



NEBRASKA INVESTMENT FINANCE AUTHORITY

Financial Statements and Supplemental Data

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

/NEBRASKA INVESTMENT FINANCE AUTHORITY

Table of Contents

	Page
Management's Discussion and Analysis	1
Independent Auditors' Report	9
Statements of Net Position	12
Statements of Revenue, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	15
Supplemental Data	
Schedule 1 All Divisions – Supplemental Asset and Liability Information	32
Schedule 2 Single Family Finance Division – Supplemental Asset and Liability Information	33
Schedule 3 All Divisions – Supplemental Revenue and Expense Information	34
Schedule 4 Single Family Finance Division – Supplemental Revenue and Expense Information	35

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2021 and 2020

This section of the Nebraska Investment Finance Authority's (the Authority) annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal years ended June 30, 2021 and 2020. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of the Governmental Accounting Standards Board (GASB).

The Authority is a self-supporting entity and follows enterprise fund accounting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority's financial report consists of two parts – management's discussion and analysis and the basic financial statements. Management's discussion and analysis should be read in conjunction with the basic financial statements. The basic financial statements consist of statements of net position; statements of revenue, expenses, and changes in net position; statements of cash flows; and the notes thereto.

The statements of net position include all of the Authority's assets and liabilities, presented in order of liquidity, along with the deferred outflows and deferred inflows, which represent deferrals of resources related to future periods. The resulting net position presented in these statements is displayed as restricted by bond resolution and unrestricted. Net position is restricted when its use is subject to external limits such as bond indentures, legal agreements, or statutes. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial assets of the Authority are improving or deteriorating.

All of the Authority's current year revenue and expenses are recorded in the statements of revenue, expenses, and changes in net position. These statements measure the activities of the Authority's operations over the past year and present the resulting change in net position, calculated as revenue less expenses.

The final required financial statements are the statements of cash flows. The primary purpose of these statements is to provide information about the Authority's cash receipts and cash payments during the reporting period. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, and investing activities. The statements provide information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the financial statements. The notes follow the statements of cash flows.

Authority Credit and General Obligation Rating

The unsecured general obligation of the Authority is rated AA by Standard & Poor's Rating Services as of June 30, 2021. This rating takes into account the amount of unrestricted net position maintained by the Authority, as well as certain contingent obligations to which the general obligation of the Authority is pledged. While there is no guarantee that this rating will remain in effect for any period of time, management is committed to maintaining the level of unrestricted net position necessary to maintain an investment grade rating of its general obligation.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2021 and 2020

On August 5, 2011, Standard & Poor's lowered its long-term sovereign credit rating on the United States of America from "AAA" to "AA+" with negative implications. Due to this downgrade and the effect on many of the credit support instruments pledged to the Authority's bond issues, such as Ginnie Mae, Fannie Mae, and Freddie Mac mortgage-backed securities, Fannie Mae and Freddie Mac credit enhancements, government mortgage insurance, and those bonds that have funds invested in short-term instruments guaranteed by the United States of America, on August 8, 2011, Standard & Poor's lowered the long-term credit rating on a large number of the Authority's bonds (substantially all of its single family mortgage revenue bonds) from "AAA" to "AA+" and placed the issues on negative outlook. On June 10, 2013, Standard & Poor's affirmed its long-term sovereign credit rating on the United States of America at "AA+" and revised the outlook from negative to stable and on February 11, 2021 affirmed the rating on the Authority's bonds described above to "AA+" with a stable outlook.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2021 and 2020

Financial Analysis

The Authority's overall financial position and results of operations for the current and prior two years are summarized below. This information is derived from the basic financial statements (dollars in thousands):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Investments	\$ 189,150	214,946	243,982
Loans receivable	1,272,134	1,523,173	1,424,266
Other assets	<u>4,904</u>	<u>5,621</u>	<u>5,965</u>
Total assets	<u>1,466,188</u>	<u>1,743,740</u>	<u>1,674,213</u>
Deferred Outflows of Resources			
Accumulated decrease in fair value of hedging derivatives	7,867	13,050	5,425
Loss on refunding	<u>12,969</u>	<u>15,823</u>	<u>19,033</u>
Total deferred outflows of resources	<u>20,836</u>	<u>28,873</u>	<u>24,458</u>
Liabilities			
Bonds payable	1,017,034	1,300,976	1,239,770
Interest payable	9,428	12,363	12,123
Other liabilities	<u>52,713</u>	<u>51,567</u>	<u>47,225</u>
Total liabilities	<u>1,079,175</u>	<u>1,364,906</u>	<u>1,299,118</u>
Deferred Inflows of Resources			
Accumulated increase in fair value of hedging derivatives	249	—	—
Swap up-front payment	<u>13,320</u>	<u>16,447</u>	<u>20,021</u>
Total deferred inflows of resources	<u>13,569</u>	<u>16,447</u>	<u>20,021</u>
Net Position			
Restricted by bond resolution	311,306	298,757	285,610
Unrestricted	<u>82,974</u>	<u>92,503</u>	<u>93,922</u>
Total net position	<u>\$ 394,280</u>	<u>391,260</u>	<u>379,532</u>
Change in Net Position			
Total revenue, primarily interest income	\$ 47,729	56,445	50,649
Total expenses	<u>44,709</u>	<u>44,717</u>	<u>43,379</u>
Change in net position	<u>\$ 3,020</u>	<u>11,728</u>	<u>7,270</u>

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2021 and 2020

2021 Analysis – Statements of Net Position

From June 30, 2020 to June 30, 2021, total assets decreased \$277.6 million.

Investments – Decrease of \$25.8 million

- A decrease of \$9.6 million in restricted investments was related to having no bond proceeds on hand at June 30, 2021, as compared to bond proceeds on hand at June 30, 2020, from the issuance of Single Family Housing Revenue Bonds. The bond proceeds were available for the purchase of pools of single family mortgage loans that were in the pipeline.
- Operating funds warehousing single family mortgage loan pools (pending the issuance of bonds) increased by \$14.3 million, resulting in a corresponding decrease in operating investments.

Loans Receivable – Decrease of \$251.0 million

- The availability of very low mortgage interest rates in the market and the economic disruption caused by the COVID-19 pandemic impacted demand for the Authority's single family program. New loan purchases were \$180.3 million in fiscal year 2021, compared to \$315.5 million in fiscal year 2020.
- The low rate environment also impacted prepayment levels on the existing mortgage loan portfolio. Loan repayments, which include regularly scheduled principal and interest payments, as well as prepayments, were \$431.1 million and \$216.5 million in fiscal year 2021 and 2020, respectively.

From June 30, 2020 to June 30, 2021, total deferred outflows of resources decreased \$8.0 million.

Accumulated Decrease in Fair Value of Hedging Derivatives – Decrease of \$5.2 million

- The fair value changes associated with the Authority's derivatives that are determined to be effective hedges are deferred in the statements of net position. All but one of the Authority's hedging derivatives were in liability positions as of June 30, 2021. See *Other Liabilities – Fair Value of Derivatives* below for a discussion of the decrease.

Loss on Refunding – Decrease of \$2.8 million

- The Authority's debt refundings during fiscal year 2021 did not result in any additional deferred losses. Amortization of deferred loss on refunding was \$2.8 million during fiscal year 2021.

From June 30, 2020 to June 30, 2021, total liabilities decreased \$285.7 million.

Bonds Payable – Decrease of \$283.9 million

- The Authority issued \$182.5 million in single family program revenue bonds in fiscal year 2021 and recognized bond premium amortization of \$(4.2 million).
- Total bond maturities and mandatory bond redemptions in fiscal year 2021 were \$462.3 million. Higher than average prepayment levels caused a significant increase in mandatory bond redemptions, coupled with a decrease in recycling mortgage repayments into new mortgages in fiscal year 2021.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2021 and 2020

Interest Payable – Decrease of \$2.9 million

- Interest payable decreased \$2.9 million due not only to the overall decrease in bonds payable, but also because recent bond issuances have been at historically low rates while higher rate bonds have been redeemed.

Other Liabilities – Accrued Liabilities – Increase of \$7.5 million

- Prior to June 30, 2021, the Authority awarded \$6.9 million in match funds in connection with the state's workforce housing programs, resulting in a corresponding increase in accrued liabilities.
- Deferred fee income increased \$0.6 million with the addition of nine new low income housing tax credit projects paying 15-year compliance fees upfront.

