Puerto Rico Housing Finance Authority

(A Component Unit of Government Development Bank for Puerto Rico)

Basic Financial Statements,
Required Supplementary Information,
and Additional Supplementary Information
as of and for the Year Ended June 30, 2012,
and Independent Auditors' Report

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of
Puerto Rico Housing Finance Authority:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Puerto Rico Housing Finance Authority (the "Authority"), a component unit of Government Development Bank for Puerto Rico, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2012, and the respective changes in financial position and respective cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 to 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's respective financial statements that collectively comprise the Authority's basic financial statements. The additional supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional supplementary information is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

__________, 2012

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This section presents a narrative overview of the financial performance of Puerto Rico Housing Finance Authority (the "Authority") as of and for the year ended June 30, 2012. The information presented here should be read in conjunction with the Authority's basic financial statements, including the notes thereto.

1. FINANCIAL HIGHLIGHTS

- Net assets of the Authority decreased $118 million, from $609 million as of June 30, 2011, to $491 million as of June 30, 2012. The decrease was the result of a decrease in net assets of $102 million in the business type activities and a decrease of $ 16 million in governmental activities.

- Operating income of enterprise fund activities was $8 million and $10 million for the years ended June 30, 2012 and 2011, respectively. Total operating revenues of enterprise funds decreased to $75 million in 2012 from $103 million in 2011. Total operating expenses decreased to $66 million in 2012 from $93 million in 2011. There were net interfund transfers in the amount of -$80 million during the year ended June 30, 2012.

- On August 6, 2010, the Legislature of the Commonwealth of Puerto Rico (the "Commonwealth") approved Act No. 122, Act for the Financing of My New Home Program. The Act assigned to the Authority a portion of no less than 80% of the unreserved moneys and other liquid funds abandoned or unclaimed in financial institutions of Puerto Rico to finance the Program. Act 42 of February 14, 2012 amended on Act 122 the portion of unreserved monies and other liquid funds abandoned or unclaimed to 85% and 100% once the claims for any pending debt related to tax credit are paid. In addition it eliminated the 7 year limit and established the funding in perpetual form. The funding will enter into effect in September 2014. The Authority obtained a line of credit facility of approximately $64 from Government Development Bank under the provisions of the Act 122. Subsequent to June 30, 2012, the line of credit limit was increased from $64 million to $116 million as result of the amplified financing capacity provided by Act 42 to the Program. As of June 30, 2012 the line of credit had a total outstanding balance including accrued interest of $45.6 million For the year ended June 30, 2012, total subsidies paid under the program amounted to $69.5 million.

- In July 2011, the Authority restructured approximately $425 million outstanding Mortgage Trust 3 Bonds and obtained $60 million of cash collateral. The restructuring took place as follows: 1) tender offer amounting to approximately $141 million (including expenses related to the transaction) to acquire and cancel bonds with a book value amounting to approximately $112 million; 2) purchased AAA securities amounting to $160 million to establish an escrow for the payment through maturity bonds with a carrying amount of $129 million. In the transaction the Authority also redeemed at book value approximately $163 million in bonds held by GDB. When the Authority used the assets held in the Mortgage Trust 3 fund to pay the bonds a loss was recognized (approximately $25 million) by the difference between the cash used to pay the bonds and the book value of the bonds at the transaction date. When the trust was established the accounting was to maintain the debt and related collateral securities on the Authority's books and no gain or loss was recognized.

- On September 22, 2011, the Board of Directors of the Authority approved the second phase of Protecting Your Home Program. This second phase was financed with excess funds of approximately $6.5 million coming from the $20 million Phase I and $4 million from the Authority's own funds. This Program provides mortgage payment subsidy up to 18 months or $20,000, whichever is less, and is intended to reduce the amount of home foreclosures among low- and moderate income families with recent financial difficulties. A third phase of this Program of approximately $10 million, to be financed also by the Authority own funds commenced during the month of March 2012. For the period ended June 30, 2012, total subsidies charged to these Programs amounted to $19.8million.

- On October 4, 2011, the Authority issued $18 million Special Obligation Notes 2011 A Series. The 2011 Notes will be collateralized by certain second mortgage originated under the Home Stimulus Program and will be repaid from collections of principal and interest of the underlying collateral. The second mortgages loans will be guaranteed by the Authority Act No. 87 insurance. The Home Stimulus Program concluded on April 30, 2012. The fourth issuance of Special Obligation Notes will take place during first semester of fiscal year 2013

- The Authority in partnership with Citigroup (Citi) created a $45 million revolving loan fund that will provide capital for the construction of for-sale single and multifamily housing for low and moderate income residents of Puerto Rico. The Puerto Rico Community Development Fund (PRCDF), a component unit of the Authority, utilized its 2009 New Market Tax Credits allocation for the transaction. The Authority and the Citi participation was arranged through a direct leveraged investment structure, with Citi acting as the tax credit equity investor, investing approximately $11.8 million in an Investment Fund, in which Citi is the sole owner. The Authority serves as the Investment Fund controlling entity and senior leverage lender providing an interest only loan in the amount of approximately $33.2 million. Capitalized with $45 million, the Investment Fund made four separate Qualified Equity Investments in the Puerto Rico Community Development Fund I (PRCDF I) , a sub-allocatee Community Development Entity (CDE), of which Citi has 99.99% ownership interest and PRCDF has 0.01% ownership interest and serves as the entity's managing member. After making distributions of approximately $2.3 million in fees and transactional expenses, the CDE then made a total of $42.7 million Qualified Low Income Community Investments (QLICI) in construction loans into six Qualified Active Low Income Community Business (QALICB) consisting of owners for low and moderate income housing developments.

- On January 30, 2012, the Authority entered into a transition agreement by which the Department of Housing would assume its obligations as New Secure Housing (NSHP) Program sub-grantee and project owner, including vacant housing units dispositions, open space monitoring and other related matters. The Authority will continue to assume the payment of principal and interest on the $67 million line of credit with GDB, until such debt can be assumed by the Government of Puerto Rico. As of June 30, 2012, the line of credit of the Program had an outstanding balance of $53.8 million including accrued interest. The DOH would prospectively assume any additional liability that might be requested by FEMA for events of noncompliance of the NSH Program.

- The Authority restructured Portfolio IX and X of its Affordable Housing Mortgage Subsidy Program (Act 124) which were collateralized by several GNMA certificates and other liquid assets. The restructuring consisted of defeasing the bonds outstanding amounting to approximately $162 million, selling the GNMA certificates in the secondary market and establishing an escrow account for the payment of pending subsidies. The transaction released to the Authority over $30 million in built-up equity, net of transaction costs, to be utilized to finance housing subsidy programs of the Authority and for other operational purposes.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are the government-wide financial statements that provide information about the Authority's overall financial position and results. These statements, which are presented on the accrual basis of accounting, consist of the statement of net assets (deficiency) and the statement of activities.

- The remaining statements are fund financial statements of the Authority's major and nonmajor governmental funds, for which activities are funded primarily from Commonwealth appropriations and for which the Authority follows the modified accrual basis of accounting, and of the Authority's major and nonmajor enterprise funds, which operate similar to business activities and for which the Authority follows the accrual basis of accounting.

- The basic financial statements also include the notes to financial statements section that explains some of the information in the government-wide and fund financial statements and provides more detailed data.

- The notes to the basic financial statements are followed by a supplementary information section, which presents information of the fund financial statements of nonmajor funds for governmental and business-type activities.

The government-wide financial statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The statement of net assets (deficiency) includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the cash is received or paid.

3. FUND FINANCIAL STATEMENTS

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

Governmental Funds — Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the Authority's near term financial requirements.

Enterprise Funds — The Authority's primary activities are included in its enterprise funds, which are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through accumulated enterprise earnings, the issuance of tax-exempt bonds, the proceeds of which are primarily used to grant various types of loans to finance low- and moderate-income housing. The net assets of these funds represent earnings accumulated since their inception, and are generally restricted for program purposes.

4. FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

We provide the readers of these basic financial statements with the following summarized discussion and analysis of the relevant facts that affected the government-wide financial statements as of June 30, 2012 and June 30, 2011 (in thousands):

	Governmental Activities		**Business-type Activities**		**Total**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Assets:						
Cash	$ 67,333	$ 9,390	$ 42,733	$ 9,730	$ 110,066	$ 19,120
Investments and deposits placed with banks	103,502	154,134	593,987	1,199,000	697,489	1,353,134
Loans receivable — net			289,163	246,803	289,163	246,803
Capital assets	19	42	2,476	3,103	2,495	3,145
Other assets, net of internal balances	(20,891)	(21,445)	53,202	66,488	32,311	45,043
Total assets	149,963	142,121	981,561	1,525,124	1,131,524	1,667,245
Liabilities:						
Current liabilities	84,411	106,585	101,653	107,297	186,064	213,882
Long-term liabilities	117,151	71,142	337,014	773,228	454,165	844,370
Total liabilities	201,562	177,727	438,667	880,525	640,229	1,058,252
Net assets:						
Invested in capital assets	19	42	2,476	3,103	2,495	3,145
Restricted	52,115	50,720	157,509	311,329	209,624	362,049
Unrestricted assets (deficit)	(103,733)	(86,368)	382,909	330,167	279,176	243,799
Total net assets	$ (51,599)	$ (35,606)	$ 542,894	$ 644,599	$ 491,295	$ 608,993

4. FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONTINUED)

The net assets of the Authority decreased $118 million from $609 million at June 30, 2011, to $491 million at June 30, 2012, as a result of a decrease of $535 million in total assets and $417 million in total liabilities. The decrease in total assets is mainly due to the following:

- Cash increased from $19 million in June 2011 to $110 million in June 2012 or a $91 million increase. The increase was the result of two main factors: $60 million obtained in cash collateral from the Restructuring of Mortgage Trust III and $30 million obtained in cash collateral from the Restructuring of Portfolios IX & X.

- Investments, investment contracts, and deposits placed with banks decreased from $1,353 million at June 30, 2011, to $698 million at June 30, 2012, or a $656 million decrease. This decrease was principally the result of converting investments to cash and the use of investments for originations of construction loans and single-family loans.

- Other assets decreased from $45 million at June 30, 2011 to $32 million at June 30, 2012 or an decrease of $13 million. This decrease is the result of the Due from Federal Government-net, from $13 million to $21 million and the GDB certificate of deposits and $8 million on interest receivable in Mortgage Trust III, A series.

The changes in total liabilities are mainly due to the following:

- Current liabilities decreased from $214 million at June 30, 2011, to $186 million at June 30, 2012, or $28 million. The decrease was mainly the result of activities in 2012 of the My New Home, Protecting Your Home, HOME Investment Partnership Programs with aggregate accounts payable and accrued liabilities.

- Long term liabilities decreased from $844 million at June 30, 2011, to $455 million at June 30, 2012, or $390 million. This reduction was principally the result of redemptions on Mortgage Trust III A Series and Portfolios IX & X.

5. STATEMENT OF ACTIVITIES

The statement of activities shows the sources of the Authority's changes in net assets as they arise through its various programs and functions. Programs such as the Housing and Urban Development (HUD) Programs, ARRA Programs, Closing Costs Assistance Program, My New Home Program and the Protecting Your Home Program are shown as governmental activities and other programs (Operating and Administrative, Single-Family Mortgage Revenue Bonds Portfolio IX, Mortgage Loan Insurance, and Home Purchase Stimulus Program) are shown as business-type activities. Condensed statements of activities for the fiscal years ended June 30, 2012 and 2011 are shown in the table below (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ -	$ -	$ 15,332	$ 13,321	$ 15,332	$ 13,321
Financing and investment	5,906	4,690	59,235	89,326	65,141	94,016
Operating grants, capital grants, and contributions	175,241	279,609			175,241	279,609
Total revenues	181,147	284,299	74,567	102,647	255,714	386,946
Program expenses:						
General government and other	7,665	6,155			7,665	6,155
Payments for housing assistance programs (including interest expense)	265,481	311,951			265,481	311,951
Operating and administrative			28,073	28,713	28,073	28,713
Mortgage Trust III			10,103	31,666	10,103	31,666
Estimulo Criollo			2,770	1,855	2,770	1,855
Mortgage-Backed Certificates 2006 Series A			6,053	6,537	6,053	6,537
Other business-type activities			19,300	24,733	19,300	24,733
Total expenses	273,146	318,106	66,299	93,504	339,445	411,610
Change in net assets before Special Items and transfers	(91,999)	(33,807)	8,268	9,143	(83,731)	(24,664)
Contributions			(1,438)		(1,438)	
Special Items:						
Restructuring Mortgage Trust III			(28,860)		(28,860)	
Restructuring Stage 9 & 10	(3,668)				(3,668)	
Transfers	79,675	(220)	(79,675)	220		
Increase (decrease) in net assets	(15,992)	(34,027)	(101,705)	9,363	(117,697)	(24,664)
Net assets — beginning of year	(35,606)	(1,579)	644,599	635,236	608,993	633,657
Net assets — end of year	$ (51,598)	$ (35,606)	$ 542,894	$ 644,599	$ 491,296	$ 608,993

- Total revenues decreased from $387 million in 2011 to $256 million in 2012 or $131 million. Operating grants and contributions decreased by $104 million when compared to the prior year. The decrease in Operating grants and contributions from $280 million in 2011 to $175 million in 2012 is due mainly as a result of the termination of the ARRA TCEP Funds and Bono de la Vivienda Funds representing a decrease of $63 million and $37 million respectively.

5. STATEMENT OF ACTIVITIES (CONTINUED)

- Program expenses decrease from $412 million in 2011 to $339 million in 2012 or $72 million. The decrease in expenses of governmental activities was mainly due to a decrease in expenditures of ARRA Programs and Bono de la Vivienda Program of $97 million and an increase of the Housing Assistance Programs, HOME Program, Closing Costs Assistance Program, My New Home Program, and Protecting Your Home Program of $53 million in the governmental funds. In the business type funds there was a decrease of $22 million in the Mortgage Trust III and $6 million in the other business type programs combined.

- Although transfers of $79.7 million are transactions that are offset at the government wide financial statements level they mainly took place because the use of business type funds to finance subsidy programs of the governmental activities.

6. GOVERNMENTAL FUND RESULTS

Following is an analysis of the financial position and results of operations of the Authority’s major governmental funds:

HUD Programs — This fund accounts for the U.S. Housing Act Section 8 programs administered by the Authority under the authorization of the U.S. Department of Housing and Urban Development. Presently, the Authority operates three programs whereby low-income families receive directly or indirectly subsidies to pay for their rent. The housing vouchers program enables families to obtain rental housing in a neighborhood of their choice. The other programs are project-based subsidies whereby housing developers are given incentives to keep their properties available for certain markets. The expenditures of the HUD programs increased $7 million from $127 million in 2011 to $134 million in 2012. The expenditures in the housing vouchers program increased $7 million because additional vouchers were awarded when compared to the previous year.

ARRA Programs — On February 17, 2010, ARRA was signed into law in the United States of America. The purpose of ARRA is to jumpstart the nation’s ailing economy, with a primary focus on creating and savings jobs in the near term and investing in infrastructure that will provide long-term economic benefits. During the year ended June 30, 2012, the Authority expended $22 million as part of this program.

Affordable Housing Mortgage Subsidy Programs (AHMSP) (Stages 7) — These special revenue funds are used to account for the proceeds of specific revenue sources under Stage 7 of the AHMSP that are legally restricted for expenditures to promote the origination of mortgage loans by financial institutions in the private sector to low- and moderate-income families. Under these stages, the Authority commits to provide subsidy for the down payment and/or the principal and interest payments on mortgage loans originated under a predetermined schedule of originations. Loans originated, as well as servicing, are kept by the originating financial institution. There was no open schedule of originations under these stages as of June 30, 2012.

My New Home Program — This program provides subsidies to eligible families in the purchase of a principal residence though reimbursements of origination and closing costs. During the year ended June 30, 2012, total subsidy expenditures amounted to $68.5 million.

At June 30, 2012, the Authority had various governmental funds in a deficit position. The Authority expects to cover these deficits through contributions from the Commonwealth. Refer to Note 18 to the basic financial statements for additional information on these funds.

7. ENTERPRISE FUND RESULTS

Total net assets of the Authority's enterprise funds decreased during the year ended June 30, 2012, by $102 million. Following is an analysis of the financial position and results of operations of the major enterprise funds:

Operating and Administrative — The net assets of the Operating and Administrative fund increased from $365 million at June 30, 2011 to $386 million at June 30, 2012, or $21 million. The change in net assets increased from $3 million deficit in 2011 to a $21 million deficit in 2012 or a change of $24 million, which was mainly due to a net increase of interfund transfers.

Mortgage Trust III — Investment income and interest income on loans for 2012 amounted to $9 million while interest expense and fees amounted to $3 million during the year ended June 30, 2012. Since the bonds accounted for in this fund are zero-coupon bonds, interest payments are not required to be made until maturity. During the year, the fund made principal payments of $42 million on matured bonds.

