, 2021, \$3,054,000 of the advance remained unspent by AHFC.
- As of June 30, 2021, the Corporation's net position decreased by \$4,998,000 due to expenses exceeding investment interest revenue of \$11,000.

CONDENSED FINANCIAL INFORMATION

	2021	2020	Increase (Decrease)
Total assets	\$ 10,636	\$ 14,385	\$ (3,749)
Total liabilities	1,369	120	1,249
Total net position	<u>9,267</u>	<u>14,265</u>	<u>(4,998)</u>
Total revenues	11	225	(214)
Total expenses	5,009	9,824	(4,815)
Change in net position	(4,998)	(9,599)	4,601
Beginning net position	14,265	23,864	(9,599)
Ending net position	<u>\$ 9,267</u>	<u>\$ 14,265</u>	<u>\$ (4,998)</u>

OVERVIEW OF THE FINANCIAL STATEMENTS

The Corporation's annual financial statements consist of two parts: Management's Discussion and Analysis and the basic financial statements. The financial statements are intended to facilitate and enhance the understanding of the Corporation's financial position and results of operations for the current year. The basic financial statements include government-wide presentation, governmental fund presentation and Notes to Financial Statements.

The government-wide financial statements of the Corporation, which include the *Statement of Net Position* (Exhibit A) and the *Statement of Activities* (Exhibit B), display information about the Corporation as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The governmental fund financial statements of the Corporation, which include the *Governmental Funds Balance Sheet* (Exhibit A), and the *Statement of Governmental Fund Revenues, Expenditures and Changes in Fund*

MANAGEMENT'S DISCUSSION AND ANALYSIS

Balances (Exhibit B) are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period and expenditures are recorded when a liability is incurred.

There are no reconciling differences between the government-wide and governmental fund financial statements.

The *Statement of Net Position / Governmental Fund Balance Sheet* (Exhibit A) answers the question, "How is the Corporation's financial health at the end of the year?" This statement includes all assets and liabilities. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *Statement of Activities / Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance* (Exhibit B) accounts for all of the revenues and expenses. This statement measures the success of the Corporation's operations over the past year and can be used to determine whether the Corporation has successfully recovered all of its costs through its revenue sources. This statement helps answer the question "Is the Corporation as a whole better off or worse off as a result of the year's activities?"

The *Notes to Financial Statements* provide additional information that is essential to obtain a full understanding of the data provided in the government-wide financial statements.

GENERAL FUND

The general fund is the operating fund of the Corporation and represents all of the Corporation's activities.

CONTACTING ALASKA HOUSING CAPITAL CORPORATION'S FINANCIAL MANAGEMENT

For inquiries about this report or to request additional financial information please call (907) 330-8322 or email finance@ahfc.us.

ALASKA HOUSING CAPITAL CORPORATION**EXHIBIT A**

(A Component Unit of the State of Alaska)

GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET POSITION

June 30, 2021

(in thousands of dollars)

	<u>General Fund</u>	<u>Statement of Net Position Total</u>
ASSETS		
Investments	\$ 6,584	\$ 6,584
Interest receivable	12	12
Prepaid expenses	4,040	4,040
Total Assets	<u>10,636</u>	<u>10,636</u>
LIABILITIES		
Due to State of Alaska	<u>1,369</u>	<u>1,369</u>
Total Liabilities	<u>1,369</u>	<u>1,369</u>
FUND BALANCES		
Fund balances:		
Nonspendable - Prepaids	4,040	
Committed to State Library and Archives	2,186	
Committed to Department of Corrections	811	
Committed to Department of Transportation	1,083	
Unassigned	<u>1,147</u>	
Total Fund Balances	<u>9,267</u>	
Total Liabilities and Fund Balances	<u>\$ 10,636</u>	
NET POSITION		
Unrestricted		<u>9,267</u>
Total Net Position		<u>\$ 9,267</u>

See accompanying notes to the financial statements.

ALASKA HOUSING CAPITAL CORPORATION**EXHIBIT B**

(A Component Unit of the State of Alaska)

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES / STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

(in thousands of dollars)

	General Fund	Statement of Activities
GENERAL REVENUES		
Investment interest	\$ 11	\$ 11
Total revenues	<u>11</u>	<u>11</u>
EXPENDITURES/EXPENSES		
UAA Engineering Building project	680	680
Department of Labor and Workforce Development Project	750	750
State Library and Archives project	789	789
Department of Corrections projects	118	118
Department of Transportation Federal match	1,503	1,503
Alaska Housing Finance Corporation project	1,169	1,169
Total expenditures/expenses	<u>5,009</u>	<u>5,009</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,998)</u>	<u>(4,998)</u>
Net change in fund balances	(4,998)	
Change in net position		(4,998)
FUND BALANCES and NET POSITION		
Beginning of year	14,265	14,265
End of year	<u>\$ 9,267</u>	<u>\$ 9,267</u>

See accompanying notes to the financial statements.

