COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS
YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Community Development Administration Housing Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland, which comprise the statements of net position as of June 30, 2021 and 2020 and the related statements of revenues, expenses, and changes in net position, and cash flows, for the years then ended, and the related notes to the 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.

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2021 and 2020, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Financial Statement Presentation

As discussed in Note 1, the financial statements present only the financial position, the changes in financial position and cash flows of the Fund and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2021 and 2020, and the changes in its net position and its cash flows, in conformity with accounting principles generally accepted in the United States of America. Our opinion on the basic financial statements is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 22-23, is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion, or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 27, 2021, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 27, 2021

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS
STATEMENTS OF NET POSITION
(in thousands)
JUNE 30, 2021 AND 2020

	2021	2020
RESTRICTED ASSETS		
RESTRICTED CURRENT ASSETS		
Cash and Cash Equivalents on Deposit	$ 110,957	$ 129,381
Investments	9,000	-
Mortgage-Backed Securities	295	9,708
Mortgage Loans:		
Single Family	2	2
Multi-Family Construction and Permanent Financing	3,745	2,703
Accrued Interest and Other Receivables	1,486	1,435
Total Restricted Current Assets	125,485	143,229
RESTRICTED LONG-TERM ASSETS		
Investments, Net of Current Portion	7,022	7,519
Mortgage-Backed Securities, Net of Current Portion	28,406	19,519
Mortgage Loans, Net of Current Portion and Allowance:		
Single Family	-	2
Multi-Family Construction and Permanent Financing	321,782	257,507
Total Restricted Long-Term Assets	357,210	284,547
Total Restricted Assets	$ 482,695	$ 427,776
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accrued Interest Payable	$ 5,287	$ 5,290
Accounts Payable	90	138
Bonds Payable	20,553	15,633
Deposits by Borrowers	8,723	5,866
Total Current Liabilities	34,653	26,927
LONG-TERM LIABILITIES		
Rebate Liability	178	108
Bonds Payable, Net of Current Portion	367,704	325,597
Deposits by Borrowers, Net of Current Portion	22,283	19,958
Total Long-Term Liabilities	390,165	345,663
Total Liabilities	424,818	372,590
NET POSITION		
Restricted	57,877	55,186
Total Liabilities and Net Position	$ 482,695	$ 427,776

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
(in thousands)
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
OPERATING REVENUE		
Interest on Mortgage Loans	$ 14,086	$ 12,584
Interest on Mortgage-Backed Securities	1,283	1,575
Interest Income on Investments, Net of Rebate	308	1,745
(Decrease) Increase in Fair Value of Investments	(493)	330
Fee Income	986	697
Decrease in Provision for Loan Losses	2	-
Other Operating Revenue	39	32
Total Operating Revenue	16,211	16,963
OPERATING EXPENSES		
Interest Expense on Bonds	11,284	11,831
Professional Fees and Other Operating Expenses	870	540
Total Operating Expenses	12,154	12,371
Operating Income	4,057	4,592
NONOPERATING INCOME (EXPENSES)		
Increase (Decrease) in Fair Value of Mortgage-Backed Securities	634	(33)
Transfer of Funds, as Permitted by the Resolution	(2,000)	(2,000)
CHANGE IN NET POSITION	2,691	2,559
NET POSITION - RESTRICTED AT BEGINNING OF YEAR	55,186	52,627
NET POSITION - RESTRICTED AT END OF YEAR	$ 57,877	$ 55,186