Home Purchase Stimulus Program — This program was created as part of Act No. 9, approved on March 9, 2009, to help families in the acquisition of a new or existing house through the issuance of a second mortgage. Investment and interest income amounted to $720 thousand while interest expense and fees amounted to $1.6 million during the year ended June 30, 2012. As of April 30, 2012 the program was terminated.

Mortgage-Backed Certificates 2006 Series A — This fund had investment income of $8 million and incurred interest expense on bonds payable of $6 million. During the year, this fund paid $8 million of mortgage-backed certificates payable.

8. CAPITAL ASSETS

The Authority's investment in capital assets for its business-type activities as of June 30, 2012 and 2011, amounted to approximately $2.5 million and $3.1 million, respectively, net of accumulated depreciation and amortization. Capital assets include leasehold improvements, information systems, office furniture, equipment, and vehicles.

9. AUTHORITY DEBT

The Authority uses long-term debt as its main tool to meet its policy objectives. Debt is issued to provide low interest rate mortgage opportunities to qualified buyers. This is achieved through the acquisition of mortgage-backed securities that are secured with low-income housing assistance mortgages.

9. AUTHORITY DEBT (CONTINUED)

At June 30, 2012 and June 30, 2011, total debt outstanding amounted to $528 million and $952 million, respectively. Debt issuances during 2012 and 2011 totaled $81.6 million and $14.2 million, respectively. Debt issued in 2012 consisted of approximately $422 thousand from a revolving credit facility with GDB under the co-participation program, $18 million of Special Obligation Notes, 2011 Series A under the Home Purchase Stimulus Program, $15 million from notes payable to GDB under the AHMSP Stage 7, Stage 10 and Law 124 funds, $2.6 million under the New Secure Housing Program's line of credit and $45.6 million under My New Home Program's line of credit. Debt repaid during fiscal years 2012 and 2011 amounted to approximately $898 million and $78 million, respectively. During the year ended June 30, 2012, the amounts of $17 million ($15 million Stage 9, $498 thousand stage 7 and $1.5 million New Secure Housing Program) and $881 million ($696 million Mortgage Trust III, $8 million 2006 Mortgage Backed Certificates, $98 million Portfolio 9, $70 million Portfolio 10, $1 million Portfolio 11 and $8 million Revenue bonds 2000,2001 and 2003), were repaid in the governmental and business-type activities, respectively.

10. REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Office of the Executive Director, Puerto Rico Housing Finance Authority, P.O. Box 71361, San Juan, Puerto Rico, 00936.

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

STATEMENT OF NET ASSETS (DEFICIENCY)
AS OF JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS :			
Cash	$	$ 19,262,844	$ 19,262,844
Deposits placed with banks		92,549,306	92,549,306
Investments and investment contracts		35,118,952	35,118,952
Loans receivable — net		238,758,224	238,758,224
Interest and other receivables		2,758,781	2,758,781
Other assets		65,606	65,606
Due from (to) other funds	(34,626,514)	34,626,514	
Restricted assets:			
Cash	67,332,716	23,469,578	90,802,294
Deposits placed with banks	23,967,180	77,602,459	101,569,639
Investments and investment contracts	79,535,290	388,716,177	468,251,467
Interest and other receivables	366,572	1,328,498	1,695,070
Due from federal government — net	13,195,782		13,195,782
Loans receivable — net		50,405,435	50,405,435
Real estate available for sale		1,702,014	1,702,014
Deferred debt issue costs	173,619	3,215,006	3,388,625
Real estate available for sale		9,504,897	9,504,897
Capital assets — net	19,034	2,476,409	2,495,443
Total assets	149,963,679	981,560,700	1,131,524,379
LIABILITIES AND NET ASSETS (DEFICIENCY):			
Liabilities:			
Accounts payable and accrued liabilities		29,598,059	29,598,059
Accrued interest payable		78,382	78,382
Due to Government Development Bank for Puerto Rico — due in more than one year		3,129,245	3,129,245
Liabilities payable from restricted assets:			
Accounts payable and accrued liabilities	44,248,151	37,565,425	81,813,576
Accrued interest payable	261,554	532,587	794,141
Notes payable — due in more than one year	4,811,238		4,811,238
Due to Government Development Bank for Puerto Rico:			
Due in one year	40,162,775		40,162,775
Due in more than one year	112,078,628		112,078,628
Bonds and mortgage-backed certificates payable:			
Due in one year		33,879,591	33,879,591
Due in more than one year		333,883,535	333,883,535
Total liabilities	201,562,346	438,666,824	640,229,170
Net assets (deficiency):			
Invested in capital assets	19,034	2,476,409	2,495,443
Restricted for:			
Affordable housing program	52,115,266	91,492,273	143,607,539
Other housing programs		3,237,544	3,237,544
Mortgage loan insurance		62,778,780	62,778,780
Unrestricted	(103,732,967)	382,908,870	279,175,903
TOTAL NET ASSETS (DEFICIENCY)	$ (51,598,667)	$ 542,893,876	$ 491,295,209

See notes to basic financial statements.

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank of Puerto Rico)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services — Fees, Commissions, and Others	Charges for Services — Financing and Investment	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government and other	$ 7,664,544	$	$	$	$ (7,664,544)	$	$ (7,664,544)
Housing assistance programs	265,481,146		5,905,890	175,240,794	(84,334,462)		(84,334,462)
Total governmental activities	273,145,690		5,905,890	175,240,794	(91,999,006)		(91,999,006)
Business-type activities:							
Operating and administrative	28,073,350	9,815,028	19,067,004			808,682	808,682
Mortgage Trust III	10,103,468		9,364,711			(738,757)	(738,757)
Estimulo Criollo Program	2,769,086	(5,850)	719,254			(2,055,682)	(2,055,682)
Mortgage-Backed Certificates 2006 Series A	6,052,799		7,602,526			1,549,727	1,549,727
Other business-type activities	19,300,449	5,522,639	22,480,881			8,703,071	8,703,071
Total business-type activities	66,299,152	15,331,817	59,234,376			8,267,041	8,267,041
Total functions/programs	$ 339,444,842	$ 15,331,817	$ 65,140,266	$ 175,240,794	(91,999,006)	8,267,041	(83,731,965)
CONTRIBUTION						(1,437,856)	(1,437,856)
SPECIAL ITEM - Restructuring Mortgage Trust III						(28,859,942)	(28,859,942)
SPECIAL ITEM - Restructuring Stage 9 & 10					(3,668,178)		(3,668,178)
TRANSFER IN (OUT) — Net					79,674,680	(79,674,680)	
CHANGE IN NET ASSETS (DEFICIENCY)					(15,992,504)	(101,705,437)	(117,697,941)
NET ASSETS (DEFICIENCY) — Beginning of year					(35,606,163)	644,599,312	608,993,149
NET ASSETS (DEFICIENCY) — End of year					$ (51,598,667)	$ 542,893,876	$ 491,295,209

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

BALANCE SHEET — GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012

	HUD Programs	ARRA Programs	Affordable Housing Mortgage Subsidy Program Stage 7	My New Home Program	Other Nonmajor Governmental Funds	Eliminations	Total
ASSETS							
DUE FROM OTHER FUNDS	$	$	$	$	$ 381,894	$ (303,809)	$ 78,085
RESTRICTED:							
Cash	1,519,329	258	52,167	7,185,283	58,575,679		67,332,716
Deposits placed with banks				9,570,892	14,396,287		23,967,179
Investments and investment contracts			20,722,915		58,812,375		79,535,290
Interest and other receivables	3,155		80,002	87,894	195,520		366,571
Due from federal government	1,289,279				11,906,504		13,195,783
TOTAL	$ 2,811,763	$ 258	$ 20,855,084	$ 16,844,069	$ 144,268,259	$ (303,809)	$ 184,475,624
LIABILITIES AND FUND BALANCES (DEFICIT)							
LIABILITIES:							
Due to other funds	$ 1,344,111	$	$ 1,667,842	$ 36,613	$ 31,959,842	$ (303,809)	$ 34,704,599
Payable from restricted assets:							
Accounts payable and accrued liabilities	1,467,652	258	1,030,420	19,439,663	22,310,155		44,248,148
Deferred revenue					3,226,596		3,226,596
Due to Government Development Bank for Puerto Rico			39,277,522		885,252		40,162,774
Total liabilities	2,811,763	258	41,975,784	19,476,276	58,381,845	(303,809)	122,342,117
FUND BALANCES (DEFICIT):							
Restricted for affordable housing programs					92,959,040		92,959,040
Unassigned			(21,120,700)	(2,632,207)	(7,072,626)		(30,825,533)
Total fund balances (deficit)			(21,120,700)	(2,632,207)	85,886,414		62,133,507
TOTAL	$ 2,811,763	$ 258	$ 20,855,084	$ 16,844,069	$ 144,268,259	$ (303,809)	$ 184,475,624

See notes to basic financial statements.

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS (DEFICIENCY)
AS OF JUNE 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS (DEFICIENCY) ARE DIFFERENT BECAUSE:	
Total fund balances	$ 62,133,507
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	19,034
Deferred debt issue costs that are recorded as expenditures in governmental funds, but are capitalized in the government-wide financial statements	173,619
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(116,889,866)
Accrued interest payable not due and payable in the current period	(261,554)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	3,226,593
NET DEFICIENCY OF GOVERNMENTAL ACTIVITIES	$ (51,598,667)

See notes to basic financial statements.

(A Component Unit of Government Development Bank for Puerto Rico)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	HUD Programs	ARRA Programs	Affordable Housing Mortgage Subsidy Program Stage 7	My New Home Program	Other Nonmajor Governmental Funds	Total
REVENUES:						
Commonwealth appropriations for repayment of bonds or housing assistance programs	$	$	$ 256,831	$	$ 1,087,207	$ 1,344,038
Intergovernmental — federal government	133,780,256	21,198,803			18,029,815	173,008,874
Interest income on deposits placed with banks			211	148,509	98,005	246,725
Interest income on investments and investment contracts			1,477,352		2,951,263	4,428,615
Net decrease in fair value of investments					1,230,552	1,230,552
Other	4,374			1,123,296	1,109,781	2,237,451
Total revenues	133,784,630	21,198,803	1,734,394	1,271,805	24,506,623	182,496,255
EXPENDITURES:						
Current:						
General government and other	5,047,526		8,500		2,576,686	7,632,712
Housing assistance programs	128,737,104	21,198,803	1,754,400	68,539,538	42,022,801	262,252,646
Debt service:						
Principal					157,812	157,812
Interest			750,910		1,814,648	2,565,558
Capital outlays — general government and other						
Total expenditures	133,784,630	21,198,803	2,513,810	68,539,538	46,571,947	272,608,728
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			(779,416)	(67,267,733)	(22,065,324)	(90,112,473)
OTHER FINANCING SOURCES (USES):						
Issuance of long-term debt				45,000,000	1,758,580	46,758,580
SPECIAL ITEM -Restructuring of Stage 9 & 10					(3,668,178)	(3,668,178)
Transfers in				50,433,835	98,977,972	149,411,807
Transfers out					(69,737,127)	(69,737,127)
Total other financing sources — net				95,433,835	27,331,247	122,765,082
NET CHANGE IN FUND BALANCES			(779,416)	28,166,102	5,265,923	32,652,609
FUND BALANCES — Beginning of year			(20,341,284)	(30,798,310)	80,620,492	29,480,898
FUND BALANCES — End of year	$	$	$ (21,120,700)	$ (2,632,208)	$ 85,886,415	$ 62,133,507

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:	
Net changes in fund balance — total governmental funds	$ 32,652,609
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds; neither transaction, however, has any effect on net assets	(47,263,709)
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period	(22,677)
Revenues in the statement of activities that do provide current financial resources are not reported as revenues in the governmental funds	(1,349,571)
Governmental funds report the effect of issuance costs when debt is first issued, whereas these costs are deferred and amortized in the statement of activities. This amount is the amortization for the year	(9,156)
CHANGE IN NET ASSET OF GOVERNMENTAL ACTIVITIES	$ (15,992,504)

See notes to basic financial statements.

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

BALANCE SHEET — ENTERPRISE FUNDS
AS OF JUNE 30, 2012

ASSETS	Operating and Administrative	Mortgage Trust III	Home Purchase Stimulus Program	Mortgage-Backed Certificates 2006 Series A	Others Nonmajor Enterprise Funds	Eliminations	Total
CURRENT ASSETS:							
Cash	$ 19,262,844	$	$	$	$	$	$ 19,262,844
Deposits placed with banks	92,549,306						92,549,306
Investments and investment contracts		16,930,568					16,930,568
Loans receivable — net	5,200,000						5,200,000
Interest receivable	1,775,714						1,775,714
Other receivables	983,067						983,067
Other assets	65,605						65,605
Due from other funds	35,100,399	12,500	109,484		20,575	(525,858)	34,717,100
Restricted:							
Cash		13,729,520	9,112,277		627,781		23,469,578
Deposits placed with banks			86,901	10,706,191	66,809,368		77,602,460
Investments and investment contracts							
Interest receivable		1,990	690	543,929	763,858		1,310,467
Other receivables					18,030		18,030
Total current assets	154,936,935	30,674,578	9,309,352	11,250,120	68,239,612	(525,858)	273,884,739
NONCURRENT ASSETS:							
Investments and investment contracts	18,188,384						18,188,384
Loans receivable — net	233,558,224						233,558,224
Real estate available for sale	9,504,897						9,504,897
Capital assets	2,476,409						2,476,409
Restricted:							
Investments and investment contracts		127,731,022		118,708,395	142,276,761		388,716,178
Loans receivable — net			50,405,435				50,405,435
Deferred debt issue costs			276,588	1,347,605	1,590,813		3,215,006
Real estate available for sale					1,702,014		1,702,014
Total noncurrent assets	263,727,914	127,731,022	50,682,023	120,056,000	145,569,588		707,766,547
TOTAL	$418,664,849	$158,405,600	$ 59,991,375	$131,306,120	$213,809,200	$ (525,858)	$ 981,651,286

(Continued)

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

BALANCE SHEET — ENTERPRISE FUNDS
AS OF JUNE 30, 2012

LIABILITIES AND NET ASSETS	Operating and Administrative	Mortgage Trust III	Home Purchase Stimulus Program	Mortgage-Backed Certificates 2006 Series A	Others Nonmajor Funds	Eliminations	Total
CURRENT LIABILITIES:							
Current liabilities payable from unrestricted assets:							
Accounts payable and accrued liabilities	$ 29,598,059	$	$	$	$	$	$ 29,598,059
Accrued interest payable	78,381						78,381
Due to other funds	220,642				395,802	(525,858)	90,586
Total current liabilities payable from unrestricted assets	29,897,082				395,802	(525,858)	29,767,026
Current liabilities payable from restricted assets:							
Accrued interest payable				13,529	519,058		532,587
Accounts payable and accrued liabilities		150,000	30,070,853	94,837	3,678,852		33,994,542
Bonds, notes, and mortgage-backed certificates payable		18,175,000		11,619,591	4,085,000		33,879,591
Total current liabilities payable from restricted assets		18,325,000	30,070,853	11,727,957	8,282,910		68,406,720
Total current liabilities	29,897,082	18,325,000	30,070,853	11,727,957	8,678,712	(525,858)	98,173,746
NONCURRENT LIABILITIES:							
Noncurrent liabilities payable from unrestricted assets — notes payable to Government Development Bank for Puerto Rico	3,129,245						3,129,245
Noncurrent liabilities payable from restricted assets:							
Allowance for losses on mortgage loan insurance					3,570,884		3,570,884
Bonds, notes, and mortgage-backed certificates payable		109,473,556	26,573,494	80,541,485	117,295,000		333,883,535
Total noncurrent liabilities payable from restricted assets		109,473,556	26,573,494	80,541,485	120,865,884		337,454,419
Total noncurrent liabilities	3,129,245	109,473,556	26,573,494	80,541,485	120,865,884		340,583,664
Total liabilities	33,026,327	127,798,556	56,644,347	92,269,442	129,544,596	(525,858)	438,757,410
NET ASSETS:							
Invested in capital assets	2,476,409						2,476,409
Restricted for:							
Mortgage loan insurance					62,778,780		62,778,780
Affordable housing programs		30,594,544		39,036,678	21,861,051		91,492,273
Other housing programs			3,237,544				3,237,544
Unrestricted	383,162,113	12,500	109,484		(375,227)		382,908,870
Total net assets	385,638,522	30,607,044	3,347,028	39,036,678	84,264,604		542,893,876
TOTAL	$ 418,664,849	$ 158,405,600	$ 59,991,375	$ 131,306,120	$ 213,809,200	$ (525,858)	$ 981,651,286

See notes to basic financial statements.