FOOTNOTE INDEX

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Notes to Financial Statements

FOR THE YEAR ENDED JUNE 30, 2021

NOTE A: ALASKA HOUSING CAPITAL CORPORATION

The Alaska Housing Capital Corporation (the "Corporation") is a non-profit corporation. It was incorporated on May 23, 2006, under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Statutes creating the Alaska Housing Capital Corporation (AS18.56), as amended. The Corporation was formed as an affiliate of Alaska Housing Finance Corporation ("AHFC") in accordance with the Legislature's intent. The Corporation is legally independent and separate from AHFC, and there is no financial accountability between the Corporation and AHFC.

The Board of Directors of the Corporation is comprised of the Commissioners of the Alaska Departments of Revenue; Health & Social Services; and Commerce, Community & Economic Development, or their designees, and four independent members of the public. The Corporation is a government instrumentality of the State but has legal existence independent of and separate from the State. The Corporation is a component unit of the State of Alaska (the "State") and is presented as a component of the State's financial statements.

The Corporation was formed for the purpose set forth in AS 18.56.086 identified as financing various capital projects of the State of Alaska and financing expenses via enacted legislative action. The State of Alaska can add or withdraw funds through future legislative action.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Corporation's annual financial statements include a Management's Discussion and Analysis (MD&A) section and basic financial statements. The basic financial statements include a Governmental Funds Balance Sheet / Statement of Net Position, a Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances / Statement of Activities, and Notes to Financial Statements.

The Statement of Net Position and the Statement of Activities report information on all of the activities of the Corporation. The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are provided for governmental funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements 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. The Corporation considers revenues to be available if collected within 60 days of fiscal year end. Expenditures generally are recorded when a liability is incurred.

There are no reconciling differences between the government-wide and governmental-fund financial statements.

NOTE C: ASSETS AND FUND EQUITY

Investments

All investments are stated at fair value and are invested in the State of Alaska's internally managed investment pool.

Notes to Financial Statements

Fund Balances and Net Position

The Corporation's financial resources are used for the specific purpose established when it was incorporated, that of financing various Alaskan capital projects. Once resources designated by the legislature are received, amounts are further appropriated by the legislature for specific projects, with the remainder unassigned for future needs. To identify the constraints on the funding, the General Fund has fund balance categories of Nonspendable (items not convertible to cash, i.e., prepaid expenses of appropriations already distributed to recipients), Committed (appropriations yet to be distributed to recipients), and the remainder is Unassigned until a project is decided with further legislation. Net position is separated into restricted and unrestricted. There is no formal policy for the order in which the Corporation spends restricted, committed, and unassigned funds.

NOTE D: INVESTMENTS

The Alaska State Department of Revenue, Treasury Division (the "Treasury") has created a pooled environment by which it manages the investments under the fiduciary oversight of the Commissioner. Actual investing is performed by investment officers in the Treasury or by contracted external investment managers. The Corporation invests in the State's internally managed General Fund and Other Non-Segregated Investments Pool ("GeFONSI"). The GeFONSI consists of investments in the State's internally managed Short-term Fixed Income Pool, the Short-term Liquidity Fixed Income Pool and the Intermediate-term Fixed Income Pool. The complete financial activity of the fund is shown in the Annual Comprehensive Financial Report (ACFR) available from the Department of Administration, Division of Finance.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Securities are valued each business day using prices obtained from a pricing service.

GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by state legislature. Income in the Short-term, Short-term Liquidity and Intermediate-term Fixed Income Pools is allocated to pool participants daily on a pro rata basis.

For additional information on interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk see the separately issued report on the Invested Assets of the Commissioner of Revenue at:<http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx>

At June 30, 2021, the Corporation's share of pool investments was as follows (in thousands):

<u>State of Alaska Investment Pool</u>	<u>June 30, 2021</u>
Short-Term Fixed Income Pool	\$ 6,584
Total	<u>\$ 6,584</u>

Concentration of Credit Risk

The Treasury's policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool's holdings in corporate bonds of any one company or affiliated group.

At June 30, 2021, the fund did not have more than five percent of its investments in any one company or affiliated group.

NOTE E: DUE TO STATE

Expenses totaling \$1,369,000 were incurred in fiscal year 2021, but paid in fiscal year 2022. The expenses are accrued as additional fiscal year 2021 expenses, and as a liability due to the State on the Corporation's Statement of Net Position and Governmental Funds Balance Sheet.