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS
STATEMENTS OF CASH FLOWS
(in thousands)
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Principal and Interest Received on Mortgage Loans	$ 30,734	$ 49,740
Principal and Interest Received on Mortgage-Backed Securities	11,019	1,986
Escrow Funds Received	12,719	9,625
Escrow Funds Paid	(7,537)	(8,621)
Loan Fees Received	986	697
Purchase of Mortgage Loans	(82,028)	(47,583)
Purchase of Mortgage-Backed Securities	(8,557)	-
Professional Fees and Other Operating Expenses	(918)	(540)
Other Income Received	39	32
Net Cash (Used) Provided by Operating Activities	(43,543)	5,336
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Maturities or Sales of Investments	3,000	22,017
Purchase of Investments	(11,999)	-
Interest Received on Investments	378	1,810
Net Cash (Used) Provided by Investing Activities	(8,621)	23,827
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from the Sale of Bonds	68,300	52,460
Payments on Bond Principal	(21,273)	(42,969)
Interest on Bonds	(11,287)	(11,747)
Transfers Among Funds	(2,000)	(2,000)
Net Cash Provided (Used) by Noncapital Financing Activities	33,740	(4,256)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	(18,424)	24,907
CASH AND CASH EQUIVALENTS ON DEPOSIT - BEGINNING OF YEAR	129,381	104,474
CASH AND CASH EQUIVALENTS ON DEPOSIT - END OF YEAR	$ 110,957	$ 129,381

See accompanying Notes to Financial Statements.

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS
STATEMENTS OF CASH FLOWS (CONTINUED)
(in thousands)
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 4,057	$ 4,592
Adjustments to Reconcile Operating Income to Net Cash (Used) Provided by Operating Activities:		
Amortization of Investment Premiums and Discounts	3	(124)
Decrease in Provision for Loan Losses	(2)	-
Decrease (Increase) in Fair Value of Investments	493	(330)
Interest Received on Investments	(378)	(1,810)
Interest on Bonds	11,287	11,747
(Increase) Decrease in Assets:		
Mortgage Loans	(65,313)	(10,241)
Mortgage-Backed Securities	1,160	409
Accrued Interest and Other Receivables	(51)	(63)
(Decrease) Increase in Liabilities:		
Accrued Interest Payable	(3)	84
Accounts Payable	(48)	-
Rebate Liability	70	68
Deposits by Borrowers	5,182	1,004
Net Cash (Used) Provided by Operating Activities	$ (43,543)	$ 5,336

See accompanying Notes to Financial Statements.

NOTE 1 AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

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

The accompanying financial statements only include CDA's Housing Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds to provide funds to finance or refinance loans for various types of housing. As of June 30, 2021 and 2020, Housing Revenue Bonds have primarily financed multi-family projects.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is accounted for as an enterprise fund. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Accounting and Measurement Focus

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

Generally Accepted Accounting Principles

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents on Deposit

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. government agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2021 and 2020, all of the Fund's cash equivalents were invested in a money market mutual fund which is more fully described in Note 3.

Investments

Investments are principally governmental debt securities or investment agreements collateralized by governmental debt securities. Debt securities are stated at fair value, based on quoted market prices. Investments are classified as current or long-term based on the maturity date or call date, with the exception of State Housing Finance Agency (HFA) Variable Rate Demand Obligations (VRDO) which are short-term (7-day) instruments that can be tendered at 7 days' notice. Callable investments are classified as current, if exercise of the call within the next fiscal year is probable. Investments are more fully described in Note 3.

Mortgage-Backed Securities

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

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of allowance for loan losses. Loan fees are recognized as revenue in the period received. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as other receivables. See Notes 4 and 12 for additional information on mortgage loans and mortgage insurance, respectively.

Allowance for Loan Losses

Substantially all of the mortgage loans of the Fund are insured or guaranteed. Less than 1% of the loan portfolio is uninsured and CDA has established an allowance for loan losses on these loans. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group. See Notes 4 and 12 for additional information.

Accrued Interest and Other Receivables

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

Bonds Payable

Bonds payable are carried at their unpaid principal balances. However, in an economic refunding, any costs incurred from the refunding of bonds would be reported as deferred outflows or inflows of resources on the Statements of Net Position. See Notes 6, 7, 8, and 10 for more information.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits by Borrowers

This account consists of escrows and reserves held by CDA on behalf of multi-family housing developments. CDA invests these deposits and, for reserves, allows earnings to accrue to the benefit of the mortgagor. Escrows represent amounts held by CDA for mortgage insurance and hazard insurance premiums and real estate taxes, all of which are generally paid annually and which are classified as a current liability. Based on the current year's reserve disbursements, CDA has estimated the current reserve liability. The balance of the reserves is classified as long-term. CDA has set up other escrows for construction interest which are classified based on loan interest due as to whether it is a current or long-term liability. See Note 10 for further information on changes in long-term obligations.

