VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Management's Discussion and Analysis,
Basic Financial Statements, and Supplementary Information

June 30, 2022 and 2021

(With Independent Auditors' Reports Thereon)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

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Management of the Virginia Housing Development Authority (Authority) offers readers of its financial report this overview and analysis of the Authority's financial performance for the years ended June 30, 2022 and 2021. Readers are encouraged to consider this information in conjunction with the Authority's basic financial statements, accompanying notes, and supplementary information, which follow this section.

Organization Overview

The Authority is a political subdivision of the Commonwealth of Virginia (Commonwealth), created under the Virginia Housing Development Authority Act (Act) enacted by the General Assembly in 1972, as amended. The Act empowers the Authority to finance the acquisition, construction, rehabilitation, and ownership of affordable housing for home ownership or occupancy by low-or moderate-income Virginians. To raise funds for its mortgage loan operations, the Authority sells tax-exempt and taxable notes and bonds and mortgage backed securities to investors. The notes, bonds, and other indebtedness of the Authority are not obligations of the Commonwealth and the Commonwealth is not liable for repayments of such obligations. Furthermore, as a self-sustaining organization, the Authority does not receive operational funding from the Commonwealth. Authority revenues are generated primarily from interest on mortgage loans, mortgage servicing fees, gains from the sale of mortgage-backed securities, program administration fees, and investment income.

The Authority participates in the Government National Mortgage Association (GNMA) Mortgage-backed Securities (MBS) program. Through this MBS program, the Authority issues GNMA securities which may be held by the Authority or sold to third parties and that are backed by pools of mortgage loans. Once securitized, the mortgage loans are no longer assets of the Authority nor pledged to any bond resolution. Each GNMA security represents an undivided ownership interest in a pool of homeownership mortgage loans and carries the full faith and guaranty of the United States (U.S.) government. The GNMA guaranty ensures the owner of the security issued by the Authority receives timely payment of scheduled monthly principal and interest payments at the rate provided by the securities. All mortgage loans under the GNMA MBS programs are insured or guaranteed by the Federal Housing Administration (FHA), the U.S. Department of Agriculture's Rural Development agency, or the Veterans Administration.

The Authority also participates in both the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) Mortgage-backed Securities (MBS) programs. The Authority added FHLMC in fiscal year 2021 and may sell to either FNMA or FHLMC homeownership mortgage loans under their whole loan programs or it may issue FNMA or FHLMC securities backed by homeownership mortgage loans which securities may be held by the Authority or sold to third parties. Once securitized, the mortgage loans are no longer assets of the Authority nor pledged to any bond resolution. The FNMA guaranty ensures the owner of the securities issued by the Authority receives timely payment of scheduled monthly principal and interest payments at the rate provided by the securities. The FHLMC guaranty ensures the owner of the FHLMC securities issued by the Authority receives timely payment of actual monthly principal receipts and scheduled interest payments at the rate provided by the securities.

In addition to its major mortgage loan programs, the Authority also administers, on a fee basis, various other programs related to its lending activities. Such programs include the Housing Choice Voucher (HCV) program, which provides rental subsidies from federal funds, and the federal Low Income Housing Tax Credit (LIHTC) program, which awards income tax credits for the purpose of constructing or rehabilitation low-income rental housing projects.

With internally generated funds, the Authority also provided funding for its Resources Enabling Affordable Community Housing (REACH) *Virginia* initiatives, in which grants are made or the interest rates on homeownership or rental housing mortgage loans are subsidized by the Authority, to provide assistance to the elderly, disabled, homeless, and other low to moderate income persons and increase affordable housing opportunities in the Commonwealth. The amount of change in net position each fiscal year used to provide such grants or reduced interest rates on mortgage loans or otherwise subsidize its programs is determined by the Authority's Board of

Commissioners. In fiscal year 2020, to address the growing demand for REACH, the Board of Commissioners approved an increase to REACH for fiscal year 2020 and beyond from 50% to 60%. The amount of REACH the Authority commits is based on the average of the Authority's change in net position, as unadjusted for the effect of Governmental Accounting Standards Board (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, for the preceding five fiscal years' multiplied by the Board approved percentage. The amounts made available to the REACH initiative are subject to periodic review by the Authority of the impact on its financial position. The Authority finances some, but not all, of such subsidized mortgage loans, in whole or in part, with funds under its various bond resolutions or mortgage loan securitization programs.

Financial Statements

The basic financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows, the Statements of Fiduciary Net Position, the Statements of Changes in Fiduciary Net Position, and the accompanying notes to the basic financial statements.

The *Statement of Net Position* reports all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, presented in order of liquidity and using the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is presented as net position, and is displayed in three components: net investment in capital assets; restricted portion of net position; and unrestricted portion of net position. Net position is restricted when external constraints are placed upon their use, such as bond indentures, legal agreements or statutes. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* identifies all the Authority's revenues and expenses for the reporting period, distinguishing between operating and non-operating activities. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through mortgage loan income, investment income, externally funded programs and other revenue sources.

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash transactions, including receipts, payments, and net changes resulting from operations, noncapital financing, capital financing, and investing activities. This statement provides information regarding the sources and uses of cash and the change in cash during the reporting period.

The *Statement of Fiduciary Net Position* reports the assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position of pension (and other employee benefit) trust funds and custodial funds. The purpose of this statement is to report the financial position of activities the Authority has stewardship of that are not assets or liabilities of the Authority.

The *Statement of Changes in Fiduciary Net Position* reports the additions and deductions from pension (and other employee benefit) trust funds and custodial funds. The purpose of this statement is to report the financial activities which includes the receipts and disbursements of funds the Authority has stewardship of but are not included in the Authority's financial activities.

The *Notes to Basic Financial Statements* provide additional information that is essential for understanding financial data that may not be displayed on the face of the financial statements and as such, are an integral part of the Authority's financial statements.

Financial Highlights

Overview

During fiscal year 2022, the Authority continued to maintain its operations as COVID-19 entered the endemic phase with most of its associates still able to work remotely. During the pandemic, the Authority supported its mortgagors by allowing, at its peak, nearly six thousand homeownership borrowers forbearances on their loans by either participating in programs mandated by the Federal Government or programs the Authority offered that were similar to such Federal programs. As of end of fiscal year 2022, the number of homeownership borrowers with forbearances has fallen to just over twelve hundred. Additionally, the Authority continued to operate effectively and maintain its strong financial position that still grew at a rate of 0.8% over the fiscal year to a total net position of $3.7 billion. Both Standard & Poor's Ratings Services (Standard & Poor's) and Moody's Investors Services (Moody's) rating agencies continue to rate the Authority with an AA+ issuer credit rating and Aa1 general obligation credit rating, respectively.