Other Liabilities – Mortgage Subsidy Reserve – Decrease of \$1.2 million

- The Authority utilizes costs savings achieved from the use of various financing techniques that lower bond costs to subsidize mortgage loans with interest rates below market. Savings realized in fiscal year 2021 of \$2.9 million was offset by savings used of \$4.1 million.

Other Liabilities – Fair Value of Derivatives – Decrease of \$5.2 million

- All but one of the Authority's derivatives were in liability positions as of June 30, 2021, reflecting the Authority's future obligations with respect to the derivative contracts. The fair value of derivatives, which is dependent on the current interest rate environment, is provided by an independent source.

From June 30, 2020 to June 30, 2021, total deferred inflows of resources decreased \$2.9 million.

Swap Upfront Payment – Decrease of \$3.1 million

- Amortization of swap up-front payment was \$3.1 million during fiscal year 2021.

From June 30, 2020 to June 30, 2021, total net position increased \$3.0 million.

- The Authority's revenue less expenses for fiscal year 2021 resulted in an increase in total net position of \$3.0 million.

2021 Analysis – Statements of Revenue, Expenses, and Changes in Net Position

The Authority's change in net position for the year ended June 30, 2020 was \$3.0 million, a decrease of \$8.7 million from the year ended June 30, 2020.

Operating Revenue – Decrease of \$8.7 million

- Mortgage loan interest decreased a total of \$6.2 million as the result of:
 - \$5.3 million decrease related to a decrease in size of the Authority's single family loan portfolio,
 - \$1.9 million decrease resulting from a smaller adjustment to the mortgage subsidy reserve during the year, and
 - \$1.2 million increase due to fewer premiums paid on loans purchases for the year.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2021 and 2020

- Revenue related to the Authority's investments decreased \$2.8 million due to a decrease in yields on funds invested in short term discount notes.

Operating Expenses – Decrease of \$8,000

- Interest expense decreased \$6.3 million due to:
 - \$7.2 million decrease in bond interest because of a large decrease in bonds payable due to increased cross calling instead of recycling mortgage prepayments into new loans, as well as a lower weighted average bond interest rate, reflecting the redemption of higher rate bonds,
 - \$1.1 million decrease in bond issuance costs paid during the year related to issuing a smaller amount of bonds in fiscal year 2021 as compared to fiscal year 2020,
 - \$1.3 million increase in net payments made by the Authority in connection with interest rate swap agreements, as the result of a decreasing trend in the index rate used to calculate the variable payment received from the counterparties,
 - a net increase of \$0.8 million related to amortization of bond premium, deferred loss on refunding, and swap upfront payments, all of which are amortized to interest expense.
- General and administrative expenses decreased slightly, by \$0.2 million.
- Nebraska Opportunity Fund expenses increased by \$6.5 million due to match funds awarded in connection with the state's new workforce housing programs.

2020 Analysis – Statements of Net Position

From June 30, 2019 to June 30, 2020, total assets increased \$69.5 million.

Investments – Decrease of \$29.0 million

- Restricted investments decreased \$30.9 million due to the balance of bond proceeds on hand at June 30, 2020, as compared to bond proceeds on hand at June 30, 2019, from the issuance of Single Family Housing Revenue Bonds. The bond proceeds were available for the purchase of pools of single family mortgage loans that were in the pipeline as of June 30 of each year.
- Restricted investments increased by \$2.6 million related to an increase in the balance of mortgage loan prepayments held for recycling.

Loans Receivable – Increase of \$98.9 million

- New loan purchases were \$315.5 million and \$287.7 million in fiscal year 2020 and 2019, respectively.
- Loan repayments, which include regularly scheduled principal and interest payments, as well as prepayments, were \$216.5 million and \$158.8 million in fiscal year 2020 and 2019, respectively.

From June 30, 2019 to June 30, 2020, total deferred outflows of resources increased \$3.3 million.

Accumulated Decrease in Fair Value of Hedging Derivatives – Increase of \$7.6 million

- The fair value changes associated with the Authority's derivatives that are determined to be effective hedges are deferred in the statements of net position. All of the Authority's hedging derivatives were in

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2021 and 2020

liability positions as of June 30, 2020. See *Other Liabilities – Fair Value of Derivatives* below for a discussion of the increase.

Loss on Refunding – Decrease of \$3.2 million

- The Authority's debt refundings during fiscal year 2020 did not result in any additional deferred losses. Amortization of deferred loss on refunding was \$3.2 million during fiscal year 2020.

From June 30, 2019 to June 30, 2020, total liabilities increased \$64.7 million.

Bonds Payable – Increase of \$61.2 million

- The Authority issued \$303.3 million in single family program revenue bonds in fiscal year 2020 and recognized bond premium amortization of \$4.8 million.
- Total bond maturities and mandatory redemptions in fiscal year 2020 were \$237.3 million.

Other Liabilities – Mortgage Subsidy Reserve – Decrease of \$3.1 million

- The Authority utilizes costs savings achieved from the use of various financing techniques that lower bond costs to subsidize mortgage loans with interest rates below market. Savings realized in fiscal year 2020 of \$2.4 million was offset by savings used of \$5.5 million.

Other Liabilities – Fair Value of Derivatives – Increase of \$7.0 million

- All of the Authority's derivatives were in liability positions as of June 30, 2020, reflecting the Authority's future obligations with respect to the derivative contracts. The fair value of derivatives, which is dependent on the current interest rate environment, is provided by an independent source.

From June 30, 2019 to June 30, 2020, total deferred inflows of resources decreased \$3.6 million.

Swap Upfront Payment – Decrease of \$3.6 million

- Amortization of swap up-front payment was \$3.6 million during fiscal year 2020. From June 30, 2019 to June 30, 2020, total net position increased \$11.7 million.
- The Authority's revenue less expenses for fiscal year 2020 resulted in an increase in total net position of \$11.7 million.

2020 Analysis – Statements of Revenue, Expenses, and Changes in Net Position

The Authority's change in net position for the year ended June 30, 2020 was \$11.7 million, an increase of \$4.5 million from the year ended June 30, 2019.

Operating Revenue – Increase of \$5.8 million

- Mortgage loan interest increased a total of \$5.9 million as the result of:
 - \$5.0 million increase related to growth in the Authority's single family mortgage loan portfolio, and
 - \$0.9 million increase related to the mortgage subsidy reserve adjustment.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2021 and 2020

Operating Expenses – Increase of \$1.3 million

- Interest expense increased \$1.9 million primarily related to growth in the Authority's single family bond portfolio.
- General and administrative expenses decreased \$0.6 million primarily as the result of the end of litigation and the termination of a credit default swap:
 - Legal fees related to litigation were \$0 in fiscal year 2020, compared to \$0.2 million in fiscal year 2019.
 - Fees related to the Authority's credit default swap were \$50,000 in fiscal year 2020, compared to \$0.5 million in fiscal year 2019.

Long-Term Debt Activity

During fiscal years 2021 and 2020, the Authority issued Single Family program revenue bonds totaling \$182.5 million and \$303.3 million, respectively. Principal payments on bonds totaled \$462.3 million and \$237.3 million in fiscal years 2021 and 2020, respectively. Amortization of bond premium was \$(4.2 million) and \$(4.8 million) in fiscal years 2021 and 2020, respectively. Detailed information about the Authority's bonds payable is presented in note 6 to the financial statements.

Contact Information

This financial report is intended to provide users with a general overview of the Authority's financial performance for fiscal years ended June 30, 2021 and 2020. If you have questions about this report or need additional financial information, please contact the Authority's Treasurer at Nebraska Investment Finance Authority, 1230 O Street, Suite 200, Lincoln, Nebraska 68508, or visit the Authority's website at www.nifa.org and navigate to the Bonds/Finance section.



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Independent Auditors' Report

The Board of Directors
Nebraska Investment Finance Authority:

Report on Financial Statements

We have audited the accompanying financial statements of the Nebraska Investment Finance Authority (the Authority), which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 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 qualified audit opinion.

Basis for Qualified Opinion

As more fully described in note 2(e) to the financial statements, the Authority has reported investments in securitized mortgage loans at amortized cost. In addition, as more fully described in note 2(i) to the financial statements, the Authority does not report commitments to purchase securitized mortgage loans at fair value. U.S. generally accepted accounting principles require that securitized mortgage loans and loan commitments be reported at fair value.



Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Nebraska Investment Finance Authority as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1 through 8 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 and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules 1 through 4 are the responsibility of management and were 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 additional information in supplemental schedules 1 through 4 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 1, 2021 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 Authority's internal control over financial reporting and compliance.

KPMG LLP

Lincoln, Nebraska
November 1, 2021

NEBRASKA INVESTMENT FINANCE AUTHORITY

Statements of Net Position

June 30, 2021 and 2020

(Dollars in thousands)

	Assets	2021	2020
Current assets:			
Cash		\$ 656	559
Investments		78,323	93,686
Interest receivable		31	2
Loans receivable		404	—
Other current assets		172	387
Restricted assets:			
Cash		—	21
Investments		44,112	42,244
Interest receivable		16	26
Total current assets		<u>123,714</u>	<u>136,925</u>
Noncurrent assets:			
Loans receivable		14,357	444
Restricted assets:			
Investments		66,715	79,016
Interest receivable		3,435	4,294
Loans receivable		1,257,373	1,522,729
Fair value of derivatives		249	—
Other assets		345	332
Total noncurrent assets		<u>1,342,474</u>	<u>1,606,815</u>
Total assets		<u>1,466,188</u>	<u>1,743,740</u>
	Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives		7,867	13,050
Loss on refunding		12,969	15,823
Total deferred outflows of resources		<u>20,836</u>	<u>28,873</u>
	Liabilities		
Current liabilities:			
Accrued liabilities		11,331	3,825
Interest payable		9,428	12,363
Current portion of bonds payable		34,625	29,050
Total current liabilities		<u>55,384</u>	<u>45,238</u>
Noncurrent liabilities:			
Fair value of derivatives		7,867	13,050
Bonds payable, net of current portion		982,409	1,271,926
Mortgage subsidy reserve		33,515	34,692
Total noncurrent liabilities		<u>1,023,791</u>	<u>1,319,668</u>
Total liabilities		<u>1,079,175</u>	<u>1,364,906</u>
	Deferred Inflows of Resources		
Accumulated increase in fair value of hedging derivatives		249	—
Swap up-front payment		13,320	16,447
Total deferred inflows of resources		<u>13,569</u>	<u>16,447</u>
	Net Position		
Restricted by bond resolution		311,306	298,757
Unrestricted		82,974	92,503
Total net position		<u>\$ 394,280</u>	<u>391,260</u>

See accompanying notes to financial statements.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
Operating revenue:		
Interest income:		
Loans	\$ 45,470	51,655
Investments	3	155
Net increase in fair value of investments	90	2,733
Fees and other income	<u>2,166</u>	<u>1,902</u>
Total operating revenue	<u>47,729</u>	<u>56,445</u>
Operating expenses:		
Interest	30,313	36,587
General and administrative	6,920	7,195
Nebraska Opportunity Fund	<u>7,476</u>	<u>935</u>
Total operating expenses	<u>44,709</u>	<u>44,717</u>
Change in net position	3,020	11,728
Net position, beginning of year	<u>391,260</u>	<u>379,532</u>
Net position, end of year	<u><u>\$ 394,280</u></u>	<u><u>391,260</u></u>

See accompanying notes to financial statements.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(Dollars in thousands)

	2021	2020
Cash flows from operating activities:		
Purchase of loans	\$ (180,328)	(315,536)
Principal repayments received on loans	431,084	216,495
Interest received on loans	45,401	48,509
Fees and program income received	2,799	2,631
General and administrative costs paid	(6,906)	(7,525)
Payments from Nebraska Opportunity Fund	(612)	(935)
Net cash provided by (used in) operating activities	291,438	(56,361)
Cash flows from noncapital financing activities:		
Proceeds from sale of bonds	182,498	303,346
Repayment of bonds	(462,262)	(237,283)
Debt issuance costs paid	(1,587)	(2,676)
Interest paid	(36,112)	(38,892)
Net cash (used in) provided by noncapital financing activities	(317,463)	24,495
Cash flows from investing activities:		
Interest received on investments	3	233
Proceeds from sales, maturities, and calls of investments	1,034,073	1,233,791
Purchase of investments	(1,007,975)	(1,202,117)
Payment to settle credit default swap	—	(636)
Net cash provided by investing activities	26,101	31,271
Net increase (decrease) in cash	76	(595)
Cash, beginning of year	580	1,175
Cash, end of year	\$ 656	580
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 3,020	11,728
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Purchase of loans	(180,328)	(315,536)
Principal repayments received on loans	431,084	216,495
Interest received on investments	(3)	(233)
Interest expense	30,313	36,587
Increase in fair value of investments	(90)	(2,733)
Amortization and other income, net	268	137
Decrease (increase) in interest receivable	840	(120)
Decrease in prepaid expenses	5	25
Increase (decrease) in other liabilities	6,329	(2,711)
Net cash provided by (used in) operating activities	\$ 291,438	(56,361)

See accompanying notes to financial statements.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

(1) Authorizing Legislation and Organizational Structure

Nebraska Investment Finance Authority (the Authority) was created as a quasi-governmental entity on August 26, 1983 by an Act (the Act) of the Nebraska Legislature. The Authority was established to provide sources of mortgage financing at reduced interest rates to Nebraska residents of low- and moderate-income levels, agricultural financing at reduced interest rates to Nebraska farmers and other agricultural enterprises, other financing at reduced interest rates to Nebraska business enterprises, and to provide technical assistance to businesses and communities. The Authority is authorized to invest in loans made for the construction, rehabilitation, or purchase of residential housing and certain enterprises. The Authority has been designated as the allocating agency for the Federal Low Income Housing Tax Credit Program (the LIHTC Program) and the Nebraska Affordable Housing Tax Credit Program (the AHTC Program). The LIHTC and AHTC Programs were established to encourage investment in the construction and rehabilitation of rental housing units for low- and moderate-income individuals and families. The Authority has no taxing power and is exempt from federal and state income taxes. The Authority is authorized to issue tax-exempt revenue bonds and other obligations, the proceeds of which are to be utilized to fulfill the aforementioned purposes. Amounts so issued will not be deemed to constitute a debt of the State of Nebraska or any political subdivision thereof. Any assets remaining upon dissolution of the Authority, after all indebtedness and other obligations are satisfied, will be transferred to the State of Nebraska.

(2) Significant Accounting Policies

The following is a summary of the significant accounting and financial reporting policies followed in the preparation of these financial statements:

(a) Basis of Presentation and Accounting

The financial activities of the Authority are recorded in accounts established under various bond indentures (program accounts) and in an operating account established for the administration of the Authority's programs. The Authority's program and operating accounts have been presented on a combined basis, as the Authority is considered a single-enterprise fund for financial reporting purposes. All revenue and expenses are considered operating, as they relate directly to the purpose of the Authority.

The Authority's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with U.S. generally accepted accounting principles, except for investment in securitized mortgage loans and commitments to buy securitized mortgage loans, as discussed below. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements.

(b) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include the rebate liability, mortgage subsidy reserve, derivatives, and the loans receivable allowance.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

(c) Investments

Investments are carried at fair value based upon established quoted market prices. Changes in the fair value of investments are reported as increases (decreases) in operating revenue in the statements of revenue, expenses, and changes in net position.

(d) Loans Receivable

Loans receivable consist of single family mortgages as well as single family Ginnie Mae I, Fannie Mae, and Freddie Mac mortgage-backed pass-through certificates, and Uniform Mortgage-Backed Securities (collectively, "securitized mortgage loans") backed by pools of single family mortgage loans originated pursuant to the Authority's Single Family Program. The Authority has a 100% beneficial interest in the loans underlying the securitized mortgage loans. Loans receivable are carried at the unpaid principal balance.

(e) Securitized Mortgage Loans

The Authority reports securitized mortgage loans at amortized cost. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that investments in debt securities, including securitized loans, be reported at fair value. Based on values obtained from an independent pricing source, the estimated fair value of the Authority's securitized mortgage loans is \$1,320.6 million and \$1,599.7 million, respectively, compared to amortized cost of \$1,246.6 million and \$1,498.3 million at June 30, 2021 and 2020, respectively. GASB Statement No. 31 also requires that the change in fair value be reported in operating revenue and change in net position. Accordingly, the Authority should have reported in its statements of revenue, expenses, and changes in net position the (decrease) increase in unrealized gains of \$(27.3 million) and \$60.6 million for the years ended June 30, 2021 and 2020, respectively, (decreasing) increasing operating revenue and change in net position by those amounts. Net position should have been increased by the cumulative unrealized gains on the securitized mortgage loans of \$74.0 million and \$101.4 million at June 30, 2021 and 2020, respectively.