Rebate Liability on Investments

Regulations governing the issuance of tax-exempt debt place limitations on permitted investment yield on borrowed funds. Based on these regulations, CDA is required to periodically rebate excess earning from investments to the United States Treasury. In addition, the liability may also include an estimate of the rebate obligation related to unrealized gains as a result of recording investments at fair value. Rebate liability is more fully described in Note 9.

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Code (IRC) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the IRC. If at any time the composite yields on the transferred loans are out of compliance with the IRC, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2021 and 2020, all mortgage loan yields were in compliance with the IRC.

Interest on Mortgage Loans and Mortgage-Backed Securities

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

Fee Income

CDA receives multi-family financing fees at loan origination. These fees are recognized as revenue in the period received as fee income.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Administrative Support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund and reported in the financial statements of CDA's Revenue Obligation Funds. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

The employees of CDA are covered by the Maryland State Retirement and Pension System. See Note 13 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the state of Maryland. The Fund's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities that are held within the portfolio.

Use of Estimates

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

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

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

(in thousands)

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

The following assets, reported at fair value and held by the Fund as of June 30, 2021 and 2020, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2021	2020
Cash and Cash Equivalents:		
BlackRock Liquidity FedFund Administration Shares	$ 110,957	$ 129,381
Investments:		
Obligations of the U.S. Treasury	7,022	7,519
State HFA VRDO	9,000	-
Mortgage-Backed Securities:		
GNMA Mortgage-Backed Securities	28,701	29,227
Total	$ 155,680	$ 166,127

Interest Rate Risk

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

As of June 30, 2021, the amortized cost, fair value, and maturities for these assets were as follows:

			Maturities (in Years)			
Asset	Amortized Cost	Fair Value	Less Than 1	6 - 10	11 - 15	More Than 15
BlackRock Liquidity FedFund Administration Shares	$ 110,957	$ 110,957	$ 110,957	$ -	$ -	$ -
Obligations of the U.S. Treasury	5,459	7,022	-	7,022	-	-
State HFA VRDO	9,000	9,000	-	-	9,000	-
GNMA Mortgage-Backed Securities	28,081	28,701	-	-	-	28,701
Total	$ 153,497	$ 155,680	$ 110,957	$ 7,022	$ 9,000	$ 28,701

(in thousands)

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

Interest Rate Risk (continued)

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

			Maturities (in Years)			
Asset	Amortized Cost	Fair Value	Less Than 1	6 - 10	11 - 15	More Than 15
BlackRock Liquidity FedFund Administration Shares	$ 129,381	$ 129,381	$ 129,381	$ -	$ -	$ -
Obligations of the U.S. Treasury	5,463	7,519	-	7,519	-	-
GNMA Mortgage-Backed Securities	29,241	29,227	-	-	-	29,227
Total	$ 164,085	$ 166,127	$ 129,381	$ 7,519	$ -	$ 29,227

The BlackRock Liquidity FedFund Administration Shares invests primarily in cash, U.S. Treasury bills, notes, and other obligations issued or guaranteed as to principal and interest by the U.S. government, its agencies or instrumentalities, and repurchase agreements secured by such obligations or cash. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2021 and 2020, the cost of the money market mutual fund approximated fair value.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Resolution requires investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Resolution and CDA's Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2021 and 2020, all counterparty ratings were at least equal to the ratings on the Fund's bonds. As of June 30, 2021 and 2020, the ratings on Housing Revenue Bonds were Aa2 by Moody's Investors Service and AA+ by Fitch Ratings. The following tables provide credit quality rating information for the investment portfolio and individual issuers, if they represent 5% or more of total investments in accordance with accounting guidance issued by GASB.

