



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION

**WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY**

June 30, 2020 and 2019

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## **Report of Independent Auditors**

To the Board of Directors  
Washington Higher Education Facilities Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Washington Higher Education Facilities Authority, which comprise the statements of net position as of June 30, 2020 and 2019, 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.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Higher Education Facilities Authority as of June 30, 2020 and 2019, and the changes in its net position and results of its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

*Change in Accounting Principle*

As discussed in Note 2 to the financial statements, the Washington Higher Education Facilities Authority adopted a new accounting principle related to conduit debt obligations, which resulted in removing all conduit debt and related activities from the financial statements and a restatement of the prior year information presented. Our opinion is not modified with respect to this matter.

**Other Matter**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

*Mess Adamo LLP*

Seattle, Washington  
November 20, 2020

# Washington Higher Education Facilities Authority Management's Discussion and Analysis

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As management of the Washington Higher Education Facilities Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2020 and 2019 (FY 2020 and FY 2019, respectively). This overview and analysis is required by accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board.

## Financial Highlights

At June 30, 2020, and for the year then ended:

- Cash and investments totaled \$1.3 million, an increase of \$309.1 thousand as fees were collected on four new bond issues and annual fees were reinstated for FY 2020.
- Prepaid fees and other assets increased by \$4.7 thousand primarily due to conference registration fees for a conference postponed by the COVID-19 pandemic.
- The Authority had accounts payable totaling \$80.5 thousand, an increase from the prior year of \$14.3 thousand, mostly due to an increase in related party charges for support staff assisting with bond issues and state audit activity.
- Total revenues increased significantly to \$679.4 thousand from \$26.7 thousand in the prior year. Program fees from four financings and the reinstated ongoing, annual fee on bonds outstanding account for this increase.
- Total expenses for FY 2020 increased 6.3% primarily due to additional staff time related to issuance activity and an increase in the state audit fees during the year.

## Overview of the Financial Statements

The financial statements consist of three parts: Management's Discussion and Analysis, the financial statements, and the notes to the financial statements. The financial statements are presented in a manner similar to that of a private business, using the economic resources measurement focus and the accrual basis of accounting. The financial statements report information for all Authority programs and operations. The statements of net position include all of the Authority's assets and liabilities. All revenues and expenses of the Authority are reflected in the statements of revenue, expense, and changes in net position.

During FY 2020 the Authority adopted GASB Statement No. 91, *Conduit Debt Obligations*, which eliminated the option to recognize conduit bonds and the related activity in financial statements while requiring note disclosure of the year end conduit bond balance outstanding. In accordance with the transition provision of the statement, the Authority has elected to early adopt this statement and the change in accounting related to it were applied retrospectively for all prior years presented. Please see Note 2 for additional information.

# Washington Higher Education Facilities Authority

## Management's Discussion and Analysis

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### Overview of the Financial Statements (continued)

#### *Economic Outlook*

Interest rates continue to be at historically low levels. The COVID-19 pandemic is causing greater uncertainty around enrollment and the need for facilities for our university and college clients. Therefore, we expect few significant financings in the near term. Private placement of tax-exempt debt with lending institutions and bonds issued supported by the borrower's credit rating continue to be favored by the borrowers.

### Financial Analysis of the Authority

#### *Statements of Net Position*

The following table summarizes the changes in assets, liabilities, and net position between the years ended June 30, 2020 and 2019 (in thousands):

	2020	2019 (as restated)	Change	
Assets				
Cash and cash equivalents	\$ 1,340.7	\$ 1,031.6	\$ 309.1	30.0%
Prepaid fees and other assets	21.5	16.8	4.7	28.0%
Total assets	<u>\$ 1,362.2</u>	<u>\$ 1,048.4</u>	<u>\$ 313.8</u>	29.9%
Liabilities				
Payables	\$ 80.5	\$ 66.2	\$ 14.3	21.6%
Total liabilities	<u>\$ 80.5</u>	<u>\$ 66.2</u>	<u>\$ 14.3</u>	21.6%
Net position				
Unrestricted	<u>\$ 1,281.7</u>	<u>\$ 982.2</u>	<u>\$ 299.5</u>	30.5%