(Concluded)

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS — ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Operating and Administrative	Mortgage Trust III	Home Purchase Stimulus Program	Mortgage-Backed Certificates 2006 Series A	Others Nonmajor Funds	Total
OPERATING REVENUES:						
Investment income:						
Interest income on deposits placed with banks	$ 596,676	$ 427,097	$ 19,512	$ 26,583	$ 373,262	$ 1,443,130
Interest income on investments and investment contracts	1,506,354	1,536,564		6,744,114	14,943,141	24,730,173
Net increase (decrease) in fair value of investments	(5,483)	7,392,429		831,829	7,136,942	15,355,717
Total investment income	2,097,547	9,356,090	19,512	7,602,526	22,453,345	41,529,020
Interest income on loans	16,969,456	8,621	699,742		27,536	17,705,355
Total investment income and interest income on loans	19,067,003	9,364,711	719,254	7,602,526	22,480,881	59,234,375
Noninterest income:						
Fiscal agency fees	76,204					76,204
Commitment, guarantee, service, and administrative fees	9,249,803				2,283,704	11,533,507
Mortgage loan insurance premiums					3,589,547	3,589,547
Net loss from sale of foreclosed real estate available for sale	(189,828)				(492,047)	(681,875)
Other income	678,849		(5,850)		141,435	814,434
Total noninterest income	9,815,028		(5,850)		5,522,639	15,331,817
Total operating revenues	28,882,031	9,364,711	713,404	7,602,526	28,003,520	74,566,192

(Continued)

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS — ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Operating and Administrative	Mortgage Trust III	Home Purchase Estimulus Program	Mortgage-Backed Certificates 2006 Series A	Others Nonmajor Funds	Total
OPERATING EXPENSES:						
Provision for loan losses	3,228,207		985,320			4,213,527
Interest expense — bonds, notes, and mortgage-backed certificates	125,033	9,965,968	1,643,044	5,981,671	15,683,715	33,399,431
Other noninterest expenses:						
Salaries and fringe benefits	9,947,020					9,947,020
Occupancy and equipment costs	2,608,496					2,608,496
Depreciation and amortization	1,022,126					1,022,126
Legal and professional fees	5,785,834				1,357,269	7,143,103
Office and administrative	872,611		99,472		34,952	1,007,035
Subsidy and trustee fees	241,714	137,500	41,250	71,127	95,885	587,476
Provision for losses on mortgage loan insurance	1,300				(101,123)	(99,823)
Other	4,241,010				2,229,751	6,470,761
Total noninterest expense	24,720,111	137,500	140,722	71,127	3,616,734	28,686,194
Total operating expenses	28,073,351	10,103,468	2,769,086	6,052,798	19,300,449	66,299,152
OPERATING INCOME (LOSS)	808,680	(738,757)	(2,055,682)	1,549,728	8,703,071	8,267,040
NONOPERATING EXPENSE — Contributions to others	(14,500)	(1,423,356)				(1,437,856)
SPECIAL ITEM - Restructuring Mortgage Trust III		(28,859,940)				(28,859,940)
TRANSFERS IN	89,451,416		2,842,527		13,749,730	106,043,673
TRANSFERS OUT	(69,353,717)	(60,000,000)		(2,859,606)	(53,505,030)	(185,718,353)
CHANGE IN NET ASSETS	20,891,879	(91,022,053)	786,845	(1,309,878)	(31,052,229)	(101,705,436)
NET ASSETS — Beginning of year	364,746,643	121,629,095	2,560,184	40,346,557	115,316,833	644,599,312
NET ASSETS — End of year	$ 385,638,522	$ 30,607,042	$ 3,347,029	$ 39,036,679	$ 84,264,604	$ 542,893,876

See notes to basic financial statements.

(Concluded)

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

STATEMENT OF CASH FLOWS — ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Operating and Administrative	Mortgage Trust III	Home Purchase Stimulus Program	Mortgage-Backed Certificates 2006 Series A	Other Nonmajor Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from interest on housing program loans	$ 12,011,495	$ 27,094	$	$	$ 1,350,000	$ 13,388,589
Cash paid for housing program loans originated	(87,180,764)					(87,180,764)
Principal collected on housing program loans	59,669,843					59,669,843
Proceeds from sale of mortgage and construction loans		2,792,834				2,792,834
Cash received from recovery on loand	1,469,452					1,469,452
Cash received from recovery on OREO	64,000				119,000	183,000
Cash received from other operating noninterest income	9,513,682		1,750,450		1,200,951	12,465,083
Cash received from mortgage loans insurance premiums					5,908,212	5,908,212
Cash received from Transit account	13,599,867					13,599,867
Cash paid for noninterest expenses	(9,874,148)	(62,500)	(117,369)		(2,365,241)	(12,419,258)
Cash paid for salaries and fringe benefits	(9,474,055)				(750)	(9,474,805)
Internal balances	39,528,677	(12,500)	(126,534)		(1,393,856)	37,995,787
Net cash provided by (used in) operating activities	29,328,050	2,744,928	1,506,547		4,818,316	38,397,840
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Proceeds from issuance of notes payable to Government Bank Development for PR	422,190					422,190
Payments of notes payable to Government Development Bank for Puerto Rico						
Proceeds of issuance of note payable						
Payments of note payable						
Proceeds from issuance of bonds payable			9,180,000			9,180,000
Payments of bonds payable		(307,708,810)		(8,259,472)	(176,885,000)	(492,853,282)
Payment of bond issue costs			(105,148)		1,314,220	1,209,072
Interest paid	(73,497)	(574)		(5,095,229)	(15,768,695)	(20,937,995)
Restructuring Mortgage Trust III		(28,859,940)				(28,859,940)
Contributions to others	(14,500)	(1,423,356)				(1,437,856)
Transfers in	224,205,145		2,842,527		173,098,259	400,145,931
Transfers out	(233,544,267)	(60,000,000)		(2,859,606)	(212,853,559)	(509,257,432)
Net cash used in noncapital financing activities	(9,004,928)	(397,992,680)	11,917,379	(16,214,307)	(231,094,775)	(642,389,311)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES — Acquisition of capital assets	(395,563)					(395,563)

(Continued)

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

STATEMENT OF CASH FLOWS — ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Operating and Administrative	Mortgage Trust III	Home Purchase Stimulus Program	Mortgage-Backed Certificates 2006 Series A	Other Nonmajor Funds	Total
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of investments	$	$ (160,132,903)	$	$	$ (31,699,385)	$(191,832,288)
Proceeds from sale of investments		199,124,231			183,080,560	382,204,791
Proceeds from redemptions of investments	92,523	47,526,657		8,267,078	64,769,206	120,655,464
Net decrease (increase) in deposits placed with banks	(5,666,771)	318,946,268	(62,933)	1,133,571	(5,009,558)	309,340,577
Cash received from interest on investments	2,031,129	2,150,714	19,166	6,813,658	16,086,879	27,101,547
Interest received on other housing program loans			(17,968,000)			(17,968,000)
Originations of other than housing program loans			8,831,371			8,831,371
Fees collected on other than housing program loans						
Proceeds from sale of real estate available for sale	355,273				1,423,395	1,778,668
Disbursements for acquisition of and improvements to real estate available for sale					(2,723,191)	(2,723,191)
Net cash provided by investing activities	(3,187,845)	407,614,968	(9,180,396)	16,214,307	225,927,906	637,388,940
NET CHANGE IN CASH	16,739,715	12,367,215	4,243,530		(348,553)	33,001,907
CASH — Beginning of year	2,523,129	1,362,306	4,868,747		976,333	9,730,515
CASH — End of year	$ 19,262,844	$ 13,729,521	$ 9,112,277	$	$ 627,780	$ 42,732,422
RECONCILIATION TO BALANCE SHEET — Enterprise Funds:						
Cash — unrestricted	$ 19,262,844					$ 19,262,844
Cash — restricted		13,729,521	9,112,277	0	627,780	23,469,578
TOTAL CASH — End of year	$ 19,262,844	$ 13,729,521	$ 9,112,277	$ 0	$ 627,780	$ 42,732,422

STATEMENT OF CASH FLOWS — ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Operating and Administrative	Mortgage Trust III	Home Purchase Stimulus Program	Mortgage-Backed Certificates 2006 Series A	Other Nonmajor Funds	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income (loss)	$ 1,881,690	$ (738,757)	$ (2,055,682)	$ 1,549,727	$ 8,583,550	$ 9,220,528
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	1,022,126					1,022,126
Accretion of deferred loan fees						
Net decrease (increase) in fair value of investments	5,483	(5,406,470)		(831,828)	(7,136,942)	(13,369,757)
Interest income on investments and investment contracts, and deposits placed with bank	(2,103,030)	(3,949,620)	(19,512)	(6,770,697)	(15,316,403)	(28,159,262)
Capitalized interest on housing program loans	(4,745,499)		(699,742)			(5,445,241)
Provision for loan losses	3,639,241		985,320			4,624,561
Gain (loss) on sale of real estate held for sale	189,828				492,047	681,875
Provision for doubtful accounts receivable	(56,945)				697,099	640,154
Net decrease (increase) in market value of real estate held for sale	91,666				730,124	821,790
Interest expense	125,033	9,965,968	1,643,044	5,981,671	15,683,715	33,399,430
Changes in operating assets and liabilities:						
Accrued interest on housing program loans	(219,120)	18,473				(200,647)
Housing program loans originated	(87,180,764)					(87,180,764)
Collections of mortgage and construction loans	59,669,843					59,669,843
Proceeds from sales of mortgage and construction loans		2,792,834				2,792,834
Other accounts receivable and prepaid expenses	(545,185)		1,756,300		133,145	1,344,260
Accounts payable and accrued liabilities	3,952,173	75,000	23,353	71,127	2,345,838	6,467,491
Account payable - Transit Account	13,599,867					13,599,867
Accrued salaries and fringe benefits	472,966					472,966
Internal balances	39,528,677	(12,500)	(126,534)		(1,393,856)	37,995,787
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 29,328,050	$ 2,744,928	$ 1,506,547	$	$ 4,818,316	$ 38,397,840

STATEMENT OF CASH FLOWS — ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Operating and Administrative	Mortgage Trust III	Home Purchase Stimulus Program	Mortgage-Backed Certificates 2006 Series A	Other Nonmajor Funds	Total
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES:						
Capitalized interest on housing program loans	$ 4,745,499	$	$ 699,742	$	$	$ 5,445,241
Mortgages issued not requiring cash disbursement	$	$	$ 26,993,000	$	$	$ 26,993,000
Accretion of discount on investments and investment contracts	$	$ 1,985,960	$	$	$	$ 1,985,960
Accretion of discount on bonds payable	$	$ 9,965,394	$ 1,611,701	$ 497,920	$	$ 12,075,015
Amortization of deferred loss on refunding (included in interest expense)	$	$	$	$ 281,506	$	$ 281,506
Amortization of bond issue costs (included in interest expense)	$	$	$ 31,342	$ 108,137	$ 722,959	$ 862,438
Transfer of loans receivable to real estate available for sale	$ 257,151	$	$	$	$	$ 257,151
Transfer of loans receivable to real estate available for sale	$	$	$ 10,374	$	$	$ 10,374
Transfers within enterprise funds:						
Real estate available for sale	$ (32,709)	$	$	$	$ 32,709	$
Due (from) to other funds	$ 32,709	$	$	$	$ (32,709)	$

See notes to basic financial statements.

(Concluded)

1. REPORTING ENTITY

Puerto Rico Housing Finance Authority (the "Authority") is a component unit of Government Development Bank for Puerto Rico ("GDB" or the "Bank"), which is a component unit of the Commonwealth of Puerto Rico (the "Commonwealth"). The Authority was created in 1977 to provide public and private housing developers with interim and permanent financing through mortgage loans for the construction, improvement, operation, and maintenance of rental housing for low- and moderate-income families. The Authority also issues bonds and notes, the proceeds of which are deposited in separate trusts and generally invested in federally insured mortgage loans on properties located in Puerto Rico and purchased by low- and moderate-income families. The Authority is authorized by the U.S. Department of Housing and Urban Development to administer the U.S. Housing Act Section 8 program in Puerto Rico and to act as an approved mortgagor, both for multifamily rental units and for single-family homes. In addition, it is an authorized issuer of Government National Mortgage Association (GNMA) mortgage-backed securities and is Puerto Rico's State Credit Agency for the Low-Income Housing Tax Credit Program under Section 42 of the U.S. Internal Revenue Code. Effective July 1, 2010, the Housing Finance Authority was certified by the HUD to administer the HOME Investment Partnerships (HOME) Program.

The Authority, in conjunction with the Puerto Rico Department of Housing (the "Department of Housing"), is the entity responsible for certifying projects under the New Secure Housing Program (known in Spanish as *Nuevo Hogar Seguro*) with the approval of the Federal Emergency Management Agency (FEMA). This program is directed to plan, coordinate, and develop the construction of new housing as a replacement to those destroyed by Hurricane Georges in 1998, and to attend the housing needs of families living in hazard-prone areas.

To minimize its risk of loss, the Authority purchases insurance coverage for public liability, hazard, automobile, crime, and bonding, as well as medical and workmen's insurance for employees. The selection of the insurer has to be approved by the Public Insurance Office of the Puerto Rico Treasury Department. Insurance coverage is updated annually to account for changes in operating risk. For the last three years, insurance settlements have not exceeded the amount of coverage.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to governmental entities. The Authority follows Governmental Accounting Standards Board (GASB) pronouncements under the hierarchy established by GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in the preparation of its financial statements. The Authority has elected to apply all applicable statements and interpretations issued by the Financial Accounting Standards Board (FASB) after November 30, 1989, in accounting and reporting for its enterprise funds and business-type activities to the extent they do not conflict with GASB pronouncements.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements — The statement of net assets (deficiency) and the statement of activities report information on all activities of the Authority. The effect of interfund balances has been removed from the government-wide statement of net assets (deficiency), except for the residual amounts due between governmental and business-type activities. Interfund charges for services among functions of the government-wide statement of activities have not been eliminated. The Authority's activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services or interest earned on investment securities. Following is a description of the Authority's government-wide financial statements.

The statement of net assets (deficiency) presents the Authority's assets and liabilities, with the difference reported as net assets. Net assets (deficiency) are reported in three categories:

- Invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets, if any.

- Restricted net assets result when constraints placed on net assets use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net assets (deficit) consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, in order to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on use that are imposed by management, but such constraints may be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include (1) interest income on loans and investments, changes in the fair value of investments, and fees and charges to customers for services rendered or for privileges provided and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not meeting the definition of program revenues are reported as general revenues.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements — Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The financial activities of the Authority that are reported in the accompanying basic financial statements have been classified into governmental and enterprise funds.

Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

Fund balances for each governmental fund are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable — amounts that cannot be spent because they are not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

- Restricted — amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.

- Committed — amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.

- Assigned — amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

- Unassigned — amounts that are available for any purpose.

Measurement Focus, Basis of Accounting, and Financial Statements Presentation

Government-Wide Financial Statements **—** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds Financial Statements — The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 120 days after the end of the fiscal year. Principal revenue sources considered susceptible to accrual include federal and Commonwealth funds to be received by the Housing and Urban Development (HUD) Programs, ARRA Funds, HOME Program, and Closing Costs Assistance Program. Other revenues are considered to be measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modifications to the accrual basis of accounting include:

- Interest on general long-term obligations is generally recognized when paid.

- Debt service principal expenditures and claims and judgments are recorded only when payment is due.

Governmental Funds **—** The following governmental activities of the Authority are classified as major governmental funds:

HUD Programs — This special revenue fund accounts for the subsidy to low- and moderate-income families for the rental of decent and safe dwellings under the U.S. Housing Act Section 8 programs.

ARRA Programs — This special revenue fund accounts for funds received under Title XII and Section 1602 of the American Recovery and Reinvestment Act of 2009. Title XII is a grant program that provides funds for capital investments in Low-Income Housing Tax Credit projects. Section 1602 grants funds to states to finance construction or acquisition and rehabilitation of qualified low-income building for low-income housing in lieu of low-income housing tax credits.

Affordable Housing Mortgage Subsidy Programs (AHMSP) (Stages 7) — These special revenue funds are used to account for the proceeds of specific revenue sources under Stage 7 of the AHMSP that are legally restricted for expenditures to promote the origination of mortgage loans by financial institutions in the private sector to low- and moderate-income families. Under these stages, the Authority commits to provide subsidy for the down payment and/or the principal and interest payments on mortgage loans originated under a predetermined schedule of originations. Loans originated, as well as servicing, are kept by the originating financial institution. There was no open schedule of originations under these stages as of June 30, 2012.

My New Home Program — This special revenue fund accounts for revenues provided by Act No. 122 of August 6, 2010, which assigned to the Authority, for a period of seven years, a portion of no less than 80% of the unreserved monies and other liquid funds abandoned or unclaimed in financial institutions that will be transferred to the General Fund of the Commonwealth. Act 42 of February 14, 2012 amended on Act 122 the portion of unreserved monies and other liquid funds abandoned or unclaimed to 85% and 100% once the claims for any pending debt related to tax credit are paid. In addition it eliminates the 7 year limit and established the funding in perpetual form. The funding will enter into effect as of September 2014.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following governmental activities of the Authority are accounted for in other nonmajor governmental funds:

Affordable Housing Mortgage Subsidy Programs (AHMSP) (Stages 2, 3, 6, 8, 9, 10, and 11) — These special revenue funds are used to account for the proceeds of specific revenue sources under Stages 2, 3, 6, 8, 9, 10, and 11 of the AHMSP that are legally restricted for expenditures to promote the origination of mortgage loans by financial institutions in the private sector to low- and moderate-income families. Under these stages, the Authority commits to provide subsidy for the down payment and/or the principal and interest payments on mortgage loans originated under a predetermined schedule of originations and, in the case of Stages 9, 10, and 11, to acquire such mortgages in the form of mortgage-backed securities issued by the financial institutions. Loans originated, as well as servicing, are kept by the originating financial institution. There was no open schedule of originations under these stages as of June 30, 2012.