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

(in thousands)

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

Credit Risk and Concentration of Credit Risk (continued)

As of June 30, 2021, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of Total Investments	Money Market Fund Rating	Securities Credit Rating	Rating Agency
BlackRock Liquidity FedFund Administration Shares	$ 110,957	71.27%	Aaa-mf		Moody's
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	28,701	18.44%		Direct U.S. Obligations	
State HFA VRDO	9,000	5.78%		AA+/A-1+	S&P

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

Asset	Fair Value	Percentage of Total Investments	Money Market Fund Rating	Securities Credit Rating	Rating Agency
BlackRock Liquidity FedFund Administration Shares	$ 129,381	77.88%	Aaa-mf		Moody's
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	29,227	17.59%		Direct U.S. Obligations	

Mortgage-Backed Securities

All mortgage-backed securities held by the Fund are guaranteed by the Government National Mortgage Association (GNMA), an instrumentality of the United States Government. GNMA securities are “fully modified pass-through” mortgage-backed securities which require monthly payments by a Federal Housing Administration (FHA) lender, as the issuer of the guaranteed security to CDA. GNMA guarantees timely payment of principal and interest on Guaranteed Securities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2021 and 2020, the Fund’s investments were not subject to custodial credit risk under accounting guidance issued by GASB. CDA’s investments and collateralized securities are held in trust by the trustee or the trustee’s agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA’s name.

(in thousands)

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

Fair Value Measurements

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

The Fund has the following recurring fair value measurements as of June 30, 2021 and 2020:

- U.S. Treasury Bonds and/or U.S. government agencies of $7,022 and $7,519, respectively, are valued using quoted market prices (Level 1).
- State HFA VRDO of $9,000 and $0, respectively, are valued using the matrix pricing technique (Level 2).
- GNMA mortgage-backed securities of $28,701 and $29,227, respectively, are valued using the matrix pricing technique (Level 2).

NOTE 4 MORTGAGE LOANS

All multi-family mortgage loans are secured by first liens on the related property and approximately 99% of the outstanding loan amounts are insured or credit enhanced by the Federal Housing Administration (FHA), Maryland Housing Fund (MHF), Federal National Mortgage Association (FNMA), GNMA, or bank letters of credit. As of June 30, 2021 and 2020, interest rates on such loans range from 0.45% to 6.99% and 1.73% to 6.99%, respectively, with remaining loan terms ranging from less than 1 year to 40 years. For the years ended June 30, 2021 and 2020, an allowance for loan losses in the amount of $33 has been established for uninsured loans.

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

NOTE 5 ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2021 and 2020 were as follows:

	2021	2020
Accrued Mortgage Loan Interest	$ 1,194	$ 1,048
Accrued Mortgage-Backed Securities Interest	112	131
Accrued Investment Interest	50	47
Negative Arbitrage Due from Mortgagors	130	209
Total	$ 1,486	$ 1,435

NOTE 6 BONDS PAYABLE

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

The provisions of the Resolution require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series resolutions, at a redemption price equal to the principal amount thereof to be redeemed. When bonds are redeemed, whether as a special or optional redemption, CDA writes off a proportionate share of any unamortized original issue premiums, net of any unamortized original issue discounts, as a gain on early retirement of debt in the accompanying Statements of Revenue, Expenses, and Changes in Net Position. If unamortized original issue discounts exceed unamortized original issue premiums, CDA records a loss. The Fund’s bonds are tax-exempt and have fixed rates, except Series 2013 E which is a taxable, variable rate issue. The variable rate is set weekly by a remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will these variable rate bonds bear interest at a rate in excess of 12%.