## Washington Higher Education Facilities Authority Management's Discussion and Analysis

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### Financial Analysis of the Authority (continued)

#### *Statements of Revenues, Expenses, and Changes in Net Position*

The following table summarizes the changes in revenues and expenses between the years ended June 30, 2020 and 2019 (in thousands):

	2020	2019 (as restated)	Change	
<b>Revenues</b>				
Program fees	\$ 659.8	\$ -	\$ 659.8	NA
Operating fund interest income	19.6	26.7	(7.1)	(26.6%)
Total revenues	679.4	26.7	652.7	2,444.6%
<b>Expenses</b>				
Salaries and related expense	266.3	247.7	18.6	7.5%
Communication and office expenses	60.1	64.3	(4.2)	(6.5%)
Professional expense	53.6	45.4	8.2	18.1%
Total expenses	380.0	357.4	22.6	6.3%
Change in net position	\$ 299.4	\$ (330.7)	\$ 630.1	(190.5%)

During the year ended June 30, 2020, the Authority's revenue largely resulted from program fees from initial and annual issuer fees totaling \$659.8 thousand as previously waived ongoing annual fees were reinstated. Expenses of \$380.0 thousand are comprised of personnel, communication, office expense, and other professional fees.

### **Debt Administration**

The Authority issues bonds on behalf of private higher education facilities. However, the bonds issued meet the definition of conduit debt obligations for which the Authority has not extended any additional commitments for debt service payments beyond the collateral and payments received from the underlying mortgages. As of June 30, 2020, such bonds have an aggregate outstanding principal amount payable of \$703.0 million. Because these bonds are considered conduit bond they are not recognized as a liability by the Authority.

The Authority has no general obligation bonds and does not currently have an issuer credit rating. The Authority's authorized debt limit is \$1 billion.

Additional information on the Authority's debt obligations can be found in Note 5 of this report.

# Washington Higher Education Facilities Authority

## Management's Discussion and Analysis

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### Comparison of Fiscal Year 2019 with 2018

#### Statements of Net Position

The following table summarizes the changes in combined net position between June 30, 2019 and 2018 (in thousands):

	2019 (as restated)	2018 (as restated)	<u>Change</u>	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,031.6	\$ 1,360.4	\$ (328.8)	(24.2%)
Prepaid fees and other assets	<u>16.8</u>	<u>17.3</u>	<u>(0.5)</u>	(2.9%)
Total assets	<u>\$ 1,048.4</u>	<u>\$ 1,377.7</u>	<u>\$ (329.3)</u>	(23.9%)
<b>Liabilities</b>				
Payables	<u>\$ 66.2</u>	<u>\$ 64.8</u>	<u>\$ 1.4</u>	2.2%
<b>Net position</b>				
Unrestricted	<u>\$ 982.2</u>	<u>\$ 1,312.9</u>	<u>\$ (330.7)</u>	(25.2%)

#### Statements of Revenues, Expenses and Changes in Net Position

The following table summarizes the combined changes in net position activity between the years ended June 30, 2019 and 2018 (in millions):

	2019 (as restated)	2018 (as restated)	<u>Change</u>	
<b>Revenues</b>				
Program fees	\$ -	\$ 105.6	\$ (105.6)	(100.0%)
Operating fund interest income	<u>26.7</u>	<u>19.3</u>	<u>7.4</u>	38.3%
Total revenues	<u>26.7</u>	<u>124.9</u>	<u>(98.2)</u>	(78.6%)
<b>Expenses</b>				
Salaries and related expense	247.7	192.7	55.0	28.5%
Communication and office expenses	64.3	58.8	5.5	9.4%
Professional expense	<u>45.4</u>	<u>47.2</u>	<u>(1.8)</u>	(3.8%)
Total expenses	<u>357.4</u>	<u>298.7</u>	<u>58.7</u>	19.7%
Change in net position	<u>\$ (330.7)</u>	<u>\$ (173.8)</u>	<u>\$ (156.9)</u>	90.3%

During the fiscal year ended June 30, 2019, there were no program revenues as the annual fees continued to be waived and no bonds were issued. Salaries and related expense increased by \$55.0 thousand as a staff vacancy was filled. The decrease in revenue coupled with an increase in expense resulted in a decrease in net position of \$330.7 thousand. This also resulted in a decrease of the Authority's total assets totaling \$329.3 thousand.