The Authority also became the recipient of $258.4 million in Coronavirus State and Local Fiscal Recovery Funds (SLFRF) from the U.S. Department of the Treasury. With the SLFRF funds, the Authority launched the Virginia Mortgage Relief Program in February of 2022 to assist homeowners experiencing financial hardship due to COVID-19, to help prevent and/or ease mortgage delinquencies, defaults, foreclosures and displacements. However, the Authority's participation with the Commonwealth's Department of Housing and Community Development (DHCD) Virginia Rent Relief Program (VRRP) discontinued as the program funding sources drew to an end. The Authority was able to disburse another $146 million in rental payments to landlords as part of the VRRP program in fiscal year 2022.

In its homeownership loan program, the Authority has continued to offer mortgage loans at affordable interest rates, financed through the issuance of taxable bonds and MBS guaranteed by GNMA, FNMA and FHLMC. In addition, since its inception in the spring of 2015, the Authority has issued more than 22,400 down-payment assistance (DPA) grants valued at over $117 million to assist qualified first time homebuyers and has issued more than 38,000 Mortgage Credit Certificates (MCC) valued at over $1.2 billion to provide even more tax advantages to low or moderate income borrowers getting homeownership mortgage loans.

In its rental housing program, the Authority has continued to fund developments through the issuance of tax-exempt and taxable bonds along with the increased use of REACH funds to make developments financially feasible. The Authority also offers lending programs that utilize federal Low-Income Housing Tax Credits to provide construction financing in conjunction with permanent mortgage loans, which allow the Authority to provide affordable rental housing within a broader range of income limits that include workforce housing.

The Authority's servicing efforts for its homeownership loan portfolio have been focused on working with homeownership mortgagors experiencing financial difficulties particularly during this COVID crisis by allowing forbearance and suspending foreclosures. The Authority will continue to offer various options, including loan modifications, to prevent future foreclosure for otherwise responsible homeownership mortgagors encountering financial hardship caused by the crisis. While home values have remained strong during the fiscal year 2022, it has started to effect affordability. Additionally, the Authority continued to provide substantial support to the Commonwealth's housing policy priorities to increase homeownership opportunities in underserved markets, and to foster successful homeownership by providing homeownership education.

As part of servicing its rental housing loans, the Authority worked with its borrowers and property managers by offering forbearance and loss mitigation. In addition, substantial funds have been made available to rental housing mortgagors through the Virginia Rent Relief Program. As a result, the delinquencies and foreclosures on its rental housing mortgage loans have been maintained at relatively low levels.

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While the Authority continues to face challenges from uncertainty in the financial markets, the Authority's capital acquisition initiatives and loss mitigation practices have allowed the Authority to respond with new lending program opportunities and maintain a strong financial position.

Year Ended June 30, 2022

Homeownership mortgage loan originations totaled 7,695 loans for $1.8 billion in fiscal year 2022 compared to 8,981 loans for $2.0 billion for fiscal year 2021, a decrease of 14.3% in units and 9.8% in dollars of mortgage loans over the prior year's production levels. The decrease in year over year production was attributed to increasing home costs for first-time homebuyers and a reduction in the inventory of affordable homes.

As of June 30, 2022, the Authority serviced for itself and for third parties a total of 80,249 first and second homeownership mortgage loans with outstanding balances totaling over $8.8 billion. Approximately 35,900 of the mortgage loans serviced for GNMA, FNMA and FHLMC, the Authority receives an on-going fee. The outstanding balances of loans serviced, increased by $326.6 million or 3.8% and the number of loans serviced increased by 810 loans or 1.0%, since June 30, 2021, primarily due to rising interest rates reducing the number of borrowers refinancing and paying off.

In fiscal year 2022, there were 56 homeownership mortgage foreclosures valued at $7.0 million or 0.3% of the Authority serviced homeownership mortgage loan portfolio, compared to a year ago with 71 foreclosures valued at $8.7 million or 0.4% of loan amounts. Recovery rates averaging 62.8%, representing a reduction of 15.0% over the prior year, somewhat caused by the reduction in foreclosures cause by the pandemic. Total delinquency rates on the servicing portfolio based on loan count averaged 11.6% for the fiscal year, compared to 13.0% a year ago. Total delinquency rates on the servicing portfolio based on outstanding mortgage loan balances averaged 11.1% and 12.9% as of June 30, 2022 and 2021, respectively. Delinquencies consist of first mortgage loans over 30 days past due and foreclosures and bankruptcies. The Authority was limited by Federal Government directives regarding the servicing of its homeownership mortgage loans which included a prohibition of foreclosures.

Financing commitments for 5,707 rental housing units were made during fiscal year 2022, totaling $829.9 million, compared to 7,170 rental housing units totaling $974.5 million for fiscal year 2021. The year over year decrease in dollars was primarily the result of increasing interest rates during the later months of the fiscal year; however, the Authority's loan application pipeline still shows a strong demand for rental housing.

As of June 30, 2022, the Authority serviced 1,131 rental housing mortgage loans with outstanding balances totaling $4.6 billion. Compared to June 30, 2021, the number of loans in the portfolio decreased by 11 while loan balances increased $403.9 million or 9.7%. Delinquency rates based on rental housing portfolio loan count averaged 0.01% and 0.13% for the years ended June 30, 2022 and 2021, respectively. The average delinquency rates based on outstanding mortgage loan balances were 0.01% or $0.1 million on for fiscal year 2022 compared to 0.03% or $1.0 million for fiscal year 2021.

Year Ended June 30, 2021

Homeownership mortgage loan originations totaled 8,981 loans for $2.0 billion in fiscal year 2021 compared to 8,558 loans for $1.8 billion for fiscal year 2020, an increase of 4.9% in units and 12.1% in dollars of mortgage loans over the prior year's production levels. The increase in year over year production was attributed to low interest rates, down payment and closing assistance, MCC's, increased advertising, and strong demand for affordable homes.

As of June 30, 2021, the Authority serviced for itself and for third parties a total of 79,439 first and second homeownership mortgage loans with outstanding balances totaling $8.5 billion. Approximately 35,500 of the mortgage loans serviced for GNMA, FNMA and FHLMC, the Authority receives an on-going fee. The outstanding balances of loans serviced, decreased by $107.8 million or 1.2% and the number of loans serviced decreased by 682 loans or 0.9%, since June 30, 2020, primarily due to lower interest rates allowing borrowers to refinance.

In fiscal year 2021, there were 71 homeownership mortgage foreclosures valued at $8.7 million or 0.4% of the Authority serviced homeownership mortgage loan portfolio, compared to a year ago with 235 foreclosures valued at $28.1 million or 1.1% of loan amounts. Recovery rates averaging 77.8%, representing a reduction of 9.0% over the prior year, somewhat caused by the reduction in foreclosures cause by the pandemic. Total delinquency rates on the servicing portfolio based on loan count averaged 13.0% for the fiscal year, compared to 9.2% a year ago. Total delinquency rates on the servicing portfolio based on outstanding mortgage loan balances averaged 12.9% and 8.5% as of June 30, 2021 and 2020, respectively. Delinquencies consist of first mortgage loans over 30 days past due and foreclosures and bankruptcies. The Authority was limited by Federal Government directives regarding the servicing of its homeownership mortgage loans.