(in thousands)

NOTE 6 BONDS PAYABLE (CONTINUED)

The following is a summary of the bond activity for the year ended June 30, 2021 and bonds payable as of June 30, 2021:

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2020	Bond Activity: New Bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed	Bonds Payable at June 30, 2021
Housing Revenue Bonds								
Series 2006 D	09/27/06	-	-	$ 3,035	$ -	$ (35)	$ (3,000)	$ -
Series 2007 C	12/20/07	5.38%	1/1/2043	1,335	-	(25)	-	1,310
Series 2008 C	09/19/08	-	-	1,630	-	(35)	(1,595)	-
Series 2009 A	11/24/09	-	-	5,795	-	(75)	(5,720)	-
Series 2012 A	07/26/12	2.50% - 4.375%	2021 - 2054	8,595	-	(130)	-	8,465
Series 2012 B	08/30/12	2.50% - 4.125%	2021 - 2054	4,140	-	(60)	-	4,080
Series 2012 D	11/07/12	2.35% - 3.875%	2021 - 2054	4,290	-	(70)	-	4,220
Series 2013 A	02/28/13	2.25% - 4.00%	2021 - 2054	10,090	-	(160)	-	9,930
Series 2013 B	07/25/13	3.10% - 5.15%	2021 - 2055	9,280	-	(125)	-	9,155
Series 2013 E	11/07/13	Variable Rate	7/1/2045	41,795	-	-	-	41,795
Series 2013 F	12/12/13	2.875% - 5.00%	2021 - 2048	11,775	-	(135)	(4,730)	6,910
Series 2014 A	02/27/14	2.60% - 5.00%	2021 - 2055	4,540	-	(60)	-	4,480
Series 2014 B	05/21/14	2.45% - 4.45%	2021 - 2055	1,210	-	(15)	-	1,195
Series 2014 C	08/21/14	2.30% - 4.05%	2021 - 2046	2,190	-	(50)	-	2,140
Series 2014 D	12/17/14	2.30% - 4.20%	2021 - 2056	9,490	-	(140)	-	9,350
Series 2015 A	05/28/15	2.15% - 4.55%	2021 - 2057	7,690	-	(100)	-	7,590
Series 2015 B	10/07/15	1.95% - 4.50%	2021 - 2057	43,870	-	(570)	-	43,300
Series 2016 A	12/14/16	2.15% - 4.40%	2021 - 2058	7,185	-	(100)	-	7,085
Series 2017 A	04/13/17	3.95%	11/1/2058	14,632	-	-	(149)	14,483
Series 2017 B	05/10/17	3.75%	3/1/2059	6,188	-	-	(64)	6,124
Series 2017 C	12/18/17	1.80% - 3.80%	2021 - 2059	17,925	-	(230)	-	17,695
Series 2018 A	05/31/18	2.20% - 4.25%	2021 - 2060	27,670	-	(765)	-	26,905
Series 2019 A	01/17/19	1.90% - 4.20%	2021 - 2061	14,715	-	(3,100)	-	11,615
Series 2019 B	04/18/19	1.70% - 3.90%	2021 - 2061	10,040	-	(35)	-	10,005
Series 2019 C	06/27/19	1.40% - 3.65%	2021 - 2061	19,665	-	-	-	19,665
Series 2019 D	08/08/19	1.35% - 3.60%	2022 - 2061	30,440	-	-	-	30,440
Series 2019 E	11/14/19	1.35% - 3.40%	2021 - 2061	6,020	-	-	-	6,020
Series 2020 A	06/30/20	0.65% - 3.10%	2023 - 2062	10,315	-	-	-	10,315
Series 2020 B	06/30/20	0.625%	6/1/2022	5,685	-	-	-	5,685
Series 2020 C	07/09/20	0.625% - 3.10%	2022-2062	-	19,350	-	-	19,350
Series 2020 D	10/22/20	0.25% - 2.95%	2022-2062	-	11,485	-	-	11,485
Series 2020 E	12/17/20	0.20% - 2.70%	2022-2062	-	23,860	-	-	23,860
Series 2021 A	06/24/21	0.35% - 2.65%	2024-2063	-	13,605	-	-	13,605
Total				$ 341,230	$ 68,300	$ (6,015)	$ (15,258)	$ 388,257