# Washington Higher Education Facilities Authority Management's Discussion and Analysis

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## **Additional Information**

Questions and inquiries may be directed to the Senior Director of Finance or the Senior Controller at Washington Higher Education Facilities Authority, 1000 2nd Avenue, Suite 2700, Seattle, Washington 98104 (206-464-7139).

**Washington Higher Education Facilities Authority**  
**Statements of Net Position**

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**ASSETS**

	June 30,	
	2020	2019 (as restated)
CASH AND CASH EQUIVALENTS	\$ 1,340,656	\$ 1,031,608
PREPAID FEES AND OTHER ASSETS	<u>21,553</u>	<u>16,812</u>
TOTAL ASSETS	<u>\$ 1,362,209</u>	<u>\$ 1,048,420</u>

**LIABILITIES AND NET POSITION**

ACCOUNTS PAYABLE	\$ 80,532	\$ 66,175
NET POSITION		
Unrestricted	<u>1,281,677</u>	<u>982,245</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,362,209</u>	<u>\$ 1,048,420</u>

**Washington Higher Education Facilities Authority**  
**Statements of Revenues, Expenses, and Changes in Net Position**

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	Years Ended June 30,	
	2020	2019 (as restated)
<b>REVENUES</b>		
Fee income	\$ 659,815	\$ -
Interest earned on investments	19,656	26,739
	679,471	26,739
<b>EXPENSES</b>		
Salaries and related expense	266,347	247,759
Communication and office expense	60,081	64,298
Professional fees	53,611	45,403
	380,039	357,460
<b>CHANGE IN NET POSITION</b>	299,432	(330,721)
<b>NET POSITION</b>		
Beginning of year, as restated	982,245	1,312,966
End of year	\$ 1,281,677	\$ 982,245

# Washington Higher Education Facilities Authority

## Statements of Cash Flows

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	Years Ended June 30,	
	2020	2019 (as restated)
<b>OPERATING ACTIVITIES</b>		
Cash received from fee income	\$ 659,815	\$ -
Cash payments for salaries and benefits	(256,654)	(246,082)
Vendor payments	(113,769)	(109,488)
	<u>289,392</u>	<u>(355,570)</u>
Net cash provided by (used in) operating activities		
<b>INVESTING ACTIVITIES</b>		
Interest received on investments	<u>19,656</u>	<u>26,739</u>
Net cash provided by investing activities	<u>19,656</u>	<u>26,739</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	309,048	(328,831)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,031,608</u>	<u>1,360,439</u>
End of year	<u>\$ 1,340,656</u>	<u>\$ 1,031,608</u>
<b>RECONCILIATION OF EXCESS OF EXPENSES OVER REVENUES TO NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>		
Change in net position	\$ 299,432	\$ (330,721)
Adjustments to reconcile excess of expenses over revenues to net cash used by operating activities		
Cash from changes in operating assets and liabilities:		
Interest and other receivables	(24,396)	(26,283)
Interest and other payables	14,356	1,434
	<u>289,392</u>	<u>(355,570)</u>
Net cash provided by (used in) operating activities	<u>\$ 289,392</u>	<u>\$ (355,570)</u>

# Washington Higher Education Facilities Authority

## Notes to Financial Statements

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### Note 1 – Description of Business

The Washington Higher Education Facilities Authority (the Authority) was created in 1983 in accordance with the Chapter 28B.07 of the Revised Code of Washington (RCW). The Authority was formally activated in 1984 with the appointment of five board members. The Authority's purpose is to reduce the financing costs of higher education facilities through the issuance of tax-exempt, nonrecourse revenue bonds, and to loan the proceeds to qualified, not-for-profit higher education institutions in Washington State. The institutions may use the bond proceeds for refinancing taxable or tax-exempt debt, remodeling, construction, purchase of equipment, or other approved purposes. The Authority's debt limit is \$1 billion.