Financing commitments for 7,170 rental housing units were made during fiscal year 2021, totaling $974.5 million, compared to 5,492 rental housing units totaling $810.5 million for fiscal year 2020. Recapitalization and rehabilitation of developments within the Authority's existing rental housing portfolio using new taxable and tax-exempt financing and REACH funds provided the majority of the rental housing mortgage loan production. The year over year increase in dollars was primarily the result of product re-pricing measures, availability of REACH subsidies, and strong demand for rental housing.

As of June 30, 2021, the Authority serviced 1,142 rental housing mortgage loans with outstanding balances totaling $4.2 billion. Compared to June 30, 2020, the number of loans in the portfolio decreased by 8 while loan balances increased $438.4 million or 11.8%. Delinquency rates based on rental housing portfolio loan count averaged 0.13% and 0.55% for the years ended June 30, 2021 and 2020, respectively. The average delinquency rates based on outstanding mortgage loan balances were 0.03% or $1.0 million for fiscal year 2021 compared to 0.10% or $3.2 million for fiscal year 2020.

Financial Analysis of the Authority

Cash is held by the trustees and banks in depository accounts and investments for a variety of purposes, including: purchase of homeownership loans for MBS securitization and bond financing, disbursement into rental housing construction and permanent loans, payment of scheduled debt service, early redemption of bonds, advances required as a servicer GNMA, FNMA and FLHMC securities for forbearance and delinquencies, REACH grant disbursements and general operating expenses. Monies on deposit in banks located in Virginia are collateralized pursuant to the Virginia Security for Public Deposits Act of the Code of Virginia.

The Authority's Investment Policy emphasizes liquidity and preservation of capital. Precautions are taken to minimize the risk associated with investments, including monitoring creditworthiness of the investment, as determined by ratings provided by Standard & Poor's and Moody's, concentration risk, and maturity risk.

The Authority enters into forward sales transactions to hedge interest rate risk related to its commitments to originate homeownership mortgage loans, particularly when such mortgage loans are expected to be pooled into securities guaranteed by GNMA, FNMA and FHLMC. The Authority does not enter into short sales, forward sales or futures transactions for which a bona fide hedging purpose has not been established.

Mortgage and other loan receivables represent the Authority's principal assets. Mortgage loans are financed through a combination of proceeds of notes and bonds, GNMA, FNMA and FHLMC guaranteed mortgage loan securitizations, HUD Risk-Share and Federal Financing Bank (FFB) financing programs, and net position accumulated since inception. Mortgage loan payments received from mortgagors are used to pay debt service due on outstanding bonds and MBS.

The largest component of the Authority's liabilities is outstanding bonds payable, the majority of which is fixed rate to maturity dates that may extend into the future as much as forty years. The Authority continues to maintain strong long-term ratings of Aa1 from Moody's and AA+ from Standard & Poor's for its general credit rating as well as all bond resolutions other than the Commonwealth Mortgage Bonds resolution, which is rated Aaa and AAA, by Moody's and Standard & Poor's, respectively.

Net position is comprised of net investment in capital assets, restricted and unrestricted portions of net position. *Net investment in capital assets* represents office buildings, land, furniture and equipment, and vehicles, less the outstanding applicable debt. *Restricted portion of net position* represents the portion of net position held in trust accounts for the benefit of the respective bond owners, subject to the requirements of the various bond resolutions. *Unrestricted portion of net position* represents a portion of net position that has been designated for a broad range of initiatives, such as administration of the HCV program, support for REACH initiatives, contributions to bond issues, working capital, future operating and capital expenditures, and general financial support to the Authority's loan programs.

Condensed Statements of Net Position

(In millions)

		June 30		
		2022	**2021**	**2020**
Cash and cash equivalents	$	1,826.1	1,769.5	1,660.9
Investments		1,055.0	1,087.0	584.9
Mortgage loans held for sale		316.1	162.2	118.1
Mortgage and other loans receivable, net		6,317.7	6,001.1	5,842.5
Other assets		148.9	129.3	128.6
Total assets		9,663.8	9,149.1	8,335.0
Deferred outflows of resources-OPEB		8.8	8.7	4.6
Notes and bonds payable, net		5,390.1	5,068.9	4,447.4
Other liabilities		465.1	317.2	255.5
Total liabilities		5,855.2	5,386.1	4,702.9
Deferred inflows of resources		70.5	53.3	50.6
Invested in capital assets, net of related debt		12.5	12.5	15.2
Restricted by bond indentures		3,317.3	3,341.5	3,220.9
Unrestricted		417.1	364.4	350.0
Net position	$	3,746.9	3,718.4	3,586.1

June 30, 2022 Compared to June 30, 2021

Total assets increased $514.7 million, or 5.6% from the prior year. Cash and cash equivalents and investments increased $24.6 million, or 0.9% from the prior year. Mortgage and other loans receivables, net, and mortgage loans held for sale increased by $470.5 million, or 7.6%, primarily as a result of strong mortgage lending and growth in rental housing portfolio.

Total liabilities increased $469.1 million, or 8.7% from the prior year. Notes and bonds payable increased $321.2 million or 6.3%, due primarily to increased bond issuance volume to fund a growing rental housing portfolio and maintain high liquidity during the COVID pandemic. For the year ended June 30, 2022, the Authority issued a total of $704.6 million of Rental Housing bonds and $192.8 million Commonwealth Pass-through bonds. Bond principal repayments and redemptions during the year totaled $238.6 million of the Commonwealth Mortgage Bond Group, $11.6 million of the Homeownership Mortgage Bond Group and $326.1 million of the Rental Housing Bond Group. Proceeds from bond issuance and from GNMA, FNMA and FHLMC mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

Total assets exceeded total liabilities by $3,746.9 million, representing an increase in net position of $28.5 million, and a 0.8% return over the preceding fiscal year. As of June 30, 2022, net position invested in capital assets, net of related debt, was $12.5 million. Net position restricted by bond resolutions totaled $3,317.3 million, a decrease of $24.2 million, or 0.7% from the prior year. Unrestricted net position totaled $417.1 million, an increase of $52.7 million, or 14.5%.

June 30, 2021 Compared to June 30, 2020

Total assets increased $814.1 million, or 9.8% from the prior year. Cash and cash equivalents and investments increased $610.7 million, or 27.2% from the prior year. Mortgage and other loans receivables, net, and mortgage loans held for sale increased by $202.7 million, or 3.4%, primarily as a result of strong mortgage lending and growth in rental housing portfolio.