AHMSP Mortgage-Backed Certificates **—** This special revenue fund is used to account for specific revenue sources used to provide subsidy for the mortgages underlying the mortgage-backed securities held as collateral for the mortgage-backed certificates issued in fiscal year 2007.

AHMSP Act No. 124 **—** This special revenue fund accounts for excess subsidy funds, as well as accumulated net assets released periodically from arbitrage structures used to provide housing assistance.

Closing Costs Assistance Program — This special revenue fund accounts for revenues received mainly from appropriations from the Commonwealth to provide subsidies to eligible individuals of families for the purchase of an eligible principal residence.

New Secure Housing Program **—** This special revenue fund is used to account for federal and local resources directed to plan, coordinate, and develop the construction of new housing units as a replacement for those destroyed by Hurricane Georges in 1998, and to attend the housing needs of those families living in hazard-prone areas.

HOME Program — The objectives of this special revenue fund include: (1) expanding the supply of decent and affordable housing, particularly housing for low- and very low-income families; (2) strengthening the abilities of state and local governments to design and implement strategies for achieving adequate supplies of decent, affordable housing; (3) providing financial and technical assistance to participating jurisdictions, including the development of model programs for affordable low-income housing; and (4) extending and strengthening partnerships among all levels of government and the private sector, including for-profit and nonprofit organizations, in the production and operation of affordable housing.

Protecting Your Home Program — This special revenue fund accounts for mortgage payment subsidy for up to 18 months or $20,000, whichever is less, and is intended to reduce the amount of home foreclosures among low- and moderate-income families with recent financial difficulties. This loss mitigation program was financed with $20 million coming from releases of excess funds from previous bond issuances under the AHMSP.

Enterprise Funds' Financial Statements — The financial statements of the enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses are those that result from the Authority providing the services that correspond to their principal ongoing operations. Operating revenues are generated from lending, investing, fiscal agency services, and other related activities. Operating expenses include interest expense, any provision for losses on loans, advances, or guarantees, and all general and administrative expenses, among other. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Enterprise Funds — The following business-type activities of the Authority are classified as major enterprise funds:

***Operating and Administrative* —** The Operating and Administrative fund accounts for lending and guarantee activities, except those accounted for in other enterprise funds, and most of the general and administrative activities of the Authority.

***Mortgage Trust III* —** This fund is used to account for the financing of low- and moderate-income families' purchase of residential housing from the proceeds of bond issuances. In July 2011, the Authority restructured approximately $425 million face amount of Mortgage Trust III bonds. The restructuring took place as follows: 1) tender offer amounting to approximately $144 million (including expenses related to the transaction) to acquire and cancel bonds with a carrying amount of approximately $112 million, and 2) purchase AAA securities amounting to approximately $160 million to establish an escrow for the payment through maturity of bonds with a carrying amount of approximately $129 million.

***Home Purchase Stimulus Program* —** This program was created as part of Act No. 9, approved on March 9, 2009, to help families in the acquisition of a new or existing house through the issuance of a second mortgage.

***Mortgage-Backed Certificates 2006 Series A* —** This fund is used to account for the proceeds received in connection with the issuance of mortgage-backed certificates (the "Mortgage-Backed Certificates"), which were used to defease the Collateralized Mortgage Revenue Bonds 1994 Series A and the Single Family Mortgage Portfolio I and Portfolio IV bonds.

The Mortgage-Backed Certificates are limited obligations of the Authority, payable from and secured by certain mortgage-backed securities guaranteed by GNMA and Federal National Mortgage Association (FNMA) (the "Mortgage-Backed Securities"), as well as from moneys in certain funds and accounts established in the trust indenture for the issuance of the Mortgage-Backed Certificates. The Mortgage-Backed Securities are backed by mortgage loans made by participating lending institutions to low- and moderate-income families to finance the purchase of qualified single-family residential housing units in Puerto Rico under the Authority's AHMSP Act No. 124. Each class of Mortgage-Backed Certificates will be paid from a separate and distinct stream of principal and interest payments from designated mortgage loans per class of Mortgage-Backed Certificates, as paid through the corresponding Mortgage-Backed Securities into which the class mortgage loans are pooled, as well as moneys deposited in certain funds and accounts established in the trust indenture. The schedule and unscheduled principal payments derived from class mortgage loans and interest will be paid on a monthly basis. The rates of principal payments on each Mortgage-Backed Certificate will depend on the rates of principal payments, including prepayments, on the related class mortgage loans.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The rates of the payments, including prepayments, on the mortgage loans are dependent on a variety of economic and social factors, including the level of market interest rates.

The following business-type activities of the Authority are accounted for in other nonmajor enterprise funds:

***Mortgage Loan Insurance* —** The mortgage loan insurance program was created by law to provide mortgage credit insurance to low- and moderate-income families on loans originated by the Authority and other financial institutions.

***Land Acquisition and Construction Loans Insurance (Act No. 89)* —** The land acquisition and construction loans insurance program provides mortgage credit insurance to low- and moderate-income families for the purchase of lots. The program is financed through legislative appropriations and proceeds from mortgage insurance premiums and any other income derived from this insurance activity. Under this program, the Authority is authorized to commit the good faith and credit of the Commonwealth up to $5 million for the issuance of debenture bonds.

Single Family Mortgage Revenue Bonds Portfolio IX- This fund is part of the Authority's AHMSP and is used to account for bond issuances, the proceeds of which are used to purchase mortgage-backed securities collateralized by loans originated to finance low-and moderate-income families' purchase of residential housing units. As of June 30, 2012, the Portfolio IX fund has been closed.

***Single-Family Mortgage Revenue Bonds Portfolio X and XI* —** These funds are part of the Authority's AHMSP and are used to account for bond issuances, the proceeds of which are mainly used to purchase mortgage-backed securities collateralized by loans originated to finance low- and moderate-income families' purchase of residential housing units. As of June 30, 2012, the Portfolio X fund has been closed.

***Homeownership Mortgage Revenue Bonds (Series 1998)* —** This fund is used to account for the proceeds of bond issuances to finance the acquisition of GNMA certificates backed by mortgage loans originated by eligible institutions to finance the purchase of qualified single-family residential housing..

***Homeownership Mortgage Revenue Bonds (Series 2001)* —** This fund is used to account for the proceeds of bond issuances to finance the acquisition of GNMA certificates backed by mortgage loans originated by eligible institutions to finance the purchase of single family residential housing.

Homeownership Mortgage Revenue Bonds (Series 2003) — This fund is used to account for subsidies provided to low- and moderate-income families in obtaining a mortgage loan.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Puerto Rico Community Development Fund, LLC **-**Puerto Rico Community Development Fund, LLC ("PRCDF"), an entity organized under the laws of Delaware, is a Community Development Entity. PRCDF has two members, the Authority (50%) and the Department of Housing (50%). On November 30, 2009, PRCDF was allocated $45,000,000 of New Markets Tax Credits for investments in, or loans to, Qualified Active Low-Income Community Businesses ("QALICB's") whose principal activities involve the development or rehabilitation of real estate. On October 14, 2011 and December 12, 2011, PRCDF transferred $13,500,000 and $31,500,000, respectively, of its allocation to PRCDF I, LLC ("PRCDF I"). PRCDF I, an entity organized under the laws of Delaware, is also a Community Development Entity. PRCDF I has one managing member, PRCDF (.01%) and one investor member, PRHFA RLF Investment Fund, LLC (99.99%). The managing member and the investor member have made capital contributions of $4,500 and $45,000,000, respectively. The capital contributions have been used to establish a loan revolving fund for loans to QALICB's.

The New Markets Tax Credit Program (NMTC Program) was established by the U.S. Congress in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities. The NMTC Program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their Federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs). The credit totals 39 percent of the original investment amount and is claimed over a period of seven years (five percent for each of the first three years, and six percent for each of the remaining four years). The investment in the CDE cannot be redeemed before the end of the seven-year period.

An organization wishing to receive awards under the NMTC Program must be certified as a CDE by the Community Development Financial Institution Fund of the U.S. Department of the Treasury.
To qualify as a CDE, an organization must:

- be a domestic corporation or partnership at the time of the certification application;
- demonstrate a primary a mission of serving, or providing investment capital for, low-income communities or low-income persons; and
- maintain accountability to residents of low-income communities through representation on a governing board of or advisory board to the entity.

Investments and Investment Contracts — Investments and investment contracts are carried at fair value, except for money market instruments and participating investment contracts with a remaining maturity at the time of purchase of one year or less and nonparticipating investment contracts (guaranteed investment contracts), which are carried at cost, and investment positions in 2a-7 like external investment pools, which are carried at the pools' share price. Fair value is determined based on quoted market prices and quotations received from independent broker/dealers or pricing service organizations. Realized gains and losses from the sale of investments and unrealized changes in the fair value of outstanding investments are included in net increase (decrease) in fair value of investments.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with the specific requirements established in the bond indentures, the Authority has invested certain debt proceeds in U.S. government obligations, U.S. and Puerto Rico mortgage-backed securities, and investment contracts. These U.S. government obligations, mortgage-backed securities, and investment contracts are held in custody by the trustee of the bond issue in the name of the Authority.

Loans Receivable and Allowance for Loan Losses — Loans in the enterprise funds are presented at the outstanding unpaid principal balance reduced by an allowance for loan losses. Loans are measured for impairment when it is probable that all amounts, including principal and interest, will not be collected in accordance with the contractual terms of the loan agreement. Interest accrual ceases when collectibility is uncertain, generally once a loan is 180 days past due. Once a loan is placed in nonaccrual status, all accrued but uncollected interest is reversed against current interest income. Interest income on nonaccrual loans is thereafter recognized as income only to the extent actually collected. Nonaccrual loans are returned to an accrual status when management has adequate evidence to believe that the loans will be performing as contracted.

The allowance for loan losses is established through provisions recorded as an operating expense. This allowance is based on the evaluation of the risk characteristics of the loan or loan portfolio, including such factors as the nature of the individual credit outstanding, past loss experience, known and inherent risks in the portfolios, and general economic conditions. Charge-offs are recorded against the allowance when management believes that the collectibility of the principal is unlikely. Recoveries of amounts previously charged off are credited to the allowance. Because of uncertainties inherent in the estimation process, management's estimate of credit losses in the outstanding loans receivable portfolio and the related allowance may change in the near future.

Management, considering current information and events regarding the borrowers' ability to repay their obligations, considers a loan to be impaired when it is probable that the Authority will be unable to collect all amounts due according to the contractual terms of the loan agreement. Interest income and cash receipts on impaired loans are accounted for predominantly in the same manner as nonaccrual loans.

Loans considered to be impaired are generally reduced to the present value of expected future cash flows, discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent, by establishing a valuation allowance.

Due from (to) Other Funds — Interfund receivables and payables have been eliminated from the statement of net assets (deficiency), except for the residual amounts due between governmental and business-type activities.

Debt Issue Costs — Debt issue costs are deferred, and amortized, as a component of interest expense, over the term of the related debt, using systematic and rational methods that approximate the interest method. Issuance costs of the bonds accounted for in the governmental funds are recorded as expenditures when paid.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate Available for Sale — Real estate available for sale comprises properties acquired through foreclosure proceedings. It also includes loans that are treated as if the underlying collateral had been foreclosed because the Authority has taken possession of the collateral, even though legal foreclosure or repossession proceedings have not taken place. Those properties are carried at the lower of cost or fair value, which is established by a third-party professional assessment or based upon an appraisal, minus estimated costs to sell. At the time of acquisition of properties in full or in partial satisfaction of loans, any excess of the loan balance over the fair value of the properties, minus estimated costs to sell is charged against the allowance for loan losses. Subsequent declines in the value of real estate available for sale are charged to expenditure/expense. Gain or loss on sale related to foreclosed real estate available for sale are included within noninterest income in the accompanying statement of revenues, expenses, and change in net assets.

Capital Assets — Capital assets, which include leasehold improvements, information systems, office furniture, equipment, and vehicles, are reported in the governmental activities and business-type activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets which have a cost of $500 or more at the date of acquisition and have an expected useful life of three or more years. Purchased capital assets are valued at historical cost. Donated fixed assets are recorded at their fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend the asset's useful life are not capitalized.

Capital assets are depreciated on the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Generally, estimated useful lives are as follows:

Leasehold improvements	Lesser of 10 years or lease term
Office furniture and equipment	Five years
Information systems	Three years
Vehicles	Five years

Compensated Absences — The employees of the Authority are granted 30 days of vacation and 18 days of sick leave annually. Vacation and sick leave may be accumulated up to a maximum of 72 and 90 days, respectively. In the event of employee resignation, an employee is reimbursed for accumulated vacation and sick leave days up to the maximum allowed. The enterprise fund financial statements and the government-wide financial statements present the cost of accumulated vacation and sick leave as a liability. There are no employees paid by governmental funds.

Allowance for Losses on Mortgage Loan Insurance — The estimated liability for losses on mortgage loan insurance is based on management's evaluation of potential losses on insurance claims after considering economic conditions, market value of related property, and other pertinent factors. Such amount is, in the opinion of management, adequate to cover estimated future normal mortgage loan insurance losses. Actual losses for mortgage loan insurance are charged, and recoveries, if any, are credited to the estimated liability for losses on mortgage loan insurance. Because of uncertainties inherent in the estimation process, management's estimate of losses in the outstanding loan guarantee portfolio and the related liability may change in the near future.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Refundings — Refundings involve the issuance of new debt whose proceeds are used to repay immediately (current refunding) or at a future time (advance refunding) previously issued debt. The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred amount is recorded as an addition to or deduction from the new debt.

No-Commitment Debt — The Authority has issued notes and bonds in connection with the financing of low- and moderate-income housing projects. Certain of the obligations issued by the Authority are considered no-commitment debt and are excluded, along with the related assets held in trust, from the accompanying basic financial statements. The Authority and the Commonwealth, except for the assets held in trust and earnings thereon, are not liable directly or indirectly for the payment of such obligations.

Certain other collateralized obligations of the Authority are included in the accompanying basic financial statements because either they represent general obligations of the Authority or it maintains effective control over the assets transferred as collateral.

Loan Origination Costs and Commitment Fees — GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Issues*, requires that loan origination and commitment fees and direct origination costs be amortized over the contractual life of the related loan. The Authority generally recognizes commitment fees as income when collected and the related loan origination costs as expense when incurred. Effective July 1, 2006, the Authority defers and amortizes loan origination fees for certain single-family mortgage loans over the contractual life of such loans. In the opinion of management, the difference between the two methods does not have a significant effect on the Authority's financial position and changes in financial position.

Transfers of Receivables — Transfers of receivables are accounted and reported as a sale if the Authority's continuing involvement with those receivables is effectively terminated. This approach distinguishes transfers of receivables that are sales from transfers that are collateralized borrowings.

The Authority's continuing involvement is considered to be effectively terminated if all of the following criteria are met: (i) the transferee's ability to subsequently sell or pledge the receivables is not significantly limited by constraints imposed by the Authority, either in the transfer agreement or through other means; (ii) the Authority does not have the option or ability to unilaterally substitute for or reacquire specific accounts from among the receivables transferred, except in certain limited circumstances; (iii) the sale agreement is not cancelable by either party, including cancellation through payment of a lump sum or transfer of other assets or rights; and (iv) the receivables and the cash resulting from their collection have been isolated from the Authority.

The Authority services loans for investors and receives servicing fees generally based on stipulated percentages of the outstanding principal balance of such loans. Loan servicing fees, late charges, and other miscellaneous fees are recognized as revenues as the related mortgage payments are collected, net of fees due to any third-party servicers. No servicing asset is recognized since fees are considered adequate compensation.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mortgage Loan Insurance Premiums — Premiums on insured mortgage loans are recognized as earned.

Future Adoption of Accounting Pronouncements — The GASB has issued the following statements:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is effective for periods beginning after December 15, 2011.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*, which is effective for periods beginning after June 15, 2012.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for periods beginning after December 15, 2011.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for periods beginning after December 15, 2011.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions — an amendment of GASB Statement No. 53*, which is effective for periods beginning after June 15, 2011.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for periods beginning after December 15, 2011.
- GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which is effective for periods beginning after December 15, 2012.

Management is evaluating the impact that these statements will have on the Authority's basic financial statements.

3. CASH AND DUE FROM BANKS, AND DEPOSITS PLACED WITH BANKS

The table presented below discloses the level of custodial credit risk assumed by the Authority at June 30, 2012. Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to it. The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth. Funds deposited with GDB or the Economic Development Bank(EDB) for Puerto Rico, a component unit of the Commonwealth, are not covered by this Commonwealth's requirement.