The bonds, which constitute a special obligation of the Authority, are payable solely from the bond fund established pursuant to the indenture, and are funded primarily from payments made by the not-for-profit higher education institutions to satisfy the loan agreement and from any other money held by the bond trustee pursuant to the indenture. The obligation of the not-for-profit colleges and universities to repay the loan is absolute and unconditional.

The bonds do not constitute a general, moral, or special obligation of the State of Washington, a pledge of the faith and credit of the State, or a general obligation of the Authority. The owners of the bonds have no right to require the State of Washington or the Authority, nor has the State of Washington or the Authority any obligation or legal authorization, to levy any taxes or appropriate or expend any of its funds for the payment of principal thereof, premium, if any, or interest thereon. For financial reporting purposes, the bonds meet the definition of conduit bonds and are, therefore, not included as a liability to the Authority.

Effective July 22, 2007, the Authority was granted the power to originate and purchase student loans, to participate in federal programs that provide guarantees for the repayment of educational loans and to issue revenue bonds payable from and secured by educational loans. Revenue bonds so secured are to be excluded from the debt limit of \$1 billion. As of the date of this report, no such revenue bonds have been issued.

The Authority is a legally separate entity from and incurs no expense or liability to the State of Washington. Although the governor and lieutenant governor sit on the board and the governor appoints the public members of the board, the State of Washington is not considered to be financially accountable due to the restricted ability of the Washington State legislature to impose its will on the Authority and a lack of any financial dependency of the Authority on any State appropriations. The Authority does not impose a financial burden on, nor is there a benefit to the State; however, the Authority is presented as a discrete component unit of the State of Washington in their Comprehensive Annual Financial Report (CAFR).

The Authority summarizes its financial activities in the General Operating Fund. The General Operating Fund was established by the Authority to account for the fiscal activities related to the administration of its ongoing program responsibilities. Revenues of the General Operating Fund are derived primarily from fees earned on bond issues and interest income on operating investments. All funds received by the Authority are generated by its activities. Expenditures are not appropriations from the State of Washington.

# Washington Higher Education Facilities Authority

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has applied all applicable GASB pronouncements. The most significant of the Authority's accounting policies are described below.

**Measurement focus and basis of accounting** – The Authority uses a flow of economic resources measurement focus with all assets and all liabilities included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**Unclassified statement of net position** – The Authority's business cycle is greater than one year. As such, all assets and liabilities as shown on the statements of net position are unclassified.

**Cash and cash equivalents** – Cash deposits are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

For purposes of the statement of cash flows, the Authority considers all highly liquid, interest-bearing instruments purchased with an original maturity of three months or less that are readily convertible to cash to be cash and cash equivalents.

**Conduit bonds** – Conduit bonds are defined as debt instruments where:

- The Authority, as the issuer, is joined by an unrelated third-party obligor, and a debt holder or trustee
- The debt obligation is neither a parity bond of the Authority, nor is it cross-collateralized with other debt of the Authority
- Debt proceeds are intended and received by the third-party obligor or its agent, and
- The Authority is not primarily obligated for the debt service payments.

Bonds issued that meet the definition of a conduit bond are reportable in note disclosure rather than within the financial statements.

Prior to bond issuance the Authority determines if the bond meets this definition with periodic subsequent review to ensure the bonds still meet the definition of conduit debt. As of June 30, 2020 and 2019, all bonds outstanding met the definition of conduit bond and are excluded from the financial statements but are summarized in Note 5.

**Investments** – There were no investments outstanding at June 30, 2020 or 2019.

**Prepaid fees** – Prepaid fees represent annual property and liability insurance premiums.

**Revenue recognition** – The primary source of revenue are issuance fees, charged at bond origination as well as annual fees charged on the loan amounts outstanding. Fees are recognized on an accrual basis.