Total liabilities increased $683.2 million, or 14.5% from the prior year. Notes and bonds payable increased $621.5 million or 14.0%, due primarily to the Authority issuing several bonds to fund a growing rental housing portfolio and maintain high liquidity during the COVID pandemic. For the year ended June 30, 2021, the Authority issued a total of $883.2 million of Rental Housing bonds. Bond principal repayments and redemptions during the year totaled $315.1 million of the Commonwealth Mortgage Bond Group, $63.8 million of the Homeownership Mortgage Bond Group and $143.1 million of the Rental Housing Bond Group. Proceeds from the Bond Groups and from GNMA, FNMA and FHLMC mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

Total assets exceeded total liabilities by $3,718.4 million, representing an increase in net position of $132.3 million, and a 3.7% return over the preceding fiscal year. As of June 30, 2021, net position invested in capital assets, net of related debt, was $12.5 million. Net position restricted by bond resolutions totaled $3,341.5 million, an increase of $120.6 million, or 3.7% from the prior year. Unrestricted net position totaled $364.4 million, an increase of $14.4 million, or 4.1%.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(In millions)

		Year ended June 30		
		2022	**2021**	**2020**
Operating revenues:				
Interest on mortgage and other loans	$	292.8	295.2	294.7
Housing Choice Voucher program income		8.4	7.1	7.1
Other operating revenues		109.2	109.1	98.7
Total operating revenues		410.4	411.4	400.5
Operating expenses:				
Interest on notes and bonds payable		144.1	144.7	123.3
Housing Choice Voucher program expense		8.4	7.4	7.9
Other operating expenses		156.6	135.4	122.6
Grant expenses		34.0	40.6	38.3
Provision for loan losses		(25.5)	(4.1)	39.8
Total operating expenses		317.6	324.0	331.9
Net operating income		92.8	87.4	68.6
Non-operating revenues (expenses):				
Investment income		38.1	28.9	29.6
Unrealized gain/(loss) on investments		(102.4)	16.0	21.9
Pass-through grants received		238.1	216.4	92.6
Pass-through grants disbursed		(238.1)	(216.4)	(92.6)
Total non-operating revenues (expenses)		(64.3)	44.9	51.5
Change in net position	$	28.5	132.3	120.1

The principal determinants of the Authority's change in net position are operating revenues less operating expenses plus non-operating revenues (expenses), net.

Operating revenues consist primarily of interest earnings on mortgage loans and operating expenses consist predominantly of interest expense on notes and bonds payable and operating expenses of the Authority. Non-operating revenues primarily consist of investment income, which includes realized and unrealized gains or losses on investments and investment derivatives.

Fiscal Year 2022

Operating revenues decreased $1.0 million or 0.2% from the prior year. The primary factor was the decrease in interest income of $2.4 million or 0.8%, due to a reduction in mortgage loan prepayments and the associated prepayment fees on the rental housing mortgage portfolio. Operating expenses for the year decreased $6.4 million or 2.0% from the prior year. The decrease was primarily the result of the provision for loan losses, which decreased $21.4 million from the prior year. Non-operating revenues (expenses), net, decreased by $109.2 million or 243.2% from the prior year. The primary factor was the decrease in unrealized gain/(loss) on investments of $118.4 million or 740.0% due to an increasing interest rate environment.

Fiscal Year 2021

Operating revenues increased $10.9 million or 2.7% from the prior year. The primary factor was the increase in other operating revenues of $10.4 million or 10.5%, due to the increase in other fee income. Operating expenses for the year decreased $7.9 million or 2.4% from the prior year. The decrease was primarily the result of the provision for loan losses, which decreased $43.9 million or 110.3% from the prior year. Non-operating revenues, net, decreased by $6.6 million or 12.8% from the prior year. The primary factor was a decrease in unrealized gain/(loss) on investments of $5.9 million or 26.9% due to the interest rate environment.

Other Economic Factors

The Authority's mortgage loan financing activities are sensitive to the general level of involvement of the federal government in the housing and capital markets, the general level of interest rates, the interest rates and other characteristics of the Authority's mortgage loans compared to mortgage loan products available in the mortgage loan market, and the supply of available affordable housing in the Commonwealth. The availability of long-term tax-exempt and taxable financing on favorable terms and the ability to securitize loans through GNMA, FNMA and FHLMC are key elements in providing the funding necessary for the Authority to continue its mortgage loan financing activities.

The Authority's main sources of revenues include mortgage loan interest, gains on sale of mortgage loans and mortgage servicing fees. The Authority's non-mortgage loan investment portfolio generally consists of marketable securities bearing short-term maturities. Short-term investment rates in the U.S. have increased to 1.28% in June 2022 from 0.05% in June 2021.

Delinquency and foreclosure rates in the homeownership loan portfolio, and to a lesser extent the rental housing loan portfolio, are influenced by unemployment and underemployment. Virginia's seasonally adjusted unemployment rate was 2.8% and 4.3% in June 2022 and 2021, respectively. Virginia underemployment rates, which include those no longer seeking employment and those employed only part-time who desire full-time work, were 6.3% and 10.1% in the fiscal year ended June 30, 2022 and 2021, respectively.

Additional Information

Questions about this report or additional information can be obtained by visiting the Authority's website, www.virginiahousing.com, or contacting the Capital Markets Division of the Authority.

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Virginia Housing Development Authority
Richmond, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2022 (except for the Retiree Health Care Plan fiduciary fund, which is as of and for the year ended December 31, 2021), and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the Virginia Housing Development Authority, as of June 30, 2022 (except for the Retiree Health Care Plan fiduciary fund, which is as of December 31, 2021), and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Retiree Healthcare Plan – Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios, and the Retiree Healthcare Plan – Schedule of Contributions (collectively, the Required Supplementary Information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Combining Schedule of Net Position – June 30, 2022, Combining Schedule of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2022, Combining Schedule of Fiduciary Net Position – Fiduciary Funds – Custodial Funds – June 30, 2022, and the Combining Schedule of Changes in Fiduciary Net Position – Fiduciary Funds – Custodial Funds – Year Ended June 30, 2022 (collectively, the Supplementary Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The 2021 supplementary information was subjected to the auditing procedures applied in the 2021 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2021 basic financial statements as a whole.

Other Information

Prior Year Financial Statements

The 2021 financial statements of the Authority were audited by other auditors whose report dated September 10, 2021, expressed an unmodified opinion on those statements.