Additionally, interest earned on securitized mortgage loans totaling \$45.5 million and \$51.7 million at June 30, 2021 and 2020, respectively, has been classified as interest income from loans rather than investments in the statements of revenue, expenses, and changes in net position. Principal and interest payments received on securitized loans of approximately \$431.1 million and \$45.4 million, respectively, in 2021 and \$216.5 million and \$48.5 million, respectively, in 2020 have been included in cash flows provided by operating activities rather than cash flows used in investing activities in the statements of cash flows.

(f) Debt Financing Costs and Fee Income

Debt financing costs and fees collected from financial institutions in exchange for mortgage loan servicing rights are expensed as incurred or recognized as income when received, in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

(g) Provision for Loan Losses

A provision for loan losses is recorded in expenses when, in management's opinion, the realization of all or a portion of the loans is not probable and the Authority does not have insurance or guarantees on its loans. As described in note 5, the Authority's single family mortgage loans are primarily in the form

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

of mortgage-backed pass-through certificates. While management uses available information to recognize losses, future additions to the allowance may be necessary based on changes in economic conditions.

(h) Debt Refunding

Gains or losses from debt refundings are deferred and amortized over the shorter of the remaining life of the prior bonds or the estimated life of the refunding bonds, using the effective-interest method.

(i) Derivative Instruments

Derivative instruments, as defined in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), are measured on the statements of net position at fair value, except as noted below. Changes in fair value for those derivative instruments that meet the criteria for hedging instruments under GASB 53 are reported as deferred inflows and outflows of resources. The Authority uses derivative financial instruments, in the form of interest rate swap agreements, to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing. These derivatives may involve elements of credit and market risk in excess of amounts recognized in the financial statements in the event of nonperformance by the counterparties to the interest rate derivative transactions. The Authority monitors the credit quality of the counterparties.

Additionally, the Authority commits to purchase mortgage-backed pass-through certificates (securitized mortgage loans) backed by pools of single family mortgage loans originated pursuant to the Authority's Single Family Program. As of June 30, 2021 and 2020, the Authority had committed to purchase additional single family securitized mortgage loans totaling \$92.5 million and \$56.0 million, respectively. The commitments represent amounts reserved with the Authority by participating lenders for loans that have not been delivered to the trustee for purchase by the Authority. Under GASB 53, a commitment to purchase mortgage-backed securities is a derivative instrument and should be reported at fair value. The Authority does not record commitments to purchase mortgage-backed securities in its financial statements. The Authority should have reported the fair value of its commitments as assets of \$2.1 million and \$3.0 million at June 30, 2021 and 2020, respectively, in its statements of net position. As the commitments are considered investment derivative instruments, the fair value and changes in fair value should be reported as other income as of June 30, 2021 and 2020 in its statements of revenue, expenses, and changes in net position.

(j) Arbitrage

Earnings on certain loans and investments are subject to the arbitrage requirements of the Internal Revenue Code (IRC). Estimated excess earnings on investments that may be rebated to the U.S. Treasury Department are recorded in accrued liabilities. Estimated excess earnings on loans that must be used through other qualified Authority loan programs or paid to the U.S. Treasury Department are recorded in the Mortgage Subsidy Reserve.

Arbitrage rebate amounts that are the result of investment yields are recorded as a reduction of interest income. Arbitrage rebate amounts that result from gains on sales of investment securities are recorded as a reduction to the net increase (decrease) in the fair value of investments. Changes in Mortgage Subsidy Reserve resulting from changes to loan interest spreads are recorded as increase (decrease) in interest income on loans.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

(k) Income Taxes

Income of the Authority, which was formed under Nebraska Revised Statute Section 58-226 as a body politic and independent instrumentality, is excludable from gross income under Section 115(1) of the IRC because such income is generated by the performance of essential governmental functions. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

(l) Upcoming GASB Pronouncements

Effective for the year ending June 30, 2022, the Authority will adopt GASB Statement No. 87, Leases. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority is currently evaluating the impact that the adoption of GASB Statement No. 87 will have on its financial statements and related disclosures.

As a result of global reference rate reform, the London Interbank Offered Rate (LIBOR) is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Effective for the year ending June 30, 2022, the Authority will adopt GASB Statement, No. 93, Replacement of Interbank Offered Rates. This statement removes LIBOR as an appropriate benchmark interest rate. In anticipation of this Statement, the Authority identified its existing financial instruments that use LIBOR as a reference rate. The Authority's Standby Bond Purchase Agreements were amended to replace LIBOR with Secured Overnight Financing Rate (SOFR), and the Authority's interest rate swap agreement with a floating rate option that converts to LIBOR in the future includes fallback provisions for the reference rate.

(3) Asset Restrictions

All assets within program accounts are restricted to the payment of principal, interest, sinking fund installments, and other purposes in accordance with the terms of each respective bond and note resolution. The financial statements contain the total of all program and operating accounts. However, since the assets of each program account are restricted by the related resolutions, the totaling of the accounts, including assets therein, is for convenience only and does not indicate that the total assets are available in any manner other than that provided for in the resolutions of the separate accounts.

(4) Cash and Investments

(a) Cash

The Authority had cash deposits with a carrying value of \$0.7 million and \$0.6 million as of June 30, 2021 and 2020, respectively, and a bank balance of \$0.8 million and \$0.9 million as of June 30, 2021 and 2020, respectively. None of the deposits were uninsured and uncollateralized.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

(b) Investments

Investments are reported in the statements of net position as follows (dollars in thousands):

	2021	2020
Investments	\$ 78,323	93,686
Restricted investments (current)	44,112	42,244
Restricted investments (noncurrent)	66,715	79,016
	<u>\$ 189,150</u>	<u>214,946</u>

The net change in fair value of investments was an increase of \$90,000 and \$2.7 million for the years ended June 30, 2021 and 2020, respectively. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. At June 30, 2021 and 2020, the Authority had net unrealized (losses) gains of approximately \$(6,000) and \$14,000, respectively, in its investment portfolio.

The investment of funds is restricted by the Act and the various bond indentures of the Authority. Funds not needed for immediate disbursement (other than funds invested pursuant to the terms of specific bond indentures) are required by the Act to be invested in direct and general obligations of, or obligations guaranteed by, the United States of America, obligations issued by certain agencies of the federal government, obligations issued by the State of Nebraska, or certain obligations or securities that may from time to time be legally purchased by governmental subdivisions of Nebraska.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2021 and 2020, the Authority had the following investments and maturities (dollars in thousands):

Investment type	Carrying value	2021			
		Investment maturities (in years)			
		Less than 1	1–5	6–10	More than 10
U.S. Treasury securities	\$ 106,606	106,606	—	—	—
U.S. government agency securities	52,994	52,994	—	—	—
Collateralized repurchase agreements	610	610	—	—	—
Money market mutual funds	28,940	28,940	—	—	—
	<u>\$ 189,150</u>	<u>189,150</u>	<u>—</u>	<u>—</u>	<u>—</u>

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

Investment type	Carrying value	2020			
		Investment maturities (in years)			
		Less than 1	1–5	6–10	More than 10
U.S. Treasury securities	\$ 85,423	85,423	—	—	—
U.S. government agency securities	50,245	50,245	—	—	—
Collateralized repurchase agreements	660	660	—	—	—
Money market mutual funds	78,618	78,618	—	—	—
	<u>\$ 214,946</u>	<u>214,946</u>	<u>—</u>	<u>—</u>	<u>—</u>

Credit Risk: Investment of funds within each bond issue is limited to investments specified in the applicable indentures to meet the requirements of the rating agency providing the rating on the issue. The Authority's investments in short-term U.S. government agencies and money market mutual funds are rated in the highest short-term rating category by Standard & Poor's (S&P) and Moody's Investors Service (Moody's) as of June 30, 2021. Repurchase agreements are with counterparties whose credit ratings or structures do not adversely affect the rating, if any, on the corresponding bonds.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority is exposed to custodial credit risk on its repurchase agreements of \$0.6 million and \$0.7 million at June 30, 2021 and 2020, respectively, as the collateral is held by the counterparties, but not in the Authority's name.