(in thousands)

NOTE 6 BONDS PAYABLE (CONTINUED)

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

	Issue Dated	Range of Interest Rates	Range of Maturities	Bonds Payable at June 30, 2019	Bond Activity: New Bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bonds Redeemed	Bonds Payable at June 30, 2020
Housing Revenue Bonds								
Series 2006 D	09/27/06	4.91%	7/1/2048	$ 3,085	$ -	$ (50)	$ -	$ 3,035
Series 2007 B	08/30/07	-	-	4,225	-	(50)	(4,175)	-
Series 2007 C	12/20/07	5.38%	1/1/2043	1,360	-	(25)	-	1,335
Series 2008 C	09/19/08	5.60%	7/1/2048	6,740	-	(90)	(5,020)	1,630
Series 2008 D	12/18/08	-	-	3,325	-	(40)	(3,285)	-
Series 2009 A	11/24/09	5.25%	7/1/2041	5,940	-	(145)	-	5,795
Series 2012 A	07/26/12	2.35% - 4.375%	2020 - 2054	8,725	-	(130)	-	8,595
Series 2012 B	08/30/12	2.30% - 4.125%	2020 - 2054	4,205	-	(65)	-	4,140
Series 2012 D	11/07/12	2.10% - 3.875%	2020 - 2054	4,360	-	(70)	-	4,290
Series 2013 A	02/28/13	2.00% - 4.00%	2020 - 2054	10,250	-	(160)	-	10,090
Series 2013 B	07/25/13	2.90% - 5.15%	2020 - 2055	9,400	-	(120)	-	9,280
Series 2013 E	11/07/13	Variable Rate	7/1/2045	41,795	-	-	-	41,795
Series 2013 F	12/12/13	2.45% - 5.25%	2020 - 2055	11,910	-	(135)	-	11,775
Series 2014 A	02/27/14	2.20% - 5.00%	2020 - 2055	4,595	-	(55)	-	4,540
Series 2014 B	05/21/14	2.10% - 4.45%	2020 - 2055	1,225	-	(15)	-	1,210
Series 2014 C	08/21/14	2.00% - 4.05%	2020 - 2046	2,240	-	(50)	-	2,190
Series 2014 D	12/17/14	1.90% - 4.20%	2020 - 2056	9,630	-	(140)	-	9,490
Series 2015 A	05/28/15	1.85% - 4.55%	2020 - 2057	7,780	-	(90)	-	7,690
Series 2015 B	10/07/15	1.65% - 4.50%	2020 - 2057	44,440	-	(570)	-	43,870
Series 2016 A	12/14/16	1.85% - 4.40%	2020 - 2058	7,285	-	(100)	-	7,185
Series 2017 A	04/13/17	3.95%	11/1/2058	14,774	-	-	(142)	14,632
Series 2017 B	05/10/17	3.75%	3/1/2059	11,985	-	(5,735)	(62)	6,188
Series 2017 C	12/18/17	1.70% - 3.80%	2020 - 2059	25,710	-	(190)	(7,595)	17,925
Series 2018 A	05/31/18	2.05% - 4.25%	2020 - 2060	42,335	-	(14,615)	(50)	27,670
Series 2019 A	01/17/19	1.85% - 4.20%	2020 - 2061	14,715	-	-	-	14,715
Series 2019 B	04/18/19	1.65% - 3.90%	2021 - 2061	10,040	-	-	-	10,040
Series 2019 C	06/27/19	1.40% - 3.65%	2021 - 2061	19,665	-	-	-	19,665
Series 2019 D	08/08/19	1.35% - 3.60%	2022 - 2061	-	30,440	-	-	30,440
Series 2019 E	11/14/19	1.35% - 3.40%	2021 - 2061	-	6,020	-	-	6,020
Series 2020 A	06/30/20	0.65% - 3.10%	2023 - 2062	-	10,315	-	-	10,315
Series 2020 B	06/30/20	0.625%	6/1/2022	-	5,685	-	-	5,685
Total				$ 331,739	$ 52,460	$ (22,640)	$ (20,329)	$ 341,230