Board of Commissioners
Virginia Housing Development Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
September 8, 2022

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Net Position

June 30, 2022 and 2021

		2022	2021
Assets			
Current assets:			
Cash and cash equivalents (note 5)	$	1,826,063,243	1,769,491,758
Interest receivable – investments		4,607,193	2,832,233
Derivative instruments (note 11)		5,336,502	-
Mortgage loans held for sale (note 1)		316,106,009	162,178,769
Mortgage and other loans receivable, net (note 4)		194,314,219	193,509,885
Interest receivable – mortgage and other loans		23,892,786	25,866,306
Other real estate owned (note 1)		4,618,141	3,022,492
Other assets		26,159,977	15,053,911
Total current assets		2,401,098,070	2,171,955,354
Noncurrent assets:			
Investments (note 5)		1,055,039,053	1,087,048,855
Mortgage and other loans receivable (note 4)		6,266,866,320	5,977,138,167
Less allowance for loan loss (note 1)		143,455,103	169,582,599
Mortgage and other loans receivable, net		6,123,411,217	5,807,555,568
Capital Assets, net of accumulated depreciation and amortization of $52,429,250 and $48,190,960 respectively (note 6)		21,052,033	23,480,161
Mortgage servicing rights, net (note 1)		44,074,557	44,412,583
Other assets		19,158,265	14,694,679
Total noncurrent assets		7,262,735,125	6,977,191,846
Total assets		9,663,833,195	9,149,147,200
Deferred outflows of resources			
Other postemployment benefits - change in assumptions (note 15)		1,911,020	2,071,266
Other postemployment benefits - difference between expected and actual experience (note 15)		6,868,575	6,631,614
Total deferred outflows of resources		8,779,595	8,702,880

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Statements of Net Position
June 30, 2022 and 2021

		2022	2021
Liabilities			
Current liabilities:			
Notes and bonds payable (note 8)	$	816,748,847	810,568,517
Accrued interest payable on notes and bonds		32,062,987	33,781,431
Escrows (note 10)		29,578,957	30,912,915
Federal grant awards held (note 1)		226,810,062	59,396,327
Derivative instruments (note 11)		-	886,359
Accounts payable and other liabilities		28,617,970	37,376,792
Total current liabilities		1,133,818,823	972,922,341
Noncurrent liabilities:			
Bonds payable, net (note 8)		4,573,350,313	4,258,315,284
Project reserves (notes 10 and 16)		105,053,442	112,923,300
Loan participation payable to Federal Financing Bank (note 9)		34,824,533	35,595,327
Other liabilities (notes 14 and 16)		8,181,856	6,359,395
Total noncurrent liabilities		4,721,410,144	4,413,193,306
Total liabilities		5,855,228,967	5,386,115,647
Deferred inflows of resources			
Deferred fees and points on multifamily loans (note 1)		63,934,190	49,248,495
Other postemployment benefits - change in assumptions (note 15)		665,047	743,223
Other postemployment benefits - difference between expected and actual experience (note 15)		124,609	145,377
Other postemployment benefits - difference between projected and actual earnings (note 15)		5,757,970	3,165,139
Total deferred inflows of resources		70,481,816	53,302,234
Net position (notes 1 and 13):			
Net investment in capital assets (notes 1 and 13)		12,481,351	12,503,621
Restricted by bond indentures (notes 1 and 13)		3,317,287,007	3,341,544,046
Unrestricted (notes 1 and 13)		417,133,649	364,384,532
Total net position	$	3,746,902,007	3,718,432,199

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

		2022	2021
Operating revenues:			
Interest on mortgage and other loans receivable	$	292,785,878	295,244,139
Housing Choice Voucher program administrative income (note 1)		8,379,512	7,077,938
Gains and recoveries on sale of other real estate owned		450,340	521,726
Gains on sale of single family mortgage loans		41,899,002	47,726,925
Mortgage servicing fees net of guaranty fees		38,191,108	38,138,170
Tax credit program fees earned		4,784,281	4,322,587
Other		23,907,689	18,356,301
Total operating revenues		410,397,810	411,387,786
Operating expenses:			
Interest on notes and bonds payable		144,108,923	144,686,760
Salaries and related employee benefits (notes 14 and 15)		72,856,377	66,376,938
General operating expenses		43,022,414	29,434,547
Note and bond expenses		1,428,411	1,391,737
Bond issuance expenses		6,063,171	5,770,768
Grant expenses		34,021,786	40,570,872
Housing Choice Voucher program expenses (note 1)		8,447,467	7,421,173
Mortgage servicing rights amortization and other servicing costs		32,043,826	31,574,640
Losses on other real estate owned (note 1)		1,137,532	868,837
Provision for loan losses (note 1)		(25,535,946)	(4,109,917)
Total operating expenses		317,593,961	323,986,355
Operating income		92,803,849	87,401,431
Nonoperating revenues (expenses):			
Pass-through grant awards (note 1)		238,148,054	216,353,355
Pass-through grants expenses (note 1)		(238,148,054)	(216,353,355)
Investment income (note 12)		38,060,627	28,919,351
Unrealized gain (loss) on investments (note 11)		(102,407,667)	15,988,768
Other, net		12,999	19,082
Total nonoperating revenues (expenses), net		(64,334,041)	44,927,201
Change in net position		28,469,808	132,328,632
Total net position, beginning of year		3,718,432,199	3,586,103,567
Total net position, end of year	$	3,746,902,007	3,718,432,199

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Cash Flows

Years ended June 30, 2022 and 2021

		2022	2021
Cash flows from operating activities:			
Cash payments for mortgage and other loans	$	(2,595,509,171)	(2,754,633,437)
Principal repayments on mortgage and other loans		699,267,211	776,700,640
Sale of mortgage loans		1,223,336,578	1,127,708,769
Interest received on mortgage and other loans		298,272,187	301,889,258
Pass-through grant awards received		405,561,789	275,749,682
Pass-through grant awards disbursed		(244,922,299)	(216,353,355)
Grant administrative fees received		13,198,742	3,135,000
Housing Choice Voucher payments received		7,756,894	6,913,739
Housing Choice Voucher payments disbursed		(11,224,308)	(5,905,634)
Escrow and project reserve payments received		202,877,933	212,883,567
Escrow and project reserve payments disbursed		(212,081,748)	(214,501,465)
Other operating revenues		107,640,915	114,391,478
Cash received for loan origination fees and loan discounts		11,517,940	7,805,791
Cash paid for loan origination fees and loan premiums		(13,719,643)	(19,332,386)
Cash payments for salaries and related benefits		(72,634,337)	(69,495,379)
Cash payments on grants		(34,021,786)	(40,570,873)
Cash payments for general operating expenses		(39,097,710)	(25,575,819)
Cash payments for servicing release premiums and guaranty fees		(39,314,169)	(48,510,675)
Proceeds from sale of other real estate owned		2,232,825	6,880,234
Net cash used in operating activities		(290,862,157)	(560,820,865)
Cash flows from noncapital financing activities:			
Proceeds from issuance of notes and bonds		1,002,348,474	1,205,170,000
Principal payments on notes and bonds		(681,290,340)	(584,026,845)
Principal payments on loan participation - FFB		(770,794)	(740,392)
Interest payments on notes and bonds		(145,670,134)	(140,774,354)
Cash payments for bond issuance expenses		(6,063,171)	(5,770,768)
Net cash provided by noncapital financing activities		168,554,035	473,857,641
Cash flows from capital and related financing activities:			
Purchases of property, furniture, and equipment		(1,926,822)	(849,757)
Net cash used in capital and related financing activities		(1,926,822)	(849,757)
Cash flows from investing activities:			
Purchases of investments		(18,230,324)	(12,201,027)
Proceeds from sales or maturities of investments		162,654,660	180,969,102
Interest received on investments		36,382,093	27,659,501
Net cash provided by investing activities		180,806,429	196,427,576
Net increase in cash and cash equivalents		56,571,485	108,614,595
Cash and cash equivalents, at beginning of year		1,769,491,758	1,660,877,163
Cash and cash equivalents, at end of year	$	1,826,063,243	1,769,491,758