## Washington Higher Education Facilities Authority

### Notes to Financial Statements

#### Note 2 – Summary of Significant Accounting Policies (continued)

**Income taxes** – The Authority is exempt from federal income taxes under Internal Revenue Code (IRC) Section 115(a) and, accordingly, no provision for income taxes was made for the years ended June 30, 2020 and 2019.

**Use of estimates** – The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from those estimates.

**Unrestricted net position** – The unrestricted net position balances at June 30, 2020 and 2019, were \$1,281,677 and \$982,245, respectively.

**Adoption of a new accounting pronouncement** – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The statement defines conduit debt obligations and establishes standards for the reporting and disclosure for issuers. The statement is intended to improve financial reporting by standardizing presentation of conduit debt by issuers and limits reporting on conduit debt obligations to note disclosure except where the issuer has made an additional commitment to support debt service payments and it is more likely than not that the issuer will actually provide any such support. The Authority has not made any such commitments. Therefore, the impact of this statement requires removal of the Authority’s conduit debt and related activities from the financial statements, limiting such reporting to note disclosure (see Note 5).

The statement is effective for financial statements of periods beginning after December 15, 2020, with the effects of the accounting change to be applied retroactively by restating the financial statements. The Authority has adopted this new pronouncement in the current year and, accordingly, has restated amounts of affected items within the financial statements as of and for the year ended June 30, 2019:

	As Previously Reported	Change	As Restated
<b>Statement of Net Position</b>			
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 6,527,343	\$ (5,495,735)	\$ 1,031,608
Accrued interest receivable	3,634,057	(3,634,057)	-
Loans receivable (net of premiums and discounts)	616,003,127	(616,003,127)	-
Prepaid fees and other assets	16,812	-	16,812
<b><u>Liabilities and Net Position</u></b>			
Accrued interest payable	4,345,532	(4,345,532)	-
Amounts due to borrower	311,503	(311,503)	-
Bonds payable (net of premiums and discounts)	620,475,884	(620,475,884)	-
Impact of change to net position		<u>\$ -</u>	
<b>Statement of Revenues, Expenses, and Changes in Net Position</b>			
<b><u>Revenues</u></b>			
Interest earned on loans and investments	\$ 22,272,766	\$ (22,246,027)	\$ 26,739
<b><u>Expenses</u></b>			
Interest on debt	22,777,652	(22,777,652)	-
Amortization of bond premium	(565,504)	565,504	-
Amortization of bond discount	33,879	(33,879)	-
Impact of change to net position		<u>\$ -</u>	

# Washington Higher Education Facilities Authority

## Notes to Financial Statements

### Note 2 – Summary of Significant Accounting Policies (continued)

	As Previously Reported	Change	As Restated
<b>Statement of Cash Flows</b>			
<b>OPERATING ACTIVITIES</b>			
Interest received on loans	\$ 22,819,823	\$ (22,819,823)	\$ -
Cash received from fee income	-	-	-
Cash received from loan repayments	23,352,247	(23,352,247)	-
Cash payments for acquisition of loans	(14,144,025)	14,144,025	-
Cash payments for bond program expenses	(366,539)	366,539	-
Salaries, benefits, and vendor payments	(355,570)	-	(355,570)
Net cash provided by operating activities	<u>31,305,936</u>	<u>(31,661,506)</u>	<u>(355,570)</u>
<b>INVESTING ACTIVITIES</b>			
Interest received on investments	<u>9,071</u>	<u>17,668</u>	<u>26,739</u>
<b>NON CAPITAL FINANCING ACTIVITIES</b>			
Proceeds from issuance of bonds and notes	11,177,000	(11,177,000)	-
Interest paid on debt	(22,812,980)	22,812,980	-
Debt repayments	<u>(23,352,247)</u>	<u>23,352,247</u>	<u>-</u>
Net cash used for financing activities	<u>(34,988,227)</u>	<u>34,988,227</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,673,220)	3,344,389	(328,831)
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning of year	<u>10,200,563</u>	<u>(8,840,124)</u>	<u>1,360,439</u>
End of year	<u>\$ 6,527,343</u>	<u>\$ (5,495,735)</u>	<u>\$ 1,031,608</u>
<b>RECONCILIATION OF EXCESS OF EXPENSES OVER REVENUES TO NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>			
Change in net position	\$ (330,721)	\$ -	\$ (330,721)
Adjustments to reconcile excess of expenses over revenues			
Amortization of loan discount	(33,879)	33,879	-
Amortization of loan premium	565,504	(565,504)	-
Amortization of prepaid bond insurance	-	-	-
Amortization of bond discount	33,879	(33,879)	-
Amortization of bond premium	(565,504)	565,504	-
Amortization of bond insurance premium	-	-	-
Cash from changes in operating assets and liabilities	-	-	-
Acquisition of loans	(14,144,025)	14,144,025	-
Repayments of loans	23,352,247	(23,352,247)	-
Interest and other receivables	547,513	(573,796)	(26,283)
Interest and other payables	<u>21,880,922</u>	<u>(21,879,488)</u>	<u>1,434</u>
Net cash provided by operating activities	<u>\$ 31,305,936</u>	<u>\$ (31,661,506)</u>	<u>\$ (355,570)</u>