(in thousands)

NOTE 7 DEBT SERVICE REQUIREMENTS

As of June 30, 2021, the required principal payments for bonds (including mandatory sinking fund payments and mandatory payments and prepayments from 2017A and 2017B loans, that occurred subsequent to June 30, 2021) and interest payments for each of the next five years and in five-year increments thereafter, were as follows:

Year Ending June 30,	Interest	Principal
2022	$ 11,314	$ 20,553
2023	11,176	15,953
2024	11,043	4,753
2025	10,938	5,079
2026	10,819	5,050
2027 - 2031	51,979	26,959
2032 - 2036	47,456	31,277
2037 - 2041	41,534	37,230
2042 - 2046	34,116	85,830
2047 - 2051	25,076	50,718
2052 - 2056	14,551	56,878
2057 - 2061	4,656	40,592
2062 - 2064	229	7,385
Total	$ 274,887	$ 388,257

As of June 30, 2020 the required principal payments for bonds (including mandatory sinking fund payments, mandatory payments and prepayments from 2017A and 2017B loans, and special and optional redemptions, that occurred subsequent to June 30, 2020) and interest payments for each of the next five years and in five-year increments thereafter, were as follows:

Year Ending June 30,	Interest	Principal
2021	$ 11,011	$ 15,633
2022	10,432	17,537
2023	10,214	4,013
2024	10,117	4,033
2025	10,016	4,219
2026 - 2030	48,216	21,899
2031 - 2035	44,320	25,452
2036 - 2040	39,181	30,631
2041 - 2045	32,696	36,965
2046 - 2050	24,388	85,499
2051 - 2055	14,529	51,986
2056 - 2060	4,671	37,063
2061 - 2063	255	6,300
Total	$ 260,046	$ 341,230

The interest calculations on outstanding variable rate bonds in the amount of $41,795 are based on the variable rate in effect on June 30, 2021 and 2020, and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary.

(in thousands)

NOTE 8 BOND REFUNDINGS

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds for the purpose of lowering debt costs by reducing interest rates or for other purposes such as revising payment schedules or modifying restrictions related to the old debt. This type of transaction is commonly known as an economic refunding. There were no bond refundings for the years ended June 30, 2021 and 2020.

NOTE 9 REBATE LIABILITY

In accordance with the Internal Revenue Code (IRC), the Fund has recorded a rebate liability for excess investment earnings in tax-exempt bond and note issues. The excess investment earnings arise due to actual investment yields earned by the Fund being greater than yields permitted to be retained by the Fund under the IRC. The IRC requires 90% of such excess investment earnings to be remitted to the United States Treasury every five years and in full at the final redemption of the bonds. Interest income on the Statements of Revenues, Expenses, and Changes in Net Position is reduced by the rebate liability due to excess investment earnings. The increase/decrease in fair value of investments on the Statements of Revenue, Expenses, and Changes in Net Position is adjusted by the change in the estimated liability due to the change in fair value of investments. For the years ended June 30, 2021 and 2020, the rebate liability was $178 and $108, respectively.

	2021	2020
Beginning Rebate Liability	$ 108	$ 40
Change in Estimated Liability Due to Excess Earnings (Calculated as of the Interim Computation Period Ending 1/1)	70	68
Ending Rebate Liability	$ 178	$ 108

(in thousands)

NOTE 10 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2021 and 2020 were as follows:

	2021	2020
Rebate Liability:		
Beginning Balance at June 30	$ 108	$ 40
Additions	70	68
Reductions	-	-
Ending Balance at June 30	178	108
Less: Due Within One Year	-	-
Total Long-Term Rebate Liability	178	108
Bonds Payable:		
Beginning Balance at June 30	341,230	331,739
Additions	68,300	52,460
Reductions	(21,273)	(42,969)
Ending Balance at June 30	388,257	341,230
Less: Due Within One Year	(20,553)	(15,633)
Total Long-Term Bonds Payable	367,704	325,597
Deposits by Borrowers:		
Beginning Balance at June 30	25,824	24,820
Additions	12,719	9,625
Reductions	(7,537)	(8,621)
Ending Balance at June 30	31,006	25,824
Less: Due Within One Year	(8,723)	(5,866)
Total Long-Term Deposits by Borrowers	22,283	19,958
Total Long-Term Liabilities	$ 390,165	$ 345,663

NOTE 11 INTERFUND ACTIVITY

In accordance with the Resolution, net position in the Fund is restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the Resolution. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the Resolution to meet the obligations of the Fund in current and future years.

During the years ended June 30, 2021 and 2020, the Fund transferred the following amounts, as permitted, among Funds:

	2021	2020
Excess Revenue Transferred to the General Bond Reserve Fund	$ (2,000)	$ (2,000)

NOTE 12 MORTGAGE INSURANCE

Approximately 99% of the Fund's outstanding loan amounts are insured or credit enhanced as described in Note 4.

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

Single-family mortgagors pay the premiums for primary mortgage insurance. Generally, loans are insured in an amount that is at least 25% of the loan amount.

NOTE 13 PENSION AND OTHER POSTRETIREMENT BENEFITS

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

NOTE 14 SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2021, CDA issued $11,395 of Series 2021 B Housing Revenue Bonds on July 29, 2021.

On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to CDA activity, COVID-19 may impact various parts of its 2022 operations and financial results including, but not limited to, an increase in non-performing loans, an increase in loans in forbearance, or a potential decrease in loan production, all of which would likely reduce revenues and increase expenses. Management believes that CDA is taking appropriate actions to mitigate the negative impact.

As of June 30, 2021, CDA did not observe any material impacts on the Fund's operations or its financial position from the pandemic public health crisis.

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS
SUPPLEMENTAL DISCLOSURE OF CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES
(in thousands)
JUNE 30, 2021 AND 2020

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

For investments (obligations of the U.S. Treasury) held by the Fund as of June 30, 2021, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal Year Ended June 30,	Annual Increases/ Decreases	Cumulative Total
1997	$ (352)	$ (352)
1998	832	480
1999	(407)	73
2000	48	121
2001	193	314
2002	157	471
2003	889	1,360
2004	(678)	682
2005	897	1,579
2006	(866)	713
2007	48	761
2008	444	1,205
2009	202	1,407
2010	472	1,879
2011	(280)	1,599
2012	1,283	2,882
2013	(730)	2,152
2014	(27)	2,125
2015	36	2,161
2016	409	2,570
2017	(666)	1,904
2018	(454)	1,450
2019	276	1,726
2020	330	2,056
2021	(493)	1,563

COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS
SUPPLEMENTAL DISCLOSURE OF CHANGES IN FAIR VALUE OF INVESTMENTS AND MORTGAGE-BACKED SECURITIES (CONTINUED)
(in thousands)
JUNE 30, 2021 AND 2020

For mortgage-backed securities held by the Fund as of June 30, 2021, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and cost:

Fiscal Year Ended June 30,	Annual Increases/ Decreases	Cumulative Total
2000	$ (3,825)	$ (3,825)
2001	(3,291)	(7,116)
2002	3,340	(3,776)
2003	21,435	17,659
2004	(11,126)	6,533
2005	12,879	19,412
2006	(27,704)	(8,292)
2007	3,661	(4,631)
2008	(5,987)	(10,618)
2009	17,358	6,740
2010	13,103	19,843
2011	(7,348)	12,495
2012	6,303	18,798
2013	(8,491)	10,307
2014	(5,694)	4,613
2015	(1,650)	2,963
2016	2,232	5,195
2017	(2,551)	2,644
2018	(1,920)	724
2019	(705)	19
2020	(33)	(14)
2021	634	620