3. CASH AND DUE FROM BANKS, AND DEPOSITS PLACED WITH BANKS (CONTINUED)

The Authority follows GDB's policies for deposits placed with banks, which establish maximum exposure limits for each institution based on the institution's capital, financial condition, and credit rating assigned by nationally recognized rating agencies. Maturities of deposits placed with banks at June 30, 2012, are as follows: $65,665,559 in July 2012, $36,639,782 in August 2012, $30,788,661 in September 2012, $19,106,517 in October 2012, $20,618,161 in November 2012, and $21,300,266 in December 2012.

As of June 30, 2012, of the depository bank balance of $229,335,831 a total of $177,422,743 was uninsured and uncollateralized as follows:

	Carrying Amount	Depository Bank Balance	Uninsured and Uncollateralized
Cash	$ 110,065,138	$ 111,323,402	$ 79,279,667
Deposits placed with banks	194,118,945	118,012,429	98,143,076
Total	$ 304,184,083	$ 229,335,831	$ 177,422,743

Uninsured and uncollateralized cash of approximately $79.3 million as of June 30, 2012, represents the bank balance of cash deposited at GDB. These deposits are exempt from the collateral requirement established by the Commonwealth. In addition, uninsured and uncollateralized deposits placed with banks consist of certificates of deposit issued by GDB and EDB amounting to approximately $98.14 million as of June 30, 2012.

Reconciliation to the government-wide statement of net assets (deficiency) as of June 30, 2012, is as follows:

Unrestricted:	
Cash	$ 19,262,844
Deposits placed with banks	92,549,306
Total unrestricted	111,812,150
Restricted:	
Cash	90,802,294
Deposits placed with banks	101,569,639
Total restricted	192,371,933
Total	$ 304,184,083

4. INVESTMENTS AND INVESTMENT CONTRACTS

The Authority follows GDB's investment policies, which provide that investment transactions shall be entered into only with counterparties that are rated BBB+/A-1 or better by Standard & Poor's or equivalent rating by Fitch Ratings or Moody's Investors Service, depending on the type and maturity of the investment and the counterparty to the transaction. Any exceptions must be approved by the Authority's Board of Directors. These investment policies also provide that purchases and sales of investment securities shall be made using the delivery versus payment method. The Authority does not have a formal policy for interest rate risk management.

The following table summarizes the type and maturities of investments held by the Authority at June 30, 2012. Investments by type in any one issuer representing 5% or more of total investments of the Authority have been separately disclosed. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Within One Year	After One to Five Years	After Five to Ten Years	After Ten Years	Total
GNMA	$	$ 1,115,796	$ 5,275,250	$ 246,197,649	$ 252,588,695
FNMA				7,535,209	7,535,209
Federal Home Loan Mortgage Corporation (FHLMC)				195,741	195,741
Federal Home Loan Bank (FHLB)		30,416,135	18,001,821		48,417,956
Fixed-income external investment pool — Federated Government Obligations				5,862,805	5,862,805
U.S. Treasury Obligations	16,930,568	25,053,990			41,984,558
Israel Bonds		20,082,343	34,176,733		54,259,076
Nonparticipating investment contracts:					
GDB				15,691,284	15,691,284
Other			4,500	76,830,595	76,835,095
Total	$ 16,930,568	$ 76,668,264	$ 57,458,304	$ 352,313,283	$ 503,370,419

Reconciliation to the government-wide statement of net assets as of June 30, 2012, is as follows:

Unrestricted investments and investment contracts	$ 35,118,952
Restricted investments and investment contracts	468,251,467
Total	$ 503,370,419

At June 30, 2012, substantially, all of the Authority's investments in mortgage-backed securities were held by trustees in connection with bonds issued by the Authority, the terms of which provide for early redemption of the bonds if the securities are early repaid.

Investments in fixed-income external investment pools had an average maturity of less than 60 days; accordingly, they are presented as investments with maturities of less than one year.

4. INVESTMENTS AND INVESTMENT CONTRACTS (CONTINUED)

All of the Authority's investments in mortgage-backed securities guaranteed by GNMA carry the explicit guarantee of the U.S. government. The credit quality ratings for investments in debt securities and nonparticipating investment contracts, excluding mortgage-backed securities guaranteed by GNMA, as of June 30, 2012, are as follows:

Securities Type	Credit Risk Rating AAA to A-	Credit Risk Rating BBB
FHLB	$ 48,417,956	
Mortgage-backed securities:		
FNMA	7,535,209	
FHLMC	195,741	
Fixed-income external investment pool:		
Federated Obligations	5,862,805	
Israel Bonds	54,259,076	
Nonparticipating investment contracts	62,391,956	30,134,424
Total	$ 178,662,743	$ 30,134,424

The credit quality rating of nonparticipating investment contracts are based on the credit quality ratings of the counterparties with whom those contracts are entered into.

5. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans receivable as of June 30, 2012, consist of:

	Business-Type Activities		
	Operating and Administrative	Other Nonmajor	Total
Real estate loans — all types of residential property, bearing interest at various rates ranging from 5% to 18%	$ 275,525,381	$ 76,985,438	$ 352,510,819
Less allowance for loan losses	(33,799,512)	(2,376,785)	(36,176,297)
Less deferred origination fees	(2,967,645)	(24,203,218)	(27,170,863)
	$ 238,758,224	$ 50,405,435	$ 289,163,659

Reconciliation to the government-wide statement of net assets (deficiency) as of June 30, 2012, is as follows:

Unrestricted loans receivable — net	$ 238,758,224
Restricted loans receivable — net	50,405,435
Total	$ 289,163,659

5. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

Real estate loans receivable represent secured loans with a first lien on the related real estate property granted to low- and moderate-income families for the acquisition of single-family units and to developers of multifamily housing units in Puerto Rico. Prior to providing mortgage financing to developers, the Authority obtains representations and approvals from appropriate Commonwealth and U.S. government agencies as to the qualifications of the prospective sponsors, as well as the financial feasibility of each project. Real estate loans are generally collectible monthly at various dates through the year 2049. The collection of noninsured/nonguaranteed real estate loans to developers is dependent on the ability of each housing project to generate sufficient funds to service its debt, which, for other than certain federally assisted housing projects, is predicated on the ability to obtain rent increases to offset increases in operating costs.

At June 30, 2012, nonperforming loans amounted to approximately $4.4 million. Interest income that would have been recorded in the year if these loans had performed in accordance with their original terms would have been approximately $_____ million.

The Authority generally measures impairment of loans based upon the present value of a loan's expected future cash flows, except when foreclosure or liquidation is probable, or when the primary source of repayment is provided by real estate collateral. In these circumstances, impairment is measured based upon the fair value of the collateral less estimated selling and disposal costs. The present value of a loan's expected future cash flows is calculated using the loan's effective interest rate, based on the original contractual terms.

The loans considered impaired as of June 30, 2012, and the related interest income for the year then ended, are as follows:

Recorded investment in impaired loans:	
Requiring an allowance for loan losses	$ 44,558,846
Not requiring an allowance for loan losses	3,286,495
Total	$ 47,845,341
Related allowance for loan losses	$ 32,889,505
Average recorded investment in impaired loans	46,406,000
Interest income recognized on impaired loans	244,521

The summary of the activity in the allowance for loan losses for the year ended June 30, 2012, is as follows:

	Operating and Administrative	Other Nonmajor	Total
Balance — beginning of year	$ 34,264,503	$ 1,391,465	$ 35,655,968
Provision for loan losses	4,697,659	985,320	5,682,979
Net charge-offs	(5,162,650)		(5,162,650)
Balance — end of year	$ 33,799,512	$ 2,376,785	$ 36,176,297

6. DUE FROM FEDERAL GOVERNMENT

The New Secure Housing Program (the "NSH Program") constituted an inter-governmental effort to provide long term hazard mitigation assistance to the Government of Puerto Rico by providing funding for relocation of eligible participants that were affected by Hurricane Georges 1998 or that lived in hazard-prone areas under the Hazard Mitigation Grant Program (HMGP) administered by the Federal Emergency Management Agency (FEMA). Through a series of collaborative agreements, the Office of the Governor's Authorized Representative (GAR) was named the grantee, the Department of Housing (DOH) the sub-grantee and the Authority the administrator of the NSH Program.

Under the NSH Program, the Authority was responsible for project management, including contracting, supervising, and paying the designers, inspectors, and legal services needed for the NSH Program. The Authority also provided all the funding for the NSH Program through a $67 million nonrevolving line of credit with GDB. The DOH was responsible for land acquisitions, auctioning projects, awarding construction contracts, qualifying participants, and selling housing units to eligible participants.

Under the terms of the grant, the construction of, and relocation of participants to new secure housing units was to be completed by December 31, 2007. In addition, FEMA would reimburse 75% of the allowable costs of the NSH Program. Funds collected under the NSH Program since its inception amounted to approximately $113 million and are subject to compliance audits under OMB Circular A-133 and federal granting agencies audits.

In April 2007, FEMA discontinued reimbursing the Authority's allowable costs based on the Program's noncompliance with the scheduled dates for construction activities and case management. The DOH requested various extensions and reconsiderations the last one up to June 30, 2010 and FEMA granted such requests.

Although significant progress was made through June 30, 2010, in the construction activities and in the case management of the Program, the Authority was not able to fully comply with the terms of the extensions granted by FEMA. On September 30, 2011, the Authority provided FEMA and the GAR the Program's closeout documentation which was reviewed by FEMA. Most of the information provided by the Authority complied with NHS Program requirements and FEMA's requests for additional information and clarifications were responded by the Authority.

On January 30, 2012, the Authority and the DOH entered into a transition agreement by which the DOH would assume its obligations as NSH Program sub-grantee and project owner, including vacant property dispositions, open space monitoring and other related issues. The Authority will continue to assume the amounts payable under the $67 million non revolving line of credit with GDB, until such debt can be assumed by the Government of Puerto Rico. The DOH would prospectively assume, without recourse, any additional funds that might be requested by FEMA for events of non-compliance, including related costs.

Based on all these facts and that no reimbursements have been received from FEMA since April 2007, management has decided to establish an allowance for the $26 million due from FEMA at June 30, 2012.

The Authority, as a public housing agency, is authorized to administer the U.S. Housing Act Section 8 Programs in Puerto Rico. The revenues and expenses of such federal financial assistance are accounted for as a major governmental fund under the HUD Programs fund. Revenues and expenditures related to the administration of the U.S. Housing Act Section 8 Programs amounted to approximately

6. DUE FROM FEDERAL GOVERNMENT (CONTINUED)

$133.78 million during the year ended June 30, 2012. This amount includes approximately $5,048,000 of administrative fees for services performed as contract administrator, which are reimbursed by HUD. As of June 30, 2012, the amounts due from federal government under the HUD Programs fund amounted to approximately $1.29 million.

In addition, on February 17, 2009, the American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law in the United States of America. The purpose of ARRA is to jumpstart the nation's ailing economy, with the primary focus on creating and saving jobs in the near term and investing in infrastructure that will provide long-term economic benefits. During the year ended June 30, 2012, the Authority expended $21.2 million of ARRA Program funds of which none are due from the federal government as of June 30, 2012.

During the year ended June 30, 2012, the Authority expended $17 million of HOME Program funds, of which $11.9 million are due from the federal government as of June 30, 2012. In accordance with the Authority's accounting policies, the Authority has deferred the recognition of revenue of approximately $3.2 million due from the federal government as such amounts are not considered to be available. This amount has been has recorded as a deferred revenue in the accompanying balance sheet — governmental funds.

7. REAL ESTATE AVAILABLE FOR SALE

Real estate available for sale at June 30, 2012, consisted of the following:

	Administrative	Nonmajor	Total
Residential (1–4 units)	$ 7,935,062	$ 5,664,579	$13,599,641
Land	8,880,000		8,880,000
Valuation allowance	(7,310,165)	(3,962,565)	(11,272,730)
Total real estate available for sale	$ 9,504,897	$ 1,702,014	$11,206,911

Reconciliation to the government-wide statement of net assets (deficiency):

Unrestricted real estate available for sale	$ 9,504,897
Restricted real estate available for sale	1,702,014
Total	$11,206,911

7. REAL ESTATE AVAILABLE FOR SALE (CONTINUED)

The following is a summary of the activity in the valuation allowance for the year ended June 30, 2012:

	Business-Type Activities		
	Operating and Administrative	Other Nonmajor	Total
Balance — beginning of year	$ 7,383,818	$ 3,380,560	$ 10,764,378
Provision for possible losses	(73,653)	675,790	602,137
Write-offs		(93,785)	(93,785)
Recoveries			
Balance — end of year	$ 7,310,165	$ 3,962,565	$ 11,272,730

The Authority maintained a line of credit of $50 million with a commercial bank to provide funds to the Department of Housing (DOH) to finance the operations of the "Revitalización de Santurce" Program. The project's objective was to rehabilitate and redevelop the Santurce sector in the Municipality of San Juan through purchase and expropriations of properties for redevelopment of commercial and residential projects. The Authority entered into a collaborative agreement with DOH under which it would finance the property acquisition efforts under the Program. The funds for the DOH's property expropriation efforts of real property were withdrawn from the line of credit. Once the property was acquired, DOH would immediately transfer ownership to the Authority to collateralize the line of credit. DOH subsequently would enter into purchase agreements with developers that met the Program's underlying objectives. The product of the sale of the properties to the developers would serve to repay the line of credit. However, due to the general real estate market conditions and lack of financing the projects under which conditioned purchase agreements were subscribed were no longer feasible. In turn, the Authority repaid the outstanding balance and retained title to the properties held in trust in lieu of payment amounting to $8,880,000. The Authority is making efforts to sell the properties and reclassified land as held for sale as of June 30, 2012.

8. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, was as follows:

Governmental activities:

	Beginning Balance	Additions	Reductions/ Reclassifications	Ending Balance
Capital assets:				
Information systems	$ 66,329	$	$	$ 66,329
Office furniture and equipment	33,967			33,967
Vehicles	66,135			66,135
Total capital assets	166,431			166,431
Less accumulated depreciation and amortization for:				
Information systems	(35,494)	(17,436)		(52,930)
Office furniture and equipment	(23,094)	(5,241)		(28,335)
Vehicles	(66,132)			(66,132)
Total accumulated depreciation and amortization	(124,720)	(22,677)		(147,397)
Capital assets — net	$ 41,711	$ (22,677)	$	$ 19,034

Business-type activities:

	Beginning Balance	Additions	Reductions/ Reclassifications	Ending Balance
Capital assets:				
Leasehold improvements	$ 4,002,942	$	$	$ 4,002,942
Information systems	2,671,943	366,418		3,038,361
Office furniture and equipment	2,118,759	29,144		2,147,903
Vehicles	150,023			150,023
Total capital assets	8,943,667	395,562		9,339,229
Less accumulated depreciation and amortization for:				
Leasehold improvements	(2,051,353)	(364,013)		(2,415,365)
Information systems	(1,786,720)	(502,668)		(2,289,387)
Office furniture and equipment	(1,874,214)	(145,154)		(2,019,368)
Vehicles	(128,409)	(10,291)		(138,700)
Total accumulated depreciation and amortization	(5,840,695)	(1,022,125)		(6,862,820)
Capital assets — net	$ 3,102,972	$ (626,563)	$	$ 2,476,409

9. BONDS, MORTGAGE-BACKED CERTIFICATES, NOTES PAYABLE, AND OTHER LIABILITIES

The activity of bonds, mortgage-backed certificates, and notes payable for the year ended June 30, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Commonwealth appropriation note payable — AHMSP Stage 7	$ 4,811,237	$	$	$ 4,811,237	$
Due to GDB:					
AHMSP Stage 7	39,281,780	494,079	(498,345)	39,277,514	39,277,514
AHMSP Stage 10	13,646,635	953,226	(14,599,861)		
AHMSP Law 124		13,512,049		13,512,049	
My New Home Program		45,635,000		45,635,000	
New Secure Housing Program	52,684,197	2,643,833	(1,511,190)	53,816,840	885,251
Total governmental activities	$ 110,423,849	$63,238,187	$ (16,609,396)	$ 157,052,640	$40,162,765
Business-type activities:					
Mortgage Trust III	$ 861,803,874	$	$ (695,778,872)	$ 166,025,002	$18,175,000
Mortgage-Backed Certificates — 2006 Series A	111,188,910		(8,259,469)	102,929,441	11,619,591
Revenue bonds:					
Single Family Mortgage Revenue Bonds — Portfolio IX	98,150,000		(98,150,000)		
Single Family Mortgage Revenue Bonds — Portfolio X	70,275,000		(70,275,000)		
Single Family Mortgage Revenue Bonds — Portfolio XI	18,280,000		(725,000)	17,555,000	320,000
Homeownership Mortgage Revenue Bonds 2000 Series	44,205,000		(2,835,000)	41,370,000	1,480,000
Homeownership Mortgage Revenue Bonds 2001 Series	45,500,000		(3,225,000)	42,275,000	1,725,000
Homeownership Mortgage Revenue Bonds 2003 Series	21,855,000		(1,675,000)	20,180,000	560,000
Total revenue bonds	298,265,000		(176,885,000)	121,380,000	4,085,000
Subtotal	1,271,257,784		(880,923,341)	390,334,443	33,879,591
Notes payable:					
GDB (Operating and Administrative)	2,707,055	422,190		3,129,245	
Special obligation notes (Home Purchase Stimulus Program)	29,000,000	18,000,000		47,000,000	
Plus unamortized premium	462,248		(38,643)	423,605	
Less unaccreted discount and deferred amount on refunds	(461,640,146)		391,645,224	(69,994,922)	
Total business-type activities	$ 841,786,941	$18,422,190	$ (489,316,760)	$ 370,892,371	$33,879,591