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Cash Flows

Years ended June 30, 2022 and 2021

		2022	2021
Reconciliation of operating income to net cash used in operating activities:			
Operating income	$	92,803,849	87,401,431
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation of property, furniture, and equipment		4,354,950	4,504,091
Bond issuance costs		6,063,171	5,770,768
Interest on notes and bonds payable		144,108,923	144,686,760
Increase in mortgage loans held for sale		(153,927,240)	(44,100,648)
Increase in mortgage and other loans receivable		(511,974,692)	(807,656,454)
Decrease in allowance for loan loss		(26,127,496)	(4,913,957)
Decrease/(increase) in interest receivable – mortgage and other loans		1,973,520	(1,817,473)
(Increase)/decrease in other real estate owned		(1,595,649)	2,867,498
Decrease/(Increase) in mortgage servicing rights		338,026	(2,014,860)
Increase in other assets		(15,569,648)	(2,426,754)
Increase in deferred outflows of resources		(76,715)	(4,112,271)
Increase in deferred inflows of resources		17,179,582	2,656,444
Increase in Federal funds held		167,413,735	59,396,327
(Decrease)/increase in accounts payable and other liabilities		(6,936,363)	249,046
Decrease in escrows and project reserves		(8,890,110)	(1,310,813)
Net cash used in operating activities	$	(290,862,157)	(560,820,865)
Supplemental disclosure of noncash activity:			
Increase in other real estate owned as a result of loan foreclosures	$	3,064,481	3,898,027
Decrease in mortgage and other loans receivable from transferring loans to MBS securities retained as investments	$	221,442,205	654,006,121

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Fiduciary Net Position
Fiduciary Funds
June 30, 2022 and 2021

		2022		2021	
		Retiree Health Care Plan*	Custodial Funds	Retiree Health Care Plan*	Custodial Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$	729,572	98,949,760	1,457	149,446,277
Interest receivable - investments		-	4,864	-	194
Interest receivable - mortgage and other loans		-	62,108	-	51,724
Other assets		-	65,149	-	65,267
Total current assets		729,572	99,081,881	1,457	149,563,462
Noncurrent assets:					
Mortgage and other loans receivable		-	35,996,852	-	26,148,502
Investments		54,296,057	-	45,689,049	-
Total noncurrent assets		54,296,057	35,996,852	45,689,049	26,148,502
Total assets		55,025,629	135,078,732	45,690,506	175,711,964
LIABILITIES					
Accounts payable		1,525,477	-	727,928	-
Other liabilities		-	2,713,304	-	5,792,847
Total liabilities		1,525,477	2,713,304	727,928	5,792,847
NET POSITION					
Restricted for:					
Other postemployment benefit plan other than pension		53,500,152	-	44,962,578	-
Funds held in escrow		-	93,736,163	-	140,613,543
Other governmental agency		-	38,629,266	-	29,305,574
Total Net Position	$	53,500,152	132,365,429	44,962,578	169,919,117

* December 31, 2021 and 2020 year-end, see note 15
See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Changes in Fiduciary Net Position
Fiduciary Funds
Years ended June 30, 2022 and 2021

	2022		2021	
	Retiree Health Care Plan*	**Custodial Funds**	**Retiree Health Care Plan***	**Custodial Funds**
ADDITIONS				
Contribution:				
Borrower payments	$ -	2,716,640,483	-	3,634,520,105
Employers	2,279,584	141,569	2,168,014	99,038
Other governmental agency	-	9,456,152	-	7,534,150
Total Contributions	2,279,584	2,726,238,204	2,168,014	3,642,153,293
Investment earnings:				
Net increase/(decrease) in fair value of investments	3,532,779	-	2,007,922	-
Interest, dividends, and other	741,089	24,051	784,329	19,243
Securities lending income (gain on sales)	2,879,334	-	857,504	-
Total investment earnings	7,153,202	24,051	3,649,755	19,243
Total additions	9,432,786	2,726,262,255	5,817,769	3,642,172,536
DEDUCTIONS				
Benefits paid to participants or beneficiaries	797,549	-	727,928	-
Other governmental agency	-	166,303	-	1,318,231
Disbursement of escrow funds	-	2,763,517,863	-	3,635,579,901
Administrative expense	97,663	131,777	127,067	141,569
Total deductions	895,212	2,763,815,943	854,995	3,637,039,701
Net increase/(decrease) in fiduciary net position	8,537,574	(37,553,688)	4,962,774	5,132,835
Net position - beginning	44,962,578	169,919,117	39,999,804	164,786,282
Net position - ending	$ 53,500,152	132,365,429	44,962,578	169,919,117

* December 31, 2021 and 2020 year-end, see note 15
See accompanying notes to basic financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Virginia Housing Development Authority (Authority) was created under the Virginia Housing Development Authority Act, as amended (Act) enacted by the 1972 Session of the Virginia General Assembly. The Act empowers the Authority, among other authorized activities, to finance the acquisition, construction, rehabilitation and ownership of housing intended for occupancy or ownership, or both, by families of low or moderate income. Mortgage loans are generally financed by the proceeds of notes, bonds, or other debt obligations of the Authority or by Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) guaranteed mortgage backed securities (see Note 1 (g)). The notes, bonds and other debt obligations do not constitute a debt or grant or loan of credit of the Commonwealth of Virginia (Commonwealth), and the Commonwealth is not liable for the repayment of such obligations.

For financial reporting purposes, the Authority is a component unit of the Commonwealth. The accounts of the Authority, along with other component units, are combined to form the component units of the Commonwealth. The Authority reports all of its activities as a single enterprise fund, in accordance with U.S. generally accepted accounting principles (GAAP). See Note 2 for further discussion.

(b) Measurement Focus and Basis of Accounting

The Authority utilizes the economic resources measurement focus and accrual basis of accounting in preparing its basic financial statements where revenues are recognized when earned and expenses when incurred. The accounts are organized on the basis of funds and groups of funds, which are set up in accordance with the Act and the various note and bond resolutions.

(c) Use of Estimates

The preparation of basic financial statements, in conformity with GAAP, requires management to make estimates and judgments that affect reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosures of contingencies at the date of the basic financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

(d) Fair Value Hierarchy

Fair value measurements not valued at net asset value using the practical expedient are categorized into a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset. Classification of assets within the hierarchy considers the markets in which assets are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available.

The levels of the hierarchy are defined as follows:

- Level 1 - Valuation is based on quoted prices (unadjusted) for identical assets in an active market.

- Level 2 - Valuation is based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active and assets valued based on observable market data and market-corroborated inputs for similar instruments.
- Level 3 - Valuation is based upon various techniques that use assumptions that are not observable in the market and are significant to the fair value measurement.