Concentration of Credit Risk: The Authority places no limit on the amount it may invest in any one issuer. As of June 30, 2021 and 2020, the Authority had greater than 5% of its investment balance with the following issuers:

Issuer	Percentage	
	2021	2020
Federal Home Loan Bank	28.0 %	9.3 %
Freddie Mac	—	14.1
Wells Fargo	15.6	36.9

Investments Valued at Fair Value: Governmental Accounting Standards Board (GASB) Statement No. 72 provides a framework for fair value that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Authority can access at the measurement date.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.); or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 – Unobservable inputs for assets or liabilities that reflect the Authority's own assumptions about the assumptions that market participants would use.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

		June 30, 2021		
		Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investments by fair value level</u>	<u>Total fair value</u>			
Debt securities:				
U.S. Treasury securities	\$ 106,606	106,606	—	—
U.S. government agency securities	52,994	—	52,994	—
Collateralized repurchase agreements	610	610	—	—
Money market mutual funds	28,940	28,940	—	—
Total investments by fair value level	\$ <u>189,150</u>	<u>136,156</u>	<u>52,994</u>	<u>—</u>

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

June 30, 2020				
Investments by fair value level	Total fair value	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Debt securities:				
U.S. Treasury securities	\$ 85,423	85,423	—	—
U.S. government agency securities	50,245	—	50,245	—
Collateralized repurchase agreements	660	660	—	—
Money market mutual funds	78,618	78,618	—	—
Total investments by fair value level	\$ 214,946	164,701	50,245	—

The following is a description of the valuation methodologies used for assets measured at fair value:

- Debt securities (Level 1) are valued using prices quoted in active markets.
- Debt securities (Level 2) are valued using matrix pricing.
- Collateralized repurchase agreements are valued at the daily closing price.
- Money market mutual funds are valued at the daily closing price as reported by the fund.

Securitized mortgage loans are reported at amortized cost in the statement of net position; however, the fair value of the Authority's securitized mortgage loans is disclosed in note 2(e). Fair value is determined by using quoted prices for similar assets in active markets. In the fair value hierarchy, securitized mortgage loans are valued using Level 2 inputs.

(5) Loans Receivable

Single Family

Single family Ginnie Mae I, Fannie Mae, and Freddie Mac mortgage-backed pass-through certificates and Uniform Mortgage-Backed Securities (collectively, "securitized mortgage loans"), which comprise 98% of the total single family loan portfolio, are backed by the guarantee of Ginnie Mae, Fannie Mae, or Freddie Mac, respectively, of monthly payments on the underlying pool of single family mortgage loans, which were originated pursuant to the Authority's Single Family Program. Since Ginnie Mae is a wholly owned corporate instrumentality of the United States, the full faith and credit of the United States is pledged to the payment of all amounts due under such guarantee. The obligations of Fannie Mae and Freddie Mac are obligations solely of Fannie Mae and Freddie Mac, respectively, and are not backed by, nor entitled to, the faith and credit of the United States. If Fannie Mae or Freddie Mac were unable to satisfy such obligations, distributions to the Authority would consist solely of payments and other recoveries on the underlying mortgage loans, and accordingly, monthly distributions to the Authority from Fannie Mae and Freddie Mac would be affected by delinquent payments and defaults on such mortgage loans. In accordance with the Federal Housing and Economic Recovery Act of 2008, the Federal Housing Finance Agency was named as conservator of both Fannie Mae and Freddie Mac.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

In connection with its Single Family Mortgage Program, the Authority offers the Homebuyer Assistance (HBA) Program whereby a qualified borrower can receive down payment and closing cost assistance from the Authority in the form of a second lien mortgage loan. The second mortgages bear interest and are repayable in equal monthly installments over a term ranging from 7 to 10 years. These loans are secured solely by a second lien on the respective properties. Included in loans receivable at June 30, 2021 and 2020 are HBA Program second mortgage balances totaling \$17.8 million.

In connection with its Single Family Mortgage Program, the Authority purchases loans from Habitat for Humanity of Omaha (Habitat) with full recourse. These loans are both first mortgages, the proceeds of which were used to purchase homes, and second mortgages, the proceeds of which funded certain repairs and improvements to homes. Certain of these loans do not charge interest. Habitat agrees to repurchase defaulted loans. Included in loans receivable at June 30, 2021 and 2020 are Habitat loan balances totaling \$7.2 million and \$6.1 million, respectively.

The Authority uses various financing techniques to lower bond costs and utilizes these cost savings to subsidize mortgage loans with interest rates below market. The Mortgage Subsidy Reserve of \$33.5 million and \$34.7 million at June 30, 2021 and 2020, respectively, is net of the amount passed through to borrowers in the form of lower mortgage interest rates.

The following table reconciles the mortgage subsidy reserve for the years ended June 30, 2021 and 2020 (dollars in thousands):

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 34,692	37,777
Savings realized	2,941	2,454
Savings used	<u>(4,118)</u>	<u>(5,539)</u>
Balance, end of year	<u>\$ 33,515</u>	<u>34,692</u>

The savings used, as presented in the above table, represents the amount of interest subsidy consumed by subsidized mortgage loans during each year. Based upon the current mix of mortgage interest rates and the current makeup of the related debt structure, it is estimated that approximately 47%, on a present value basis, of the subsidy reserve balance will be used in future years without the purchase of any additional subsidized mortgage loans.

(6) Bonds Payable

All general obligations of the Authority are payable from the revenue and assets of the Authority, subject to the provisions of individual resolutions adopted pledging particular revenue or assets to specific notes or bonds. As of June 30, 2021 and 2020, the Authority had no general obligation bonds outstanding.

All special or limited obligations of the Authority are payable solely from the revenue and assets of the related accounts pledged therefore. Bond series marked with an asterisk (*) have been issued pursuant to the Authority's 1994 Single Family Housing Revenue Bond Indenture and are equally and ratably secured by all assets which are pledged under such indenture. Provisions of the IRC limit, on an aggregate basis, the amount of tax-exempt bonds the Authority and political subdivisions of the State of Nebraska may issue.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

At June 30, 2021 and 2020, bonds outstanding (net of unamortized discount or premium where applicable) are as follows (dollars in thousands):

Description and maturity	Principal outstanding		Interest terms
	2021	2020	
* 2013 Series AB, due 2021–2043	33,190	41,405	2.30%–3.60%, payable semiannually
* 2013 Series CD, due 2021–2028	12,500	25,090	3.65%–4.40%, payable semiannually
* 2013 Series EF:			
E (fixed rate), due 2021–2043	5,580	8,805	3.00%–3.65%, payable semiannually
F (variable rate), due 2021–2038	20,765	21,505	Var. rate demand, payable semiannually
* 2014 Series AB:			
A (fixed rate), due 2021–2044	9,555	15,145	2.45%–4.00%, payable semiannually
B (variable rate), due 2021–2038	21,965	22,735	Var. rate demand, payable semiannually
* 2015 Series AB:			
A (fixed rate), due 2021–2045	20,510	40,180	2.10%–3.85%, payable semiannually
B (variable rate), due 2021–2038	17,040	17,645	Var. rate demand, payable semiannually
* 2015 Series CD:			
C (fixed rate), due 2021–2045	12,510	52,600	2.20%–3.50%, payable semiannually
D (variable rate), due 2021–2032	14,705	15,635	Var. rate demand, payable semiannually
* 2016 Series AB:			
A (fixed rate), due 2021–2046	34,246	63,113	1.60%–3.50%, payable semiannually
B (variable rate), due 2021–2032	14,970	15,915	Var. rate demand, payable semiannually
* 2016 Series CD:			
C (fixed rate), due 2021–2046	36,234	78,802	1.55%–3.50%, payable semiannually
D (variable rate), due 2021–2032	23,010	24,460	Var. rate demand, payable semiannually
* 2017 Series ABC:			
AB (fixed rate), due 2021–2040	27,105	57,950	1.40%–3.50%, payable semiannually
C (variable rate), due 2040–2047	15,820	15,820	Var. rate demand, payable semiannually
* 2018 Series AB:			
A (fixed rate), due 2021–2048	25,793	52,396	1.95%–4.00%, payable semiannually
B (variable rate), due 2037–2048	12,000	32,000	Var. rate demand, payable semiannually
* 2018 Series CD:			
C (fixed rate), due 2021–2048	59,580	136,177	1.95%–4.00%, payable semiannually
D (variable rate), due 2037–2048	34,115	46,615	Var. rate demand, payable semiannually
* 2019 Series ABC:			
AB (fixed rate), due 2021–2049	48,557	141,579	1.75%–4.00%, payable semiannually
C (variable rate), due 2035–2049	41,045	41,045	Var. rate demand, payable semiannually
* 2019 Series DE, due 2021–2049	150,727	169,022	1.45%–3.75%, payable semiannually
* 2020 Series A, due 2021–2050	121,543	128,265	0.55%–3.50%, payable semiannually
* 2020 Series BC, due 2021–2050	83,906	—	0.45%–3.00%, payable semiannually
* 2021 Series AB:			
A (fixed rate), due 2021–2045	74,768	—	0.10%–3.00%, payable semiannually
B (variable rate), due 2045–2050	20,000	—	Var. rate demand, payable semiannually
2011 Series 1, due 2040–2041	5,975	9,127	2.975%–3.975%, payable monthly
2011 Series A and 2009 Series A, Subseries A-1, due 2021–2041	19,320	27,945	2.32%–4.20%, payable semiannually
Total bonds payable	\$ 1,017,034	1,300,976	