# Washington Higher Education Facilities Authority

## Notes to Financial Statements

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### Note 3 – Investments

**Investment policy** – The Authority can invest in nongovernmental investments, including certificates of deposit, banker’s acceptances, and repurchase agreements.

In addition, the following governmental investments are eligible:

1. Treasury bills, notes, and other obligations issued by the United States Department of the Treasury and backed by the full faith and credit of the US government.
1. Federal Home Loan Bank notes and bonds.
2. Federal Land Bank bonds.
3. Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.
4. The obligations of certain government-sponsored corporations whose obligations are eligible as collateral for advances to member banks, as determined by the Board of Governors of the Federal Reserve System.
5. Shares of mutual funds with portfolios consisting of only US government bonds or US government guaranteed bonds issued by federal agencies with average maturities less than four years.
6. Investments in state investment pool – the Authority is a voluntary participant in the Local Agency Investment Pool operated by the State Treasurer pursuant to RCW 43.250. Investments in the pool are reported at amortized cost.

### Note 4 – Contracted Staff Services

The Washington State Housing Finance Commission (the Commission) provides staff and other administrative services to the Authority. The Authority has no directly hired staff and as such has no pension obligations. Total charges for each fiscal year and amounts due as of the end of each fiscal year are summarized here:

<u>Contracted Services</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Total charges of the Commission for the fiscal year	\$ 298,433	\$ 277,110
Amount due to the Commission at June 30	75,226	64,793

# Washington Higher Education Facilities Authority

## Notes to Financial Statements

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### **Note 5 – Bonds Payable**

The Authority's bonds are limited obligations payable solely from, and secured by, a pledge of the mortgage loans (including any insurance payments made with respect thereto), restricted investments, and undisbursed bond proceeds and the earnings thereon held under the indenture or financing agreement authorizing the bonds. The Authority has made no other commitment to support debt service payments. Uncured default of the debt requires mandatory bond redemption, paid by reassignment of the underlying pledge of the mortgage loan to the bond holder as full payment of the outstanding conduit debt obligation and eliminating the tax-exempt benefits to the remaining parties. As of June 30, 2020 and June 30, 2019, the conduit bonds issued by the Authority have an aggregate outstanding principal amount payable of \$703.0 million and \$612.7 million, respectively, none of which is recognized as a liability by the Authority.

### **Note 6 – Contingencies**

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; natural disasters; and acts of terrorism for which the Authority carries commercial insurance. As of June 30, 2020, there were no known asserted or unasserted claims or judgments against the Authority.

Members of the board of directors and persons acting on the Authority's behalf, while acting within the scope of their duties or employment, shall not be subject to any personal liability resulting from carrying out the powers and duties conferred on them, and shall have the indemnification rights under the provisions of the Authority's Public Officials and Employees Liability insurance policy.