In determining which hierarchy level a financial instrument is classified, the Authority considers all available information, including observable market data and indications of market liquidity. Assets and liabilities that are valued at fair value on a recurring basis include investments and derivative instruments. Assets that are measured on a non-recurring basis include other real estate owned and mortgage loans held for sale as these are carried at the lower of cost or fair value.

(e) Investments

Investments include various debt and asset backed securities which are reported at fair value in the Statements of Net Position, with changes in fair value recognized in investment income in the Statements of Revenues, Expenses, and Changes in Net Position. The fair value of the debt securities and asset backed securities is derived from management's review of third party pricing services that use various models that are based on quoted market prices when available or on adjusted values in relation to observable prices on similar investments.

(f) Derivative Instruments

Forward sales securities commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At June 30, 2022, the Authority had outstanding 78 forward sales transactions with a $485.7 million notional amount with five counterparties with concentrations and ratings (Standard & Poor's, Moody's Investors Service) as shown in Note 11. At June 30, 2021, the Authority had outstanding 65 forward sales transactions with a $550.0 million notional amount with five counterparties with concentrations and ratings (Standard & Poor's, Moody's Investors Service). The 2022 forward sales contacts will settle by August 18, 2022. These contracts are treated as investments in derivative instruments and the change in fair value is reported on the Statement of Revenues, Expenses, and Changes in Net Position as unrealized gain (loss) on derivative instruments.

(g) Mortgage Loans Held for Sale

The Authority is an authorized issuer of GNMA, FNMA and FHLMC Mortgage-Backed Securities (MBS). Through the MBS programs, GNMA, FNMA and FHLMC guarantee securities that are backed by pools of mortgage loans originated or purchased by the Authority. These mortgage loan securitizations are treated as sales for accounting and reporting purposes. Upon the sale, the Authority no longer recognizes the mortgage loans receivable in the Statements of Net Position.

Mortgage loans originated or acquired with the intent to sell through the MBS programs are carried at the lower of cost or fair value. The fair values of the loans are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of mortgage loans held for sale is classified as Level 2 in the fair value hierarchy. Any gains or losses on loan sales are reported in the Statements of Revenues, Expenses, and Changes in Net Position.

(h) Mortgage and Other Loans Receivable

Mortgage and other loans receivable are stated at their unpaid principal balance, net of premiums and discounts and an allowance for loan losses. Pricing premiums and discounts are deferred and amortized, using the interest method, over the contractual life of the loans as an adjustment to yield.

The interest method is computed on a loan-by-loan basis and any unamortized premiums and discounts on loans fully repaid are recognized as income in the year in which such loans are repaid.

(i) Allowance for Loan Losses

The Authority provides for expected losses when a specific need for an allowance is identified. The provision for loan losses charged or credited to operating expense is the amount necessary, in management's judgment, to maintain the allowance at a level it believes sufficient to cover losses in collection of its mortgage loans. Estimates of future losses involve the exercise of management's judgment and assumptions with respect to future conditions. The principal factors considered by management in determining the adequacy of the allowance are the composition of the loan portfolio, historical loss experience and delinquency statistics, the value and adequacy of collateral, and economic conditions.

The allowance for loan losses was decreased by $26,127,496 for the year ended June 30, 2022 and decreased by $4,913,957 for the year ended June 30, 2021.

		Year ended June 30	
		2022	2021
Beginning balance, July 1	$	169,582,599	174,496,556
Provision:			
Homeownership		(16,952,204)	(5,285,763)
Rental Housing		(8,583,742)	1,175,846
Provision		(25,535,946)	(4,109,917)
Net (charge-offs)/recoveries:			
Homeownership		(591,550)	(574,819)
Rental Housing		-	(229,221)
Net charge-offs		(591,550)	(804,040)
Net change		(26,127,496)	(4,913,957)
Ending balance, June 30	$	143,455,103	169,582,599

(j) Mortgage servicing rights

The Authority pays mortgage servicing release premiums when purchasing homeownership mortgage loans from participating lenders. These premiums are capitalized at cost and amortized on a loan-by-loan basis over the estimated life of the related mortgage loans using the sum-of-years-digits method. Mortgage servicing rights are recorded when those mortgage loans are securitized through either GNMA, FNMA or FHLMC and the Authority remains the servicer of the loans. Estimated life is determined to be 7 years.

(k) Other Real Estate Owned

Other real estate owned represents current investments in homeownership dwellings and rental housing developments, acquired primarily through foreclosure, and is stated at the lower of cost or fair value less estimated disposal costs. On a non-recurring basis, fair values of the real properties are assessed by comparing them to similar properties. The Authority's portfolio of real estate owned is classified as a Level 2 in the fair value hierarchy. Gains and losses from the disposition of other real estate owned are reported separately in the Statements of Revenues, Expenses, and Changes in Net Position.

(l) Capital Assets

Capital assets are capitalized at cost and depreciation is provided on the straight-line basis over the estimated useful lives, which are 30 years for buildings, and from 3 to 10 years for furniture and equipment, and 5 years for vehicles. The capitalization threshold for property, furniture, and equipment is $1,000.

Certain costs associated with internally generated computer software are accounted for as capital assets. The capitalization threshold for internally generated computer software is $1,000,000. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's expected useful life of 3 to 5 years.

(m) Leases

On July 1, 2018 the Authority entered into an agreement to lease an office building. In June of 2022, the Authority reassessed the lease terms and decided to exercise the option to extend the lease agreement which will result in an increase to the lease liability. The lease asset is reported as a capital asset, net of accumulated amortization, and as a current and non-current lease liability. Both the lease asset and lease liability are reported in the Statement of Net Position. Leasehold improvements are capitalized and amortized over the remaining life of the lease term. Further disclosure for the building lease is discussed in Note 7.

(n) Bond Issuance Expense

Bond issuance costs are expensed in the period incurred.

(o) Notes and Bonds Payable

Notes and bonds payable are stated at their unpaid balance less any unamortized premiums or discounts. Bond premiums and discounts are amortized over the lives of the issues using the interest method. The Authority generally has the right to specially redeem bonds, without premium, upon the occurrence of certain specified events, such as the prepayment of a mortgage loan. The Authority also has the right to optionally redeem the various bonds. The optional redemptions generally cannot be exercised until the bonds have been outstanding for approximately ten years. All issues generally have term bonds, which are subject to partial redemption, without premium, from mandatory sinking fund installments.

(p) Retirement Plans and Other Postemployment Benefit Plans

The Authority has three defined contribution retirement savings plans covering substantially all employees. Retirement expense is fully funded as incurred. To the extent terminating employees are less than 100% vested in the Authority's contributions, the unvested portion is forfeited and redistributed to the remaining participating employees.

The Authority also provides postretirement healthcare benefits administered through a trust under a defined benefit plan to all employees who have met the years of service requirement and who retire from the Authority on or after attaining age 55 or become permanently disabled. Effective for the plan year ended December 31, 2017, the Plan adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and the Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than*

Pensions, for the fiscal year ended June 30, 2018. For purposes of measuring the net OPEB liability (asset), deferred outflows or inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Virginia Housing Development Authority Retiree Health Care Plan (the Plan) and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognized benefit payments when due and payable in accordance with the benefit terms of the Plan. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at cost, which approximates fair value.