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

Redemption Provisions: The Single Family Mortgage Revenue Bonds are subject to certain early redemption provisions, both mandatory and at the option of the Authority. The Authority redeems debt pursuant to the provisions of the related agreements that permit excess revenue and mortgage loan payments and prepayments to be used to retire the obligations at par. With the exception of the 2011 Series 1 bonds, optional redemptions of fixed rate bonds are allowed at various dates approximately 9 years after issuance at prices ranging from 102.3% to par, all of which reduce within 2 years to par. The 2011 Series 1 bonds are subject to redemption at par once the outstanding principal balance is less than ten percent of the original principal amount issued. Optional redemptions of variable rate bonds are allowed at any time at par.

Variable Rate Interest Terms (Single Family Mortgage Revenue): The variable rate demand bonds pay interest using a variable rate determined weekly by the remarketing agent for such bonds.

Debt Activity: The following table summarizes the Authority's debt activity for the years ended June 30, 2021 and 2020 and amounts due within one year (dollars in thousands):

	2021	2020
Beginning of year	\$ 1,300,976	1,239,770
Issuance	182,498	303,346
Retirement	(462,262)	(237,283)
Premium amortization	(4,178)	(4,857)
End of year	1,017,034	1,300,976
Due within one year	\$ 34,625	29,050

Debt Service Requirements: Debt service requirements annually through 2026, and in five-year increments thereafter to maturity, are as follows (dollars in thousands):

	Principal	Interest	Total debt service
Fiscal year(s):			
2022	\$ 34,625	22,202	56,827
2023	40,630	21,555	62,185
2024	34,595	20,902	55,497
2025	24,340	20,427	44,767
2026	23,065	20,143	43,208
2027–2031	143,060	93,809	236,869
2032–2036	159,970	80,883	240,853
2037–2041	187,825	60,496	248,321
2042–2046	219,198	33,727	252,925
2047–2051	149,726	7,151	156,877
	\$ 1,017,034	381,295	1,398,329

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

Variable Rate Demand Bonds: Included in bonds payable are \$235.4 million and \$253.4 million at June 30, 2021 and 2020, respectively, of single family mortgage revenue bonds (the demand bonds) that are subject to purchase on the demand of the bondholder, with seven days' notice, at a price equal to 100% of the principal amount plus accrued interest. In connection with the demand bonds, the Authority has entered into Remarketing Agreements that authorize the remarketing agent to use its best efforts to sell repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. The Authority also has entered into Standby Bond Purchase Agreements (the SBPAs) with Federal Home Loan Bank of Topeka (FHLBank) whereby the FHLBank agrees to purchase demand bonds that the remarketing agent has been unable to remarket. The obligation of FHLBank is subject to the demand bonds maintaining a long-term rating by S&P of not lower than BBB-. Bonds purchased by the FHLBank bear interest at SOFR plus 1.65%, not to exceed 25%, and interest is payable monthly. The SBPAs have a term of two years, which may be extended at the request of the Authority for such period as may be mutually agreed to between the Authority and FHLBank. The termination dates on the SBPAs range from March 1, 2023 to September 1, 2023. No amounts have been drawn on these agreements to date.

Any demand bonds that cannot be remarketed within 91 days of being purchased by FHLBank are subject to mandatory payment by the Authority in 10 equal semiannual principal installments plus interest payable monthly. If this provision was exercised on June 30, 2021 due to a failed remarketing on the entire amount of outstanding demand bonds of \$235.4 million, the Authority would be required to make semiannual principal payments of \$23.5 million for the next five years, and interest payments, assuming an interest rate of 1.7% (SOFR as of June 30, 2021 plus 1.65%), totaling \$11.9 million over the next five years.

Under the Standby Bond Purchase Agreements, the Authority is required to pay to FHLBank a semiannual commitment fee ranging from 0.27% to 0.30% per annum of the sum of (a) the outstanding principal amount of demand bonds subject to the agreement and (b) an amount equal to 205 days of interest on the outstanding principal amount of such bonds at a rate of 15.00% per annum. In addition, the Authority pays the remarketing agent a semiannual fee of 0.07% per annum of the outstanding principal amount of the demand bonds.

(7) Conduit Debt Obligations

The Authority has issued conduit bonds, the proceeds of which were made available to eligible developers for the construction or rehabilitation of multifamily housing; to eligible first-time farmers and ranchers for the purchase of agricultural land, depreciable assets or breeding livestock; to eligible healthcare institutions for the financing of depreciable assets; and to other eligible borrowers for the financing of industrial development projects. The bonds and interest thereon are a limited obligation of the Authority, payable solely from payments received on the underlying mortgage or promissory notes, or, in some cases, from payments received pursuant to agreements with third-party credit enhancement providers. The faith and credit of the Authority is not pledged for the payment of principal and interest on the bonds, and no additional or voluntary commitments of its own resources have been extended by the Authority. Accordingly, these obligations are excluded from the Authority's financial statements.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

As of June 30, 2021 and 2020, the principal amount of conduit debt outstanding, by type, was:

	<u>2021</u>	<u>2020</u>
Agricultural	\$ 19,426	18,546
Multifamily	44,816	45,573
Development	—	3,860
Health Care	<u>3,750</u>	<u>7,413</u>
Total	<u>\$ 67,992</u>	<u>75,392</u>

(8) Debt Refundings

On September 16, 2020, the Authority issued \$84.8 million original principal amount of its Single Family Housing Revenue Bonds 2020 Series B and C. Proceeds of the 2020 Series B Bonds totaling \$12.5 million, were used to refund a portion of the 2018 Series D Bonds.

On February 23, 2021, the Authority issued \$91.6 million original principal amount of its Single Family Housing Revenue Bonds 2021 Series A and B. Proceeds of the 2021 Series B Bonds totaling \$20 million were used to refund a portion of the 2018 Series B Bonds.

The refundings did not result in a deferred loss, in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities* (GASB 23). The Authority completed the refundings primarily to provide more flexibility to manage the Single Family Program and related yield requirements under the IRC. The change in debt service payments and economic impact cannot be determined with certainty, as the results will be impacted by (a) the prepayment speed of the underlying mortgages that serve as collateral for the refunded and refunding bonds and (b) the difference between the fixed interest rates on the refunding bonds and the variable interest rate on the refunded bonds, which would have reset weekly. There are sufficient assets in the 1994 Single Family Indenture that are not pledged to the payment of specific bonds to absorb any increases in debt service resulting from the refundings. Alternatively, any savings achieved as a result of the refundings cannot be retained by the Authority but must be returned to borrowers under the Single Family Program or to the U.S. Treasury.

(9) Derivative Instruments

The Authority uses derivative financial instruments to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing. The Authority's derivatives consist of swap agreements entered into in connection with its issuance of variable rate mortgage revenue bonds.