9. BONDS, MORTGAGE-BACKED CERTIFICATES, NOTES PAYABLE, AND OTHER LIABILITIES (CONTINUED)

The annual debt service requirements to maturity, including principal and interest, for long-term debt, other than amounts due to GDB as of June 30, 2012, are as follows:

Years Ending	Governmental Activities		Business-Type Activities	
June 30	Principal	Interest	Principal	Interest
2013	$ -	$ 201,452	$ 33,879,591	$ 10,795,372
2014	95,757	217,922	35,987,066	10,143,293
2015	89,307	215,785	39,187,294	9,543,182
2016	107,858	208,628	20,736,769	8,963,234
2017	98,689	203,968	36,558,737	8,405,158
2018-2022	558,528	864,392	120,544,469	40,695,550
2023-2027	751,641	697,886	54,627,392	35,548,178
2028-2032	3,109,458	301,352	51,448,906	21,617,901
2033-2037			27,993,452	9,356,397
2038-2042			16,370,767	2,083,729
Total	$ 4,811,238	$ 2,911,385	$ 437,334,443	$ 157,151,994

Governmental Activities:

Notes payable by governmental activities, excluding amounts due to GDB, consist of the following:

Description and Maturity Date	Rate	Outstanding
Note Payable AHMSP Stage 7 — due on July 1, 2014, and each July 1 thereafter to July 1, 2031	4.1%–5.25%	$ 4,811,238

Note Payable to Puerto Rico Public Finance Corporation — On December 27, 2001, the Authority entered into a loan agreement (the "Note") with the GDB to refinance the AHMSP Stage 7 note payable of the Puerto Rico Housing Bank, as authorized by Act No. 164 of December 17, 2001. The Puerto Rico Public Finance Corporation acquired and restructured the Note through the issuance of its Commonwealth appropriations bonds ("PFC Bonds"). The PFC Bonds were issued under a trust indenture whereby the Puerto Rico Public Finance Corporation pledged and sold the Note, along with other notes under Act No. 164, to certain trustees and created a first lien on the revenues of the notes sold. The notes payable to the Puerto Rico Public Finance Corporation were originally composed of a loan granted by GDB, which, pursuant to Act No. 164 of December 17, 2001, the Puerto Rico Public Finance Corporation acquired and restructured through the issuance of Commonwealth appropriation bonds. These bonds were issued under trust indenture agreements whereby the Puerto Rico Public Finance Corporation pledged the notes to certain trustees and created a first lien on the pledged revenue (consisting of annual Commonwealth appropriations earmarked to repay these notes) for the benefit of the bondholders.

During June 2004, the Puerto Rico Public Finance Corporation advance refunded a portion of certain of its outstanding Commonwealth appropriation bonds issued in 2001 under Act No. 164 of December 17, 2001. The Authority recognizes a mirror effect of this advance refunding by the Puerto Rico Public Finance Corporation in its own notes payable in proportion to the portion of the Authority's notes payable included in the Puerto Rico Public Finance Corporation refunding.

9. BONDS, MORTGAGE-BACKED CERTIFICATES, NOTES PAYABLE, AND OTHER LIABILITIES (CONTINUED)

The aggregate debt service requirements of the refunding and unrefunded notes will be funded with annual appropriations from the Commonwealth.

The Note's outstanding balance at June 30, 2012, was $4.8 million and matures on July 1, 2031. Interest on the unpaid principal amount of the Note is equal to the applicable percentage of the aggregate interest payable on the Public Finance Corporation Bonds. Applicable percentage is the percentage representing the proportion of the amount paid by the Public Finance Corporation on the PFC Bonds serviced by the Note to the aggregate amount paid by the Public Finance Corporation on all the PFC Bonds issued by the Public Finance Corporation under Act No. 164.

My New Home Program Financing — On June 30, 2011, the Authority entered into an agreement with GDB to establish a line of credit facility of approximately $64 million. The financing was provided under the provisions of Act No. 122 of August 6, 2010, *Act for the Financing of "Mi Nuevo Hogar Program"*. Under this program, the Authority subsidies closing costs assistance to eligible families for the purchase of a principal residence through reimbursements of origination and closing costs up to 5% of the selling price of the residence. The line of credit consisted of $40 million to collect moneys advanced by the Authority's Operating and Administrative fund to this program, $20 million to continue the financing of the program, and $4 million to establish a reserve for the payment of interest and other financing expenses. As a source of repayment, Act No. 122 assigned to the Authority, for a period of seven years, a portion of no less than 80% of the unreserved moneys and other liquid funds abandoned or unclaimed in financial institutions of Puerto Rico that will be transferred to the general fund of the Commonwealth Puerto Rico. Act 42 of February 14, 2012 amended on Act 122 the portion of unreserved monies and other liquid funds abandoned or unclaimed to 85% and 100% once the claims for any pending debt related to tax credit are paid. In addition it eliminates the 7 year limit and establishes the funding in perpetual form. The funding will enter into effect as of September 2014. There were drawdowns amounting to $45 million during fiscal year 2012.

9. BONDS, MORTGAGE-BACKED CERTIFICATES, NOTES PAYABLE, AND OTHER LIABILITIES (CONTINUED)

Business-Type Activities

Bonds, notes, and mortgage-backed certificates payable by business-type activities, excluding notes payable to GDB, consist of the following:

Description and Maturity Date	Interest Rate	Amount Outstanding
Mortgage Trust III:		
Each July 1 and January 1 until July 1, 2011	Zero Coupon	$ 21,250,000
Each July 1 and January 1 until January 1, 2021	Zero Coupon	106,398,556
Single Family Mortgage Revenue Bonds — Portfolio XI — Each December 1 and June 1 until December 1, 2039	3.460%–5.45%	17,555,000
Homeownership Mortgage Revenue Bonds 2000 Series — Each June 1 and December 1 until December 1, 2032	4.65%–5.20%	41,370,000
Homeownership Mortgage Revenue Bonds 2001 Series:		
Each December 1 until December 1, 2012	4.60%–4.70%	2,495,000
June 1, 2013, and each December 1 and June 1 thereafter to December 1, 2033	5.30%–5.50%	39,780,000
Homeownership Mortgage Revenue Bonds 2003 Series:		
Each December 1 until December 1, 2013	3.80%–4.00%	1,805,000
June 1, 2013, and each December 1 and June 1 thereafter to December 1, 2033	4.375%–4.875%	18,375,000
Mortgage-Backed Certificates, 2006 Series A — principal and interest payable monthly from September 29, 2006 to August 29, 2030	2.955%–6.560%	92,161,078
Special Obligation Notes, 2010 Series A and B — November 1, 2040	6.95%–6.974%	26,573,492
Total		$ 367,763,126

Mortgage Trust III - In July 2011, the Authority restructured approximately $425 million face amount of Mortgage Trust III bonds. The restructuring took place as follows: 1) tender offer amounting to approximately $144 million (including expenses related to the transaction) to acquire and cancel bonds with a carrying amount of approximately $112 million, and 2) purchase AAA securities amounting to approximately $160 million to establish an escrow for the payment through maturity of bonds with a carrying amount of approximately $129 million. As a result of the transaction, the Authority recognized a special item, of approximately $29 million. In the transaction the Authority also redeemed at par approximately $508 million in bonds held by GDB. The restructuring released $60 million in excess collateral which were transferred to the Operational Fund of the Authority.

9. BONDS, MORTGAGE-BACKED CERTIFICATES, NOTES PAYABLE, AND OTHER LIABILITIES (CONTINUED)

Portfolio IX and X – On April 25, 2012 the Authority repaid bonds with a book value of approximately $162 million through the sale of investments that were held as collateral for such bonds. The Authority recognized an accounting loss, as a special item, of approximately $3.7 million. The Authority was able to release approximately $30 million in excess collateral which were transferred to the Affordable Housing Mortgage Subsidy Program Law 124 fund. Investments amounting to approximately $11 million were transferred to the same fund in order to continue the subsidy payments on the mortgage loans related to the AHMSP.

Notes Payable to GDB — On October 7, 2008, the Authority entered in an agreement with GDB to obtain a credit facility to manage its co-participation program. Under this program, the Authority participates in conjunction with private banks in the granting of construction loans to developers that qualified under Act No. 24. The credit facility has a maximum credit limit of $50 million, matures on October 7, 2014, and bears a variable interest consisting of prime rate, plus 1% (4.25% at June 30, 2012). The note's outstanding balance at June 30, 2012, amounted to $3,129,245.

Special Obligation Notes, 2010 Series A and B Series — During the year ended June 30, 2012 the Authority issued $18 million Special Obligation Notes. . These notes are collateralized by certain second mortgages originated under the Home Purchase Stimulus Program. The Notes will be repaid from collections of principal and interest of the underlying collateral, net of servicing and guarantee fees. The second mortgage loans are guaranteed by the Authority's Act No. 87 insurance program.

Compensated Absences — The activity for compensated absences, included within accounts payable and accrued liabilities, during the year ended June 30, 2012, is as follows:

	Beginning Balance	Provision	Reductions	Ending Balance	Due Within One Year
Vacation	$ 554,945	$ 916,494	$ (777,402)	$ 694,037	$ 694,037
Sick leave	511,806	575,711	(509,045)	578,472	578,472
Total	$1,066,751	$1,492,205	$ (1,286,447)	$1,272,509	$1,272,509

Compensated absences are available to be liquidated by the employees during the year.

10. RELATED-PARTY TRANSACTIONS

A summary of the most significant related-party balances and transactions as of June 30, 2012, and for the year ended is as follows:

Commonwealth of Puerto Rico — Legislative appropriations of approximately $1,344,038 million were received by the governmental funds during the year ended June 30, 2012. These appropriations are restricted for the payment of certain bonds and to support affordable housing programs.

Department of Housing — At June 30, 2012, the Authority has an amount due from the Department of Housing amounting to $581,687. Management has fully reserved this balance as of June 30, 2012.

10. RELATED-PARTY TRANSACTIONS (CONTINUED)

GDB — The Authority has the following related-party balances and transactions with GDB as of and for the year ended June 30, 2012:

	Carrying Amount	Interest Rate	Interest Income (Expense)
Assets:			
Cash — including accrued interest	$ 78,010,963	Variable	$ 30,501
Deposits placed with banks — including accrued interest	112,534,959	0.47–7.25%	776,116
Nonparticipating investment contracts		Zero Coupon	
Nonparticipating investment contracts — including accrued interest	15,762,349	4.50%–8.00%	953,312
Total	$206,308,271		$ 1,759,929
Liabilities:			
Lines of credit and notes payable — including accrued interest	$141,936,979	1.54%–7.00%	$ 3,092,590
Bonds payable		Zero coupon	
Total	$141,936,979		$ 3,092,590
Expenses — administrative charges	$ 236,212		

Lease Commitments — The Authority entered into a 30-year lease agreement with the Puerto Rico Department of Housing (PRDH) to rent office space expiring in 2037. During the term of the lease, the Authority will pay an annual rent of $1.5 million. The agreed-upon rent includes parking spaces, maintenance, and security services in common areas. The PRDH will be responsible for the payment of utilities in exchange for an additional payment of $350,000 payable in a lump sum on or before August 31 of each year. Rent expense during the year ended June 30, 2012, amounted to $1.5 million.

11. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Authority is a party to financial instruments with off-balance-sheet risk to meet financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and to purchase mortgage-backed securities. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the balance sheet. The off-balance-sheet risks are managed and monitored in manners similar to those used for on-balance-sheet risks. The Authority’s exposure to credit losses for lending and purchasing commitments is represented by the contractual amount of those transactions.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since these commitments might expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Authority evaluates each customer’s creditworthiness on a case-by-case basis.

11. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (CONTINUED)

The amount of the collateral obtained upon extension of credit is based on management's credit evaluation of the counterparty. Collateral generally includes income-producing commercial properties. At June 30, 2012, commitments to extend credit amounted to approximately $__________.

Commitments to purchase mortgage-backed securities are agreements to acquire such securities at a fixed price on behalf of certain housing programs. At June 30, 2012, there were no commitments outstanding to purchase mortgage-backed securities.

12. RETIREMENT SYSTEM

Defined Benefit Pension Plan — The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (the "Retirement System"), created pursuant to Act No. 447 of May 15, 1951, as amended, is a cost-sharing, multiple-employer defined benefit pension plan sponsored by and reported as a component unit of the Commonwealth. All regular employees of the Authority hired before January 1, 2000, and less than 55 years of age at the date of employment became members of the Retirement System as a condition to their employment. No benefits are payable if the participant receives a refund of accumulated contributions.

The Retirement System provides retirement, death, and disability benefits pursuant to legislation enacted by the Commonwealth's Legislature. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after 10 years of plan participation. Disability benefits are available to members for occupational and non-occupational disabilities. However, a member must have at least 10 years of service to receive non-occupational disability benefits.

Members who have attained at least 55 years of age and have completed at least 25 years of creditable service, or members who have attained 58 years of age and have completed 10 years of creditable service, are entitled to an annual benefit payable monthly for life. The amount of the annuity shall be 1.5% of the average compensation, as defined, multiplied by the number of years of creditable service up to 20 years, plus 2% of the average compensation, as defined, multiplied by the number of years of creditable service in excess of 20 years. In no case will the annuity be less than $200 per month.

Participants who have completed at least 30 years of creditable service are entitled to receive the merit annuity. Participants who have not attained 55 years of age will receive 65% of the average compensation, as defined; otherwise, they will receive 75% of the average compensation, as defined.

Commonwealth legislation requires employees to contribute 5.775% for the first $550 of their monthly gross salary and 8.275% for the excess over $550 of monthly gross salary. The Authority is required by the same statute to contribute 9.275% of the participant's gross salary. On July 6, 2011, Act No. 116 was approved to increase the employer's contribution for each participant. Starting on July 1, 2011, the employer's contribution will be 10.275% and will increase annually by 1.00% until June 30, 2016. Effective July 1, 2016, the employer's contribution will increase by 1.25% annually, until reaching 20.525%.

12. RETIREMENT SYSTEM (CONTINUED)

Defined Contribution Plan — The Legislature of the Commonwealth enacted Act No. 305 on September 24, 1999, which amended Act No. 447 to establish, among other things, a defined contribution savings plan program (the “Savings Plan”) to be administered by the Retirement System. All regular employees hired for the first time on or after January 1, 2000, and former employees who participated in the defined benefit pension plan, received a refund of their contributions, and were rehired on or after January 1, 2000, become members of the Program as a condition to their employment. In addition, employees who at December 31, 1999, were participants of the defined benefit pension plan had the option, up to March 31, 2000, to irrevocably transfer their contributions to the defined benefit pension plan, plus interest thereon to the Program.

Act No. 305 requires employees to contribute 8.275% of their monthly gross salary to the Program. Employees may elect to increase their contribution up to 10% of their monthly gross salary. Employee contributions are credited to individual accounts established under the Program. Participants have three options to invest their contributions to the Program. Investment income is credited to the participant’s account semiannually.

The Authority is required by Act No. 305 to contribute 9.275% of the participant’s gross salary. The Retirement System will use these contributions to increase its asset level and reduce the unfunded status of the defined benefit pension plan. On July 6, 2011, Act No. 116 was approved to increase the employer’s contribution for each participant. Starting on July 1, 2011, the employer’s contribution will be 10.275% and will increase annually by 1.00% until June 30, 2016. Effective July 1, 2016, the employer’s contribution will increase by 1.25% annually, until reaching 20.525%.

Upon retirement, the balance in the participant’s account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant’s life and 50% of such benefit to the participant’s spouse in case of the participant’s death. Participants with a balance of $10,000 or less at retirement will receive a lump-sum payment. In case of death, the balance in the participant’s account will be paid in a lump sum to any beneficiaries. Participants have the option of a lump-sum payment or purchase of an annuity contract in case of permanent disability.

Total employee contributions for the defined benefit pension plan and the defined contribution plan during the year ended June 30, 2012, amounted to approximately $132,651 and $300,359, respectively. The Authority’s contributions for the years ended June 30, 2012, 2011, and 2010, amounted to approximately $526,291, $499,000, and $538,000, respectively. These amounts represented 100% of the required contribution for the corresponding year. Individual information for each option is not available since the allocation is performed by the Retirement System itself.