(q) Compensated Absences

Authority employees are granted vacation and sick pay in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination, or death, may be compensated for certain amounts at their then current rates of pay. The amount of vacation and sick pay recognized as expense is the amount earned each year.

(r) Related Party Transactions

The Authority provides split dollar life insurance as a form of compensation to retain talented key associates.

(s) Pass-Through Revenues and Expenses

U.S. Department of Housing and Urban Development – Tenant Based Section 8

The Authority serves as an administrator for the U.S. Department of Housing and Urban Development's (HUD) Section 8 Housing Choice Voucher program, consisting of the voucher program as well as other tenant-based assistance programs. The Authority requisitions Section 8 funds, makes disbursements of funds to eligible participants, and recognizes administrative fee income. Program income and program expenses that are recognized as pass-through grants based upon the amount of allowable Housing Assistance Payments (HAP) disbursements, totaled $77,568,089 and $75,555,989 during the years ended June 30, 2022 and 2021, respectively.

Excess HAP or administrative funds disbursed to the Authority were recorded as revenue in the Statements of Revenues, Expenses and Changes in Net Position and as unrestricted net position in the Statements of Net Position. Cumulative excess HAP funds totaled $482,944 and $1,007,411 as of June 30, 2022 and 2021, respectively. Cumulative excess administrative funds totaled $956,405 and $438,978 as of June 30, 2022 and 2021, respectively. HUD monitors the utilization of these excess funds and adjusts funding levels prospectively to assure all funds are being used to serve families up to the maximum number of vouchers authorized for the program.

U.S. Department of Housing and Urban Development – Project Based Section 8

As the Commonwealth's administrator for HUD's Section 8 New Construction and Substantial Rehabilitation program, the Authority makes requisitions of Section 8 funds, makes disbursements of HAP funds to landlords of eligible multi-family developments, and recognizes administrative fee income.

The Authority received and disbursed pass-through grants totaling $2,759,072 and $8,659,941 during the years ended June 30, 2022 and 2021, respectively.

U.S. Department of Housing and Urban Development – Housing Counseling Assistance Program

The Authority serves as an administrator for HUD-approved Housing Counseling Agencies in the Commonwealth. The Housing Counseling Assistance Program provides counseling to consumers on seeking, financing, maintaining, renting, or owning a home. The Authority did receive pass-through grants of $643,458 and $1,124,309 during the years ended June 30, 2022 and 2021, respectively.

U.S. Department of the Treasury – Rent Relief Program

The Authority serves as a sub-recipient of U.S. Department of the Treasury funds from Virginia Department of Housing and Community Development (DHCD) to support the Rental Relief Program. The program provided financial assistance for up to 15 months of rental payments to property owners for the benefit of their tenants. The program was funded by three funding sources, two federal and one state: Coronavirus Relief Fund, Emergency Rental Assistance Program and the Housing Trust Fund.

During the year ended June 30, 2022, the Authority received and disbursed pass-through grants totaling $49,404 and $137,447,069 for the Coronavirus Relief Fund and Emergency Rental Assistance Program, respectively. The Authority also received and disbursed state pass-through grants from Housing Trust Fund for $1,565,614. For its support of the program, the Authority earned $6,362,340 in administrative fees.

U.S. Department of the Treasury – Homeowner Assistance Fund

The Authority serves as recipient of U.S. Department of the Treasury funds to support the Homeowner Assistance Fund. The program provided financial assistance to mitigate financial hardships associated with the coronavirus pandemic by providing funds to eligible entities for the purpose of preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardship after January 21, 2020.

During the year ended June 30, 2022, the Authority received and disbursed Homeowner Assistance Fund grants of $31,634,971. For its support of the program, the Authority earned $8,894,118 in administrative fees.

(t) Commonwealth Priority Housing Fund, Housing Trust Fund, & National Housing Trust Fund

The Commonwealth Priority Housing Fund (Fund), established by the 1988 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. The Virginia Department of Housing and Community Development (DHCD) develops the program guidelines and the Authority acts as administrator for the Fund.

The Housing Trust Fund (Trust Fund), established by the 2013 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. DHCD develops the program guidelines and the Authority acts as administrator for the Trust Fund.

The National Housing Trust Fund (National Trust) is a federal fund established through the Housing and Economic Recovery Act of 2008, it exclusively targets to help build, preserve, rehabilitate, and operate housing that is affordable to people with the lowest incomes. DHCD administers the program through the Affordable and Special Needs Housing application process.

In accordance with GASB Statement No. 84, *Fiduciary Activities,* the Commonwealth Priority Housing Fund, Housing Trust Fund and National Housing Trust Fund are now accounted for as fiduciary activities and disclosed on the Authority's Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position.

(u) Cash Equivalents

Cash equivalents consist of highly liquid short-term instruments with original maturities of three months or less from the date of purchase and are recorded at amortized cost. Cash equivalents include commercial paper, repurchase agreements, money-market securities, and other short-term instruments.

(v) Rebatable Arbitrage

Rebatable arbitrage involves the investment of proceeds from the sale of tax-exempt debt in a taxable investment that yields a higher rate than the rate of the debt. This results in investment income in excess of interest costs. Federal law requires such income be rebated to the U.S. government if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued. Arbitrage must be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. For financial reporting purposes the potential liability is calculated annually.

(w) Statements of Net Position

The assets presented in the Statements of Net Position represent the total of similar accounts of the Authority's various groups (see Note 2). Since the assets of certain of the groups are restricted by the related debt resolutions, the total does not indicate that the combined assets are available in any manner other than that provided for in the resolutions for the separate groups. When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first and thereafter, unrestricted resources as needed.

(x) Operating and Nonoperating Revenues and Expenses

The Authority's Statements of Revenues, Expenses, and Changes in Net Position distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally arise from financing the acquisition, construction, rehabilitation, and ownership of housing intended for occupancy and ownership, by families of low or moderate income. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(y) Deferred Outflows of Resources and Deferred Inflows of Resources

The Authority reports deferred outflows of resources and deferred inflows of resources on its Statements of Net Position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period. See Note 15 for further discussion regarding deferred outflows of resources and deferred inflows of resources associated with the Authority's other postemployment benefits plan.

(z) Deferred Fees and Points on Multifamily Loans

During the rental housing origination process, fees are collected during the loan closing process. Origination type fees are reported as income in the current year collected however, the fees related to loan pricing are treated as points and deferred over the life of the loan.

(aa) Federal Grant Awards Held

There are three specific Federal programs that Virginia Housing received award funds from, Emergency Rental Assistance program, Coronavirus Relief Fund program and Homeowner Assistance Fund. These are funds received but not yet disbursed.

(bb) REACH and