Swap agreements allow the Authority to raise funds at variable rates and effectively swap them into fixed rates that are lower than those available to the Authority if fixed rate borrowings were made directly. These contracts involve the exchange of variable rate for fixed rate payments between two parties (without the exchange of the underlying principal amount) based on a common notional amount and maturity date. The variable rate payment in all of the Authority's swap agreements is currently based on the SIFMA index. At

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

June 30, 2021, the Authority has pay-fixed, receive-variable swap agreements outstanding with the following terms (dollars in thousands):

Bond series	Effective date	Termination date	Fixed rate paid	Variable rate received	Counterparty credit rating*	Up-front payment received
2017 C / 2018 B / 2018 D / 2019 C	12/29/2010	9/1/2031	4.013 %	SIFMA + 0.12%	AA-/Aa2/AA	\$ 20,962
2013 F	12/29/2010	3/1/2038	3.945	SIFMA + 0.12%	AA-/Aa2/AA	6,551
2014 B / 2015 B	12/22/2010	9/1/2038	3.942	SIFMA + 0.12%	A/A1/A+	10,359
2015 D / 2016 B / 2016 D	12/29/2010	9/1/2032	3.889	SIFMA + 0.22%	AA-/Aa2/AA	14,269
2019 C	4/30/2019	9/1/2049**	2.342	SIFMA**	AA-/Aa2/AA	—
2021 B	2/23/2021	9/1/2041***	1.631	SIFMA	AA-/Aa2/AA	—
						<u>\$ 52,141</u>

* Standard & Poor's/Moody's/Fitch ratings as of June 30, 2021

** Swap variable rate changes to 70% of LIBOR on 3/1/28 and is cancelable on or after that date

*** Cancelable on or after 3/1/2030

At June 30, 2020, the Authority has pay-fixed, receive-variable swap agreements outstanding with the following terms (dollars in thousands):

Bond series	Effective date	Termination date	Fixed rate paid	Variable rate received	Counterparty credit rating*	Up-front payment received
2017 C / 2018 B / 2018 D / 2019 C	12/29/2010	9/1/2031	4.013 %	SIFMA + 0.12%	AA-/Aa2/AA	\$ 20,962
2013 F	12/29/2010	3/1/2038	3.945	SIFMA + 0.12%	AA-/A1/AA	6,551
2014 B / 2015 B	12/22/2010	9/1/2038	3.942	SIFMA + 0.12%	A/A1/A+	10,359
2015 D / 2016 B / 2016 D	12/29/2010	9/1/2032	3.889	SIFMA + 0.22%	AA-/Aa2/AA	14,269
2019 C	4/30/2019	9/1/2049**	2.342	SIFMA**	AA-/Aa2/AA	—
						<u>\$ 52,141</u>

* Standard & Poor's/Moody's/Fitch ratings as of June 30, 2020

** Swap variable rate changes to 70% of LIBOR on 3/1/28 and is cancelable on or after that date

In connection with several debt issuances beginning in 2010, all of the Authority's swapped variable rate demand bonds have been refunded with new variable rate demand bonds. In accordance with GASB 53, the related swap agreements were deemed terminated and reassociated with the refunding bonds with no changes in contract terms, resulting in recognition of deemed swap up-front payments totaling \$52.1 million, which are being amortized to interest expense over the life of the swap agreements.

The Authority reports the fair value of its swap agreements on the statements of net position. The fair values, obtained from an independent source, represent, in accordance with market convention, the valuation of the financial elements of each swap agreement. The valuation is determined by the zero-coupon method using Level 2 inputs, as defined in GASB Statement No. 72, and takes into account nonperformance risk. To the extent that a particular transaction contains restrictive transfer,

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

collateralization, or termination event language, it could be expected that such provisions would impact the ability to terminate a swap agreement at these estimated market values.

As of June 30, 2021 and 2020, the Authority's swap agreements have been determined to be hedging derivatives, as defined by GASB 53. Accordingly, the change in fair value has been deferred in the statements of net position as accumulated increase or decrease in fair value of hedging derivatives.

Fair values, excluding accrued interest, as of June 30, 2021 and 2020 and change in fair value for the years then ended are as follows (dollars in thousands):

		2021			
		Current notional	Contract fair value	Financial statement	
				Fair value	Change in fair value
Bond series:					
2017 C / 2018 B / 2018 D / 2019 C	\$	52,915	(6,414)	(2,336)	1,481
2013 F		18,450	(2,870)	(1,386)	774
2014 B / 2015 B		34,470	(5,264)	(1,791)	1,241
2015 D / 2016 B / 2016 D		36,980	(3,846)	(814)	790
2019 C		19,350	(1,540)	(1,540)	897
2021 B		15,000	249	249	249
Total	\$	177,165	(19,685)	(7,618)	5,432
		2020			
		Current notional	Contract fair value	Financial statement	
				Fair value	Change in fair value
Bond series:					
2017 C / 2018 B / 2018 D / 2019 C	\$	63,410	(9,108)	(3,817)	(1,994)
2013 F		20,700	(3,957)	(2,160)	(931)
2014 B / 2015 B		38,785	(7,269)	(3,032)	(1,787)
2015 D / 2016 B / 2016 D		44,670	(5,601)	(1,604)	(1,528)
2019 C		19,350	(2,437)	(2,437)	(1,385)
Total	\$	186,915	(28,372)	(13,050)	(7,625)

In accordance with GASB 53, the fair value of the Authority's swap agreements in the statements of net position is determined using the on-market swap rates as of the date of inception of the swap agreements, and in the case of reassociation of swap agreements with refunding bonds, on the refunding date. In the case of refundings, the contractual fixed rates, which the Authority pays to the counterparties, are higher than these rates. If the Authority opted to terminate the swap agreements, the termination payments to the counterparties would be based on the contractual rates. The tables above disclose both the financial

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

statement fair value and the contractual fair value to give financial statement users a clear picture of the Authority's actual liability related to the swap agreements.

(a) Interest Rate Swap Payments and Associated Debt

The following table (dollars in thousands) summarizes debt service requirements of the Authority's outstanding variable rate bonds and net swap payments, using variable interest rates in effect as of June 30, 2021 for the life of the bonds and swaps. As interest rates vary, variable rate bond interest, and net swap payments will also vary, inversely.

	Variable rate bond payments		Swap net	Total
	Principal	Interest	payment	payments
Fiscal years:				
2022	\$ 5,670	142	5,877	11,689
2023	5,930	129	5,074	11,133
2024	6,225	126	4,373	10,724
2025	6,590	122	3,743	10,455
2026	6,965	118	3,170	10,253
2027–2031	40,880	521	9,284	50,685
2032–2036	34,705	402	4,206	39,313
2037–2041	35,705	302	3,018	39,025
2042–2046	48,155	194	1,232	49,581
2047–2051	44,610	46	273	44,929
	<u>\$ 235,435</u>	<u>2,102</u>	<u>40,250</u>	<u>277,787</u>

(b) Credit Risk

The Authority's swap agreements are with three separate counterparties. The Authority is exposed to credit risk on its outstanding swap agreements to the extent they have positive contract fair values (fair value based on the contractual terms of the swap agreements, as opposed to fair value accounting for hybrid instruments under GASB 53). The Authority had one contract with a positive fair value of \$249,000 at June 30, 2021, and no contracts with a positive fair value at June 30, 2020. If changes in interest rates (specifically, if interest rates were to rise) result in material positive fair values on the swap agreements, the Authority would be exposed to credit risk in the amount of the swaps' fair value, up to contractually specified threshold levels at which point the counterparties would be required to post collateral, as applicable.

(c) Basis Risk

The variable rate debt hedged by the Authority's swap agreements are variable rate demand obligation bonds that are remarketed weekly. Because the variable rate received under the swap agreements is the SIFMA index plus a specified spread, the Authority is exposed to basis risk. As of June 30, 2021 and 2020, the interest rate on the variable rate bonds was 0.05% and 0.12%, respectively, for bonds not subject to AMT, 0.06% and 0.17%, respectively, for bonds subject to AMT, and the SIFMA index was 0.03% and 0.13%, respectively.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2021 and 2020

(d) Termination Risk

The swap agreements may be terminated by either the Authority or the counterparty if the other party fails to perform under the terms of the agreement or upon certain termination events. The potential termination risks to the Authority are the liability for a termination payment to the counterparty if the swap agreements have negative fair values, and the inability to replace the swap agreement on favorable terms.

(e) Amortization Risk

The Authority is exposed to amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding amount of variable rate bonds to decline faster or slower than the amortization of the swap notional amounts. The Authority manages this risk in various ways, including leaving the balance of variable rate debt in excess of the swap notional amounts, which exposes the Authority to the risk of incurring higher interest costs on the unhedged variable rate debt. The Authority may terminate the swaps at market value at any time.

(f) Rollover Risk

The Authority is exposed to rollover risk on its swap agreements that mature prior to the maturity date of the associated variable rate bonds they are hedging. In the case of one swap agreement, the variable rate bond maturities extend beyond the swap agreement maturity by up to seventeen years. In another case, the variable rate bond maturity extends beyond the swap agreement maturity by nine years. The Authority believes that prepayments from mortgage loans used to redeem bonds prior to their maturity will be sufficient to minimize this risk.

(g) Commitments

All of the Authority's swap agreements include provisions that may require the Authority to post collateral in the event its general obligation rating falls below A – as issued by Standard & Poor's Ratings Services or A3 as issued by Moody's Investors Service and the aggregate fair value of the swap contracts entered into with each swap counterparty is in a liability position. The collateral posted is to be in the form of cash, U.S. Treasury securities, or certain agency securities, in the amount of the aggregate fair value of the swap contracts with each counterparty (if in a liability position) less contractually specified threshold levels. The Authority's general obligation rating exceeds the rating requirement as of June 30, 2021 and 2020; therefore, there is no collateral posting requirement.

(10) Subsequent Events

On July 29, 2021, the Authority issued \$129.27 million of 2021 Series C Single Family Housing Revenue Bonds. The proceeds were used to make funds available to acquire, purchase, or finance mortgage loans, mortgage-backed securities, or second mortgage loans expected to be made to finance down payment and closing costs of qualified homebuyers. Additionally, proceeds in the amount of \$18.6 million were deposited with the bond trustee for the Single Family Homeownership Revenue Bonds 2009 Series A, Subseries A-1 and 2011 Series A. These proceeds were used to redeem the 2009 Series A, Subseries A-1 bonds on August 2, 2021, and the 2011 Series A bonds on September 1, 2021.

NEBRASKA INVESTMENT FINANCE AUTHORITY

ALL DIVISIONS

Supplemental Asset and Liability Information

June 30, 2021

(Dollars in thousands)

Assets	Division		2021 Total	2020 Total
	Single Family Finance	Operating		
Current assets:				
Cash	\$ —	656	656	559
Investments	—	78,323	78,323	93,686
Interest receivable	—	31	31	2
Loans receivable	—	404	404	—
Other current assets	20	152	172	387
Restricted assets:				
Cash	—	—	—	21
Investments	44,112	—	44,112	42,244
Interest receivable	16	—	16	26
Total current assets	44,148	79,566	123,714	136,925
Noncurrent assets:				
Loans receivable	—	14,357	14,357	444
Restricted assets:				
Investments	66,715	—	66,715	79,016
Interest receivable	3,435	—	3,435	4,294
Loans receivable	1,257,373	—	1,257,373	1,522,729
Fair value of derivatives	249	—	249	—
Other assets	38	307	345	332
Total noncurrent assets	1,327,810	14,664	1,342,474	1,606,815
Total assets	1,371,958	94,230	1,466,188	1,743,740
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivatives	7,867	—	7,867	13,050
Loss on refunding	12,969	—	12,969	15,823
Total deferred outflows of resources	20,836	—	20,836	28,873
Liabilities				
Current liabilities:				
Accrued liabilities	75	11,256	11,331	3,825
Interest payable	9,428	—	9,428	12,363
Current portion of bonds payable	34,625	—	34,625	29,050
Total current liabilities	44,128	11,256	55,384	45,238
Noncurrent liabilities:				
Fair value of derivatives	7,867	—	7,867	13,050
Bonds payable, net of current portion	982,409	—	982,409	1,271,926
Mortgage subsidy reserve	33,515	—	33,515	34,692
Total noncurrent liabilities	1,023,791	—	1,023,791	1,319,668
Total liabilities	1,067,919	11,256	1,079,175	1,364,906
Deferred Inflows of Resources				
Accumulated increase in fair value of hedging derivatives	249	—	249	—
Swap up-front payment	13,320	—	13,320	16,447
Total deferred inflows of resources	13,569	—	13,569	16,447
Net Position				
Restricted by bond resolution	311,306	—	311,306	298,757
Unrestricted	—	82,974	82,974	92,503
Total net position	\$ 311,306	82,974	394,280	391,260

See accompanying independent auditors' report.

NEBRASKA INVESTMENT FINANCE AUTHORITY

SINGLE FAMILY FINANCE DIVISION

Supplemental Asset and Liability Information

June 30, 2021

(Dollars in thousands)

Assets	1994 Indenture	2009 Indenture	Single Family Private Placements	Single Family Finance 2021 Total	Single Family Finance 2020 Total
Current assets:					
Other current assets	\$ 20			20	(63)
Restricted assets:					
Cash	—	—	—	—	21
Investments	43,387	724	1	44,112	42,244
Interest receivable	—	—	16	16	26
Total current assets	43,407	724	17	44,148	42,228
Noncurrent assets:					
Restricted assets:					
Investments	65,391	1,324	—	66,715	79,016
Interest receivable	3,372	59	4	3,435	4,294
Loans receivable	1,229,841	21,557	5,975	1,257,373	1,522,729
Fair value of derivatives	249	—	—	249	—
Other assets	38	—	—	38	23
Total noncurrent assets	1,298,891	22,940	5,979	1,327,810	1,606,062
Total assets	1,342,298	23,664	5,996	1,371,958	1,648,290
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	7,867	—	—	7,867	13,050
Loss on refunding	12,969	—	—	12,969	15,823
Total deferred outflows of resources	20,836	—	—	20,836	28,873
Liabilities					
Current liabilities:					
Accrued liabilities	74	1	—	75	878
Interest payable	9,243	168	17	9,428	12,363
Current portion of bonds payable	34,070	555	—	34,625	29,050
Total current liabilities	43,387	724	17	44,128	42,291
Noncurrent liabilities:					
Fair value of derivatives	7,867	—	—	7,867	13,050
Bonds payable, net of current portion	957,669	18,765	5,975	982,409	1,271,926
Mortgage subsidy reserve	33,515	—	—	33,515	34,692
Total noncurrent liabilities	999,051	18,765	5,975	1,023,791	1,319,668
Total liabilities	1,042,438	19,489	5,992	1,067,919	1,361,959
Deferred Inflows of Resources					
Accumulated increase in fair value of hedging derivatives	249	—	—	249	—
Swap up-front payment	13,320	—	—	13,320	16,447
Total deferred inflows of resources	13,569	—	—	13,569	16,447
Net Position					
Restricted by bond resolution	307,127	4,175	4	311,306	298,757
Total net position	\$ 307,127	4,175	4	311,306	298,757

See accompanying independent auditors' report.

NEBRASKA INVESTMENT FINANCE AUTHORITY

ALL DIVISIONS

Supplemental Revenue and Expense Information

Year ended June 30, 2021

(Dollars in thousands)

	Division		2021 Total	2020 Total
	Single Family Finance	Operating		
Operating revenue:				
Interest income:				
Loans	\$ 45,459	11	45,470	51,655
Investments	2	1	3	155
Net increase in fair value of investments	34	56	90	2,733
Fees and other income	—	2,166	2,166	1,902
Total operating revenue	45,495	2,234	47,729	56,445
Operating expenses:				
Interest	30,313	—	30,313	36,587
General and administrative	1,150	5,770	6,920	7,195
Nebraska Opportunity Fund	—	7,476	7,476	935
Total operating expenses	31,463	13,246	44,709	44,717
Change in net position	14,032	(11,012)	3,020	11,728
Internal transfers	(1,483)	1,483	—	—
Net position, beginning of year	298,757	92,503	391,260	379,532
Net position, end of year	\$ 311,306	82,974	394,280	391,260

See accompanying independent auditors' report.

NEBRASKA INVESTMENT FINANCE AUTHORITY

SINGLE FAMILY FINANCE DIVISION

Supplemental Revenue and Expense Information

Year ended June 30, 2021

(Dollars in thousands)

	1994 Indenture	2009 Indenture	Single Family Private Placements	Single Family Finance	
				2021 Total	2020 Total
Operating revenue:					
Interest income:					
Loans	\$ 44,315	851	293	45,459	51,144
Investments	2	—	—	2	121
Net increase in fair value of investments	34	—	—	34	1,493
Total operating revenue	44,351	851	293	45,495	52,758
Operating expenses:					
Interest	29,440	618	255	30,313	36,587
General and administrative expenses	1,139	11	—	1,150	1,416
Total operating	30,579	629	255	31,463	38,003
Change in net position	13,772	222	38	14,032	14,755
Internal transfers	(1,417)	(27)	(39)	(1,483)	(1,608)
Net position, beginning of year	294,772	3,980	5	298,757	285,610
Net position, end of year	\$ 307,127	4,175	4	311,306	298,757

See accompanying independent auditors' report.