12. RETIREMENT SYSTEM (CONTINUED)

Additional information on the Retirement System is provided in its stand-alone financial statements for the year ended June 30, 2012, a copy of which can be obtained from the Commonwealth of Puerto Rico Government Employees and Judiciary Retirement Systems Administration, 437 Ponce de León Avenue, Hato Rey, Puerto Rico 00918.

13. TERMINATION BENEFITS

On October 13, 2010, the Authority announced to its employees a voluntary termination plan (the "Plan") based on Act No. 70 enacted on July 2, 2010. The Plan was approved by the Authority's board of directors on October 6, 2010. Act No. 70 provides that eligible employees may retire from employment from the Commonwealth in exchange for an early pension, an economic incentive, and other benefits.

The Plan only applied to employees who were ten years or less from retirement in accordance with their applicable retirement plans as of December 1, 2010. The Plan approved by the Authority's board of directors provides the following:

- The employee will receive an annuity of fifty percent of salary in effect at September 30, 2010. The Authority is responsible for the payment of the annuity in addition to the related employee and employer contributions to Retirement Systems for a maximum period of ten years.
- The employee will receive an economic incentive of six month's salary. This incentive is exempt from income taxes as established by Act No. 70.
- The employee will receive the benefits of health and dental insurance for a period of one year.

The total amount of employees that were voluntarily separated from employment as of June 30,2012 was six. The total cost related to these termination benefits for 2012 and 2011 was $748,778 and 1.3 million respectively. Employee and employer contributions to the Retirement System and the employee annuity for the applicable period were discounted based on the average interest rate of unpledged investments. As of June 30, 2012, the total liability related to this plan was approximately $2.4 million.

14. COMMITMENTS AND CONTINGENCIES

Other Risks Related to Mortgage Loans Servicing and Insurance Activities — Certain loan portfolios of the Authority are administered by private servicers who are required to maintain an errors and omissions insurance policy. The Authority has a program to manage the risk of loss on its mortgage loan lending and insurance activities.

Custodial Activities of Enterprise Funds — At June 30, 2012, the Authority was custodian of $227,879 in restricted funds of CRUV. As of June 30, 2012, such funds were deposited with GDB. These funds are not owned by the Authority's enterprise funds and, thus, are not reflected in the basic financial statements.

Loan Sales and Securitization Activities — On July 13, 1992, the Authority entered into an agreement to securitize approximately $20.7 million of mortgage loans into a FNMA certificate. The Authority agreed to repurchase, at a price of par plus accrued interest, each and every mortgage loan backing up such security certificate that became delinquent for 120 days or more.

14. COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of June 30, 2012, the aggregate outstanding principal balance of the loans pooled into the FNMA certificate amounted to $497,383.

Mortgage Loan Servicing Activities — The Authority acts as servicer for a number of mortgage loans owned by other investors. The servicing is generally subcontracted to a third party. As of June 30, 2012, the principal balance of the mortgage loans serviced for others is as follows:

R-G Mortgage, Inc.	$ 1,379,516
CRUV or its successor without guaranteed mortgage loan payments	32,498
Total	$ 1,412,014

Litigation — The Authority is a defendant in several lawsuits arising out of the normal course of business. Management, based on discussion with legal counsel, is of the opinion that the ultimate liability, if any, resulting from these pending proceedings will not have a material effect on the financial position or results of operations of the Authority. A liability to cover litigation claims and contingencies amounting to $530,000 has been included as part of accounts payable and accrued liabilities in the accompanying statement of net assets (deficiency).

HOME Program — The U.S. Office of Inspector General (OIG) has performed various examinations of the HOME Program covering fiscal years ended prior to July 1, 2010. These examinations covered periods in which the HOME Program was under the administration of the Department of Housing. These examinations identified instances of noncompliance with terms and conditions of the grant agreements, applicable federal law, and the HOME Program's regulations, including but not limited to the expenditure of resources for eligible purposes. OIG identified in its examinations disallowed costs amounting to approximately of $18.3 million. The Authority's management is of the opinion that these disallowed costs are a liability of the Department of Housing and, therefore, the Authority has not recorded a contingency in its basic financial statements.

15. NO-COMMITMENT DEBT AND PROGRAMS SPONSORED BY THE AUTHORITY

Certain bonds of the Authority are considered no-commitment debt as more fully described in Note 2. At June 30, 2012, there were restricted assets held in trust by others, outstanding obligations, fund balances, and excess of fund expenses over revenues, net of transfers (all of which are excluded from the accompanying basic financial statements), as indicated below (unaudited):

Restricted assets	$ 1,572,582
Restricted liabilities (no-commitment debt)	1,572,582
Restricted fund balance	$ 0

In December 2003, the Authority issued $663 million in Capital Fund Program Bonds Series 2003 to lend the proceeds thereof to the Public Housing Administration (PHA), a governmental instrumentality of the Commonwealth. PHA utilized such funds for improvements to various public housing projects in the Commonwealth. The Capital Fund Program Bonds Series 2003 are limited obligations of the Authority, which will be paid solely from an annual allocation of public housing capital funds when received from the U.S. Department of Housing and Urban Development and other funds available under the bonds indenture.

15. NO-COMMITMENT DEBT AND PROGRAMS SPONSORED BY THE AUTHORITY (CONTINUED)

Accordingly, these bonds are considered no-commitment debt and are not presented in the accompanying basic financial statements. The outstanding balance of these bonds amounted to $__________ at June 30, 2012.

On August 1, 2008, the Authority issued the Capital Fund Modernization Program Subordinate Bonds amounting to $384,475,000 and the Housing Revenue Bonds amounting to $100,000,000. The proceeds from the issuance will be mainly used to finance a loan to a limited liability company and pay the costs of issuance. The $384,475,000 bonds are limited obligations of the Authority, payable primarily by a pledge and assignment of federal housing assistance payments made available by the U.S. Department of Housing and Urban Development with an outstanding balance of $__________ at June 30, 2012. The $100,000,000 bonds are also limited obligations of the Authority, payable from amounts deposited in escrow accounts with a trustee and the proceeds of a loan to be made by the Authority to the LLC using moneys received as a grant from the Department of Housing. Payment of principal of the Housing Revenue Bonds is also secured by an irrevocable standby letter of credit issued by the Bank. These bonds are considered no-commitment debt and, accordingly, are excluded, along with the related assets held in trust, from the Authority's financial statements.

Investment in Puerto Rico Community Development Fund, LLC **-**Puerto Rico Community Development Fund, LLC ("PRCDF"), an entity organized under the laws of Delaware, is a Community Development Entity. PRCDF has two members, the Authority (50%) and the Department of Housing (50%). On November 30, 2009, PRCDF was allocated $45,000,000 of New Markets Tax Credits for investments in, or loans to, Qualified Active Low-Income Community Businesses ("QALICB's") whose principal activities involve the development or rehabilitation of real estate. On October 14, 2011 and December 12, 2011, PRCDF transferred $13,500,000 and $31,500,000, respectively, of its allocation to PRCDF I, LLC ("PRCDF I"). PRCDF I, an entity organized under the laws of Delaware, is also a Community Development Entity. PRCDF I has one managing member, PRCDF (.01%) and one investor member, PRHFA RLF Investment Fund, LLC (99.99%). The managing member and the investor member have made capital contributions of $4,500 and $45,000,000, respectively. The capital contributions have been used to establish a loan revolving fund for loans to QALICB's.

The New Markets Tax Credit Program (NMTC Program) was established by the U.S. Congress in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities. The NMTC Program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their Federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs). The credit totals 39 percent of the original investment amount and is claimed over a period of seven years (five percent for each of the first three years, and six percent for each of the remaining four years). The investment in the CDE cannot be redeemed before the end of the seven-year period.

15. NO-COMMITMENT DEBT AND PROGRAMS SPONSORED BY THE AUTHORITY (CONTINUED)

An organization wishing to receive awards under the NMTC Program must be certified as a CDE by the Community Development Financial Institution Fund of the U.S. Department of the Treasury. To qualify as a CDE, an organization must:

- be a domestic corporation or partnership at the time of the certification application;
- demonstrate a primary a mission of serving, or providing investment capital for, low-income communities or low-income persons; and
- maintain accountability to residents of low-income communities through representation on a governing board of or advisory board to the entity.

16. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

For a significant portion of the Authority's financial instruments (principally loans), fair values are not readily available since there are no available trading markets. Accordingly, fair values can only be derived or estimated using valuation techniques, such as present-valuing estimated future cash flows using discount rates, which reflect the risk involved, and other related factors. Minor changes in assumptions or estimation methodologies may have a material effect on the results derived therein.

The fair values reflected below are indicative of the interest rate environment as of June 30, 2012, and do not take into consideration the effects of interest rate fluctuations. In different interest rate scenarios, fair value results can differ significantly. Furthermore, actual prepayments may vary significantly from those estimated resulting in materially different fair values.

The difference between the carrying value and the estimated fair value may not be realized, since, in many of the cases, the Authority intends to hold the financial instruments until maturity, or because the financial instruments are restricted. Comparability of fair values among financial institutions is not likely, due to the wide range of permitted valuation techniques and numerous estimates that must be made in the absence of secondary market prices.

The following methods and assumptions were used by the Authority in estimating fair values of the financial instruments for which it is practicable to estimate such values:

- Short-term financial instruments, such as cash, deposits placed with banks, due from federal government, and interest and other receivables and payables, have been valued at the carrying amounts reflected in the statement of net assets (deficiency), as these are reasonable estimates of fair value given the relatively short period of time between origination of the instruments and their expected realization.

- Financial instruments that are primarily traded in secondary markets, such as most investments and certain bonds, were valued using quoted market prices, recent trades or quotations received from independent broker dealers or pricing service organizations.

- Financial instruments that are not generally traded, such as investment contracts, and bonds, mortgage-backed certificates, and notes issued with fixed interest rates, were fair valued using the present values of estimated future cash flows at the appropriate discount rates. Bonds, mortgage-backed certificates, and notes issued with interest rates floating within certain ranges were fair valued at their outstanding principal balance.

16. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

- Loans and commitments to extend credit are generally granted for low-cost housing development projects. For these types of loans and commitments, there is no secondary market and the actual future cash flows may vary significantly as compared to the cash flows projected under the agreements, due to the degree of risk. Accordingly, management has opted not to disclose the fair value of these financial instruments, as such information may not be estimated with reasonable precision.

The carrying amounts and estimated fair values of the Authority's financial instruments as of June 30, 2012, are as follows (in millions):

	Carrying Amount	Fair Value
Financial assets:		
Cash	$ 110	$ 110
Deposits placed with banks	194	194
Investments and investment contracts	503	
Accrued interest and other receivables	5	5
Due from federal government	13	13
Financial liabilities:		
Due to GDB	155	155
Accounts payable and accrued liabilities	112	112
Accrued interest payable	1	1
Bonds, mortgage-backed certificates, and notes payable	368	

17. INTERFUND BALANCES AND TRANSFERS

The summary of the interfund balances as of June 30, 2012, between governmental funds and enterprise funds is as follows:

Receivable By	Payable by	Purpose	Amount
Enterprise funds:	Governmental funds:		
Operating and Administrative	Other nonmajor (New Secure Housing Program)	Reimbursement of expenditure	$ 54,116
Operating and Administrative	HUD program	Reimbursement of expenditure	1,344,112
Operating and Administrative	Other nonmajor (HOME Program)	Reimbursement of expenditure	1,536,344
Operating and Administrative	Other nonmajor (Housing Mortgage Subsidy Program - Law 124)	Reimbursement of expenditure	40,000
Operating and Administrative	Other nonmajor (AHMSP Stage 7)	Reimbursement of expenditure	1,667,841
Operating and Administrative	My New Home Program	Reimbursement of expenditure	36,613
Operating and Administrative	Other nonmajor (Housing Mortgage Subsidy Program - Law 124)	Reimbursement of expenditure	19,436,821
Operating and Administrative	Other nonmajor (Protecting Your Home Program)	Reimbursement of expenditure	10,000,000
Operating and Administrative	Other nonmajor (Protecting Your Home Program)	Reimbursement of expenditure	588,752
	Total		34,704,599
Governmental funds:	Enterprise funds:		
Other nonmajor (New Secure Housing Program)	Operating and Administrative	Reimbursement of expenditure	(78,085)
	Total internal balances - net		$ 34,626,514

17. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

The summary of the interfund balances as of June 30, 2012, between enterprise funds is as follows:

Receivable By	Payable by	Purpose	Amount
Operating and Administrative	Other nonmajor (Homeownership Mortgage Revenue Bonds)	Agency fees	6,495
Mortgage Trust III	Operating and Administrative	Agency fees	12,500
Operating and Administrative	Other nonmajor (Mortgage Loan Insurance Program)	Claims mortgage loan insurance	368,734
Estimulo Criollo Program	Operating and Administrative	Reimbursement of loan origination	109,484
	Total		497,213

The summary of the interfund balances as of June 30, 2012, among governmental funds, is as follows:

Receivable By	Payable by	Purpose	Amount
Other nonmajor (Protecting Your Home Program)	Mortgage Subsidy Program - Law 124)	Reimbursement of expenditure	$ 303,809

17. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

The summary of interfund transfers for the year ended June 30, 2012, is as follows:

Transfer Out	Transfer In	Purpose	Amount
Governmental funds:	Governmental funds:		
Other nonmajor (AHMSP Stage 9)	Other nonmajor (Housing Mortgage Subsidy Program - Law 124)	Contribution	$ 18,109,871
Other nonmajor (AHMSP Stage 10)	Other nonmajor (Housing Mortgage Subsidy Program - Law 124)	Contribution	8,028,995
Other nonmajor (Closing Cost Assitance Program)	My New Home Program	Subsidy Payments	5,433,835
HUD program	Other nonmajor (Protecting Your Home Program)	Subsidy Payments	490,469
Governmental funds:	Enterprise funds:		
Other nonmajor (Housing Mortgage Subsidy Program - Law 124)	Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio IX)	Debt service Payments	8,103,271
Other nonmajor (AHMSP Stage 9)	Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio IX)	Debt service Payments	371,068
Other nonmajor (AHMSP Stage 10)	Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio IX)	Debt service Payments	19,976
Other nonmajor (Housing Mortgage Subsidy Program - Law 124)	Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio X)	Debt service Payments	7,629
Other nonmajor (AHMSP Stage 10)	Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio X)	Debt service Payments	155,261
Other nonmajor (Housing Mortgage Subsidy Program - Law 124)	Operating and Administrative	Debt service Payments	19,436,821
Other nonmajor (Protecting Your Home Program)	Operating and Administrative	Debt service Payments	10,000,000

17. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Enterprise funds:	Governmental funds:		
Operating and Administrative	Other nonmajor (New Secure Housing Program)	Debt service Payments	1,511,190
Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio IX)	Other nonmajor (Housing Mortgage Subsidy Program)	Subsidy Payments	20,310,868
Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio X)	Other nonmajor (Housing Mortgage Subsidy Program)	Subsidy Payments	17,701,582
Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio IX)	Other nonmajor (AHMSP Stage 9)	Contribution	4,205,281
Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio X)	Other nonmajor (AHMSP Stage 9)	Contribution	2,880,231
Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio IX)	Other nonmajor (AHMSP Stage 10)	Contribution	1,972,393
Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio X)	Other nonmajor (AHMSP Stage 10)	Contribution	1,327,560
Mortgage-Backed Certificates 2006 Series A	Other nonmajor (AHMSP Mortgage-Backed Certificates)	Subsidy Payments	2,859,601
Operating and Administrative	My New Home Program	Subsidy Payments	30,000,000
Operating and Administrative	My New Home Program	Subsidy Payments	15,000,000
Operating and Administrative	Other nonmajor (Protecting Your Home Program)	Subsidy Payments	20,000,000

17. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Transfer Out	Transfer In	Purpose	Amount
Enterprise funds:	Enterprise funds:		
Mortgage Trust III	Operating and Administrative	Release of excess funds	60,000,000
Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio IX)	Operating and Administrative	Debt service Payments	4,902,379
Homeownership Mortgage Revenue Bonds (Series 2001)	Homeownership Mortgage Revenue Bonds (Series 2003)	Debt service Payments	197,141
Operating and Administrative	Estimulo Criollo Program	Trust fees payments	117,378
Operating and Administrative	Estimulo Criollo Program	Contribution	2,725,148
Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio X)	Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio IX)	Debt service Payments	600,820
Operating and Administrative	Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio X)	Debt service Payments	4,887,784
Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio IX)	Other Monmajor(Single-Family Mortgage Revenue Bonds Portfolio X)	Debt service Payments	740,568

18. DEFICIT OF GOVERNMENTAL FUNDS

The following governmental funds reflect a deficit at June 30, 2012: My New Home Program, AHMSP Stage 7, HOME Program and New Secure Housing Program for the amount of $3 million, $21 million, $4 million and $5 million respectively. The deficits of the My New Home Program and the AHMSP Stage 7 are due to amounts borrowed by the Authority from GDB that were used to provide housing subsidies. The deficit of the New Secure Housing Program is due to FEMA discontinued reimbursement of the Authority's allowable costs. The deficit of the HOME Program is due to the deferral of revenue that was not considered available for current expenditures. The Authority expects to cover these deficits through contributions from the Commonwealth.

19. SUBSEQUENT EVENTS

On July 13, 2012, the Authority amended the line of credit facility with GDB of Mi Nuevo Hogar Program to increase the maximum amount limit from approximately $64 million to $116 million. The Act 42 amended the Act 122 eliminating the original period of seven years for the assignment of unreserved moneys and other liquid funds abandoned or unclaimed in financial institutions of Puerto Rico and increased the portion of the assignment from 85% to 100% once certain commitments of the Commonwealth of Puerto Rico are paid. The line consisted of $100 million to finance the Program, $10 million advanced by the Authority's operating fund and administrative fund to this program and $6 million to establish a reserve for interest as transfers from Commonwealth's general fund will start in September 2014.

On July, 24, 2012, the Authority sold to an investment banker mortgage backed securities amounting to $38 million, constituting general obligation bonds of the Authority, the principal and interest of which will be payable by the Authority regardless the performance of the mortgage loan collateral. The notes will be sold as a public offering, exempt from registration with the SEC and will be considered a security as determined by the Office of the Commissioner of Financial Institutions of Puerto Rico. The notes will carry a 5.875% annual interest rate paid monthly and computed based on a 360-day year. The notes are subject to a redemption schedule that ranges from 103% to 100% on or after the second throughout the fifth anniversary of the date of issuance.

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ADDITIONAL SUPPLEMENTARY INFORMATION

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

AHMSP

Act No. 124

COMBINING BALANCE SHEET INFORMATION — OTHER NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012

	HOME Program	New Secure Housing Program	Closing Cost Assistance Program	Protecting Your Home Program	AHMSP Mortgage-Backed Certificates	AHMSP Act No. 124	AHMSP Stage 2	AHMSP Stage 3	AHMSP Stage 6	AHMSP Stage 8	AHMSP Stage 9	AHMSP Stage 10	AHMSP Stage 11	Total Other Nonmajor Governmental Funds
ASSETS														
DUE FROM OTHER FUNDS	$	$ 78,085	$	$ 303,809	$	$	$	$	$	$	$	$	$	$ 381,894
RESTRICTED:														
Cash	2,082,150	270,967	373,432	10,513,554	2,834,229	42,500,486	417	417	27					58,575,679
Deposits placed with banks				9,788,660	2,393,795	2,213,832								14,396,287
Investments and investment contracts						12,060,754	8,484,280	6,324,756	11,434,736	15,881,846			4,626,003	58,812,375
Interest and other receivables		23	41	17,848	478	57,565	9,736	7,799	29,481	72,511			38	195,520
Due from federal government	11,906,504													11,906,504
TOTAL	$ 13,988,654	$ 349,075	$ 373,473	$ 20,623,871	$ 5,228,502	$ 56,832,637	$ 8,494,433	$ 6,332,972	$ 11,464,244	$ 15,954,357	$	$	$ 4,626,041	$ 144,268,259
LIABILITIES AND FUND BALANCES (DEFICIT)														
LIABILITIES:														
Due to other funds	$ 1,536,344	$ 54,117	$	$ 10,588,751	$	$ 19,780,630	$	$	$	$	$	$	$	$ 31,959,842
Payable from restricted assets:														
Accounts payable and accrued liabilities	12,307,624	3,400,422	26,100	904,954	4,512,578	116,243	96,549	17,419	331,566	298,368			298,332	22,310,155
Deferred revenues	3,226,596													3,226,596
Due to Government Development Bank for Puerto Rico		885,252												885,252
Total liabilities	17,070,564	4,339,791	26,100	11,493,705	4,512,578	19,896,873	96,549	17,419	331,566	298,368			298,332	58,381,845
FUND BALANCES (DEFICIT):														
Restricted for affordable housing programs			347,373	9,130,166	715,924	36,935,764	8,397,884	6,315,553	11,132,678	15,655,989			4,327,709	92,959,040
Unassigned	(3,081,910)	(3,990,716)												(7,072,626)
Total fund balances (defici	(3,081,910)	(3,990,716)	347,373	9,130,166	715,924	36,935,764	8,397,884	6,315,553	11,132,678	15,655,989			4,327,709	85,886,414
TOTAL	$ 13,988,654	$ 349,075	$ 373,473	$ 20,623,871	$ 5,228,502	$ 56,832,637	$ 8,494,433	$ 6,332,972	$ 11,464,244	$ 15,954,357	$	$	$ 4,626,041	$ 144,268,259

PUERTO RICO HOUSING FINANCE AUTHORITY

(A Component Unit of Government Development Bank for Puerto Rico)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES INFORMATION — OTHER NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	HOME Program	New Secure Housing Program	Closing Cost Assistance Program	Protecting Your Home Program	AHMSP Mortgage-Backed Certificates	AHMSP Act No. 124	AHMSP Stage 2	AHMSP Stage 3	AHMSP Stage 6	AHMSP Stage 8	AHMSP Stage 9	AHMSP Stage 10	AHMSP Stage 11	Total Other Nonmajor Governmental Funds
REVENUES:														
Commonwealth appropriations for repayment of bonds or housing assistance programs	$	$	$	$	$	$	$	$	$	$	$	$ 1,087,207	$	$ 1,087,207
Intergovernmental — federal government	18,029,814													18,029,814
Interest income on deposits placed with banks	107	275	13,306	61,425	6,805	16,088								98,006
Interest income on investments and investment contracts						72,174	479,403	351,132	611,134	868,813	400,793	167,251	563	2,951,263
Net increase (decrease) in fair value of investments							(2,224)	751	(12,469)	(28,763)	868,981	404,276		1,230,552
Other	171,175	700	83,985	29,524		824,397								1,109,781
Total revenues	18,201,096	975	97,291	90,949	6,805	912,659	477,179	351,883	598,665	840,050	1,269,774	1,658,734	563	24,506,623
EXPENDITURES:														
Current:														
General government and other	1,210,407	32,077		1,185,402		12,350	5,004	5,004	11,000	8,500		106,942		2,576,686
Housing assistance programs	15,830,739	1,764,894	80,666	19,775,653	1,716,000	25,200	328,800	147,600	471,240	684,709	571,500	433,800	192,000	42,022,801
Debt service:														
Principal												157,812		157,812
Interest		885,252										929,396		1,814,648
Total expenditures	17,041,146	2,682,223	80,666	20,961,055	1,716,000	37,550	333,804	152,604	482,240	693,209	571,500	1,627,950	192,000	46,571,947
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,159,950	(2,681,248)	16,625	(20,870,106)	(1,709,195)	875,109	143,375	199,279	116,425	146,841	698,274	30,784	(191,437)	(22,065,324)
OTHER FINANCING SOURCES (USES):														
Issuance of long-term debt		1,758,580												1,758,580
Special Item- Restructurin of Stage 9 & 10						(3,668,178)								(3,668,178)
Transfers in		1,511,190		20,000,000	2,859,606	64,214,346					7,090,696	3,302,134		98,977,972
Transfers out			(5,433,835)	(10,000,000)		(27,610,752)					(18,488,538)	(8,204,002)		(69,737,127)
Total other financing sources (uses) — net		3,269,770	(5,433,835)	10,000,000	2,859,606	32,935,416					(11,397,842)	(4,901,868)		27,331,247
NET CHANGES IN FUND BALANCES	1,159,950	588,522	(5,417,210)	(10,870,106)	1,150,411	33,810,525	143,375	199,279	116,425	146,841	(10,699,568)	(4,871,084)	(191,437)	5,265,923
FUND BALANCES — Beginning of year	(4,241,861)	(4,579,238)	5,764,583	20,000,273	(434,487)	3,125,239	8,254,509	6,116,274	11,016,254	15,509,149	10,699,568	4,871,084	4,519,145	80,620,492
FUND BALANCES — End of year	$ (3,081,911)	$ (3,990,716)	$ 347,373	$ 9,130,167	$ 715,924	$ 36,935,764	$ 8,397,884	$ 6,315,553	$ 11,132,679	$ 15,655,990	$	$	$ 4,327,708	$ 85,886,415

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

COMBINING BALANCE SHEET INFORMATION — OTHER NONMAJOR ENTERPRISE FUNDS
AS OF JUNE 30, 2012

ASSETS	Mortgage Loan Insurance	Land Acquisition and Construction Loan Insurance	PRCDF	Single Family Mortgage Revenue Bonds Portfolio IX	Single-Family Mortgage Revenue Bonds Portfolio X	Single-Family Mortgage Revenue Bonds Portfolio XI	Homeownership Mortgage Revenue Bonds	Homeownership Mortgage Revenue Bonds (Series 2001)	Homeownership Mortgage Revenue Bonds (Series 2003)	Total Other Nonmajor Enterprise Funds
CURRENT ASSETS:										
Due from other funds	$ 20,575	$	$	$	$	$	$	$	$	$ 20,575
Restricted:										
Cash	599,160	260	26,306					2,055		627,781
Deposits placed with banks	65,815,952	881,842				2	111,572			66,809,368
Investments and investment contracts										
Accrued interest receivable	215,621	2,810				78,354	191,594	205,230	70,249	763,858
Other receivables	18,030									18,030
Total current assets	66,669,338	884,912	26,306			78,356	303,166	207,285	70,249	68,239,612
NONCURRENT ASSETS:										
Restricted:										
Investments and investment contracts	1,517,615		4,500			19,761,176	48,798,878	52,489,707	19,704,885	142,276,761
Loans receivable — net										
Deferred debt issue costs						1,572,504			18,309	1,590,813
Real estate available for sale	1,702,014									1,702,014
Total noncurrent assets	3,219,629		4,500			21,333,680	48,798,878	52,489,707	19,723,194	145,569,588
TOTAL	$ 69,888,967	$ 884,912	$ 30,806	$	$	$ 21,412,036	$ 49,102,044	$ 52,696,992	$ 19,793,443	$ 213,809,200

(Continued)

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

COMBINING BALANCE SHEET INFORMATION — OTHER NONMAJOR ENTERPRISE FUNDS
AS OF JUNE 30, 2012

LIABILITIES AND NET ASSETS	Mortgage Loan Insurance	Land Acquisition and Construction Loan Insurance	PRCDF	Single Family Mortgage Revenue Bonds Portfolio IX	Single-Family Mortgage Revenue Bonds Portfolio X	Single-Family Mortgage Revenue Bonds Portfolio XI	Homeownership Mortgage Revenue Bonds	Homeownership Mortgage Revenue Bonds (Series 2001)	Homeownership Mortgage Revenue Bonds (Series 2003)	Total Other Nonmajor Enterprise Funds
CURRENT LIABILITIES:										
Current liabilities payable from unrestricted assets — due to other funds	$ 389,307	$	$	$	$	$	$ 6,495	$	$	$ 395,802
Current liabilities payable from restricted assets:										
Accrued interest payable						77,081	176,877	185,321	79,779	519,058
Accounts payable and accrued liabilities	3,518,728		4,500			1,460	99,901	43,956	10,307	3,678,852
Bonds, notes, and mortgage-backed certificates payable						320,000	1,480,000	1,725,000	560,000	4,085,000
Total current liabilities payable from restricted assets	3,518,728		4,500			398,541	1,756,778	1,954,277	650,086	8,282,910
Total current liabilities	3,908,035		4,500			398,541	1,763,273	1,954,277	650,086	8,678,712
NONCURRENT LIABILITIES — Noncurrent liabilities payable from restricted assets:										
Allowance for losses on mortgage loan insurance	3,570,884									3,570,884
Bonds, notes, and mortgage-backed certificates payable						17,235,000	39,890,000	40,550,000	19,620,000	117,295,000
Total noncurrent liabilities payable from restricted assets	3,570,884					17,235,000	39,890,000	40,550,000	19,620,000	120,865,884
Total liabilities	7,478,919		4,500			17,633,541	41,653,273	42,504,277	20,270,086	129,544,596
NET ASSETS (DEFICIENCY):										
Restricted for:										
Mortgage loan insurance	62,778,780									62,778,780
Affordable housing programs		884,913	26,306			3,778,496	7,455,265	10,192,715	(476,644)	21,861,051
Unrestricted net deficiency	(368,734)		1				(6,494)			(375,227)
Total net assets (deficiency)	62,410,046	884,913	26,307			3,778,496	7,448,771	10,192,715	(476,644)	84,264,604
TOTAL	$ 69,888,965	$ 884,913	$ 30,807	$	$	$ 21,412,037	$ 49,102,044	$ 52,696,992	$ 19,793,442	$ 213,809,200

(Concluded)

PUERTO RICO HOUSING FINANCE AUTHORITY
(A Component Unit of Government Development Bank for Puerto Rico)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION — OTHER NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Mortgage Loan Insurance	Land Acquisition and Construction Loan Insurance	PRCDF	Single Family Mortgage Revenue Bonds Portfolio IX	Single-Family Mortgage Revenue Bonds Portfolio X	Single-Family Mortgage Revenue Bonds Portfolio XI	Homeownership Mortgage Revenue Bonds	Homeownership Mortgage Revenue Bonds (Series 2001)	Homeownership Mortgage Revenue Bonds (Series 2003)	Total Other Nonmajor Enterprise Funds
OPERATING REVENUES:										
Investment income:										
Interest income on deposits placed with banks	$ 367,296	$ 5,355	$ 10	$ 55	$ 164	$ 50	$ 332	$	$	$ 373,262
Interest income on investments and investment contracts	97,043			4,655,470	3,352,508	963,920	2,409,375	2,586,957	877,868	14,943,141
Net increase (decrease) in fair value of investments	(34,119)			3,428,882	2,852,761	68,066	314,333	447,633	59,386	7,136,942
Total investment income	430,220	5,355	10	8,084,407	6,205,433	1,032,036	2,724,040	3,034,590	937,254	22,453,345
Interest income on loans							27,536			27,536
Total investment income and interest income on loans	430,220	5,355	10	8,084,407	6,205,433	1,032,036	2,751,576	3,034,590	937,254	22,480,881
Noninterest income:										
Commitment, guarantee, service, and administrative fees	338,871		1,937,500					7,333		2,283,704
Mortgage loan insurance premiums	3,589,547									3,589,547
Net loss from sale of foreclosed real estate available for sale	(492,047)									(492,047)
Other income	141,435									141,435
Total noninterest income	3,577,806		1,937,500					7,333		5,522,639
Total operating revenues	4,008,026	5,355	1,937,510	8,084,407	6,205,433	1,032,036	2,751,576	3,041,923	937,254	28,003,520

PUERTO RICO HOUSING FINANCE AUTHORITY
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COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION — OTHER NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2012

	Mortgage Loan Insurance	Land Acquisition and Construction Loan Insurance	PRCDF	Single Family Mortgage Revenue Bonds Portfolio IX	Single-Family Mortgage Revenue Bonds Portfolio X	Single-Family Mortgage Revenue Bonds Portfolio XI	Homeownership Mortgage Revenue Bonds	Homeownership Mortgage Revenue Bonds (Series 2001)	Homeownership Mortgage Revenue Bonds (Series 2003)	Total Other Nonmajor Enterprise Funds
OPERATING EXPENSES:										
Provision for loan losses	$	$	$	$	$	$	$	$	$	$
Interest expense — Bonds, notes and mortgage-backed certificates				5,448,616	3,470,315	1,215,915	2,208,652	2,322,160	1,018,057	15,683,715
Other noninterest expenses:										
Salaries and fringe benefits										
Legal and professional fees	69,863		1,211,202				76,205			1,357,270
Office and administrative				34,952						34,952
Subsidy and trustee fees				20,679	9,872	17,151	12,323	19,577	16,284	95,886
Provision for losses on mortgage loan insurance	(101,123)									(101,123)
Other	1,369,014		700,000					160,737		2,229,751
Total noninterest expense	1,337,754		1,911,202	55,631	9,872	17,151	88,528	180,314	16,284	3,616,736
Total operating expenses	1,337,754		1,911,202	5,504,247	3,480,187	1,233,066	2,297,180	2,502,474	1,034,341	19,300,451
OPERATING INCOME (LOSS)	2,670,272	5,355	26,308	2,580,160	2,725,246	(201,030)	454,396	539,449	(97,086)	8,703,070
NONOPERATING REVENUES — Contributions from Commonwealth of Puerto Rico										
TRANSFERS IN				8,501,914	5,050,675				197,141	13,749,730
TRANSFERS OUT				(31,392,943)	(21,914,946)			(197,141)		(53,505,030)
CHANGE IN NET ASSETS	2,670,272	5,355	26,308	(20,310,869)	(14,139,025)	(201,030)	454,396	342,308	100,055	(31,052,230)
NET ASSETS — Beginning of year	59,739,772	879,558		20,310,869	14,139,025	3,979,529	6,994,373	9,850,407	(576,699)	115,316,834
NET ASSETS — End of year	$ 62,410,044	$ 884,913	$ 26,308	$	$	$ 3,778,499	$ 7,448,769	$ 10,192,715	$ (476,644)	$ 84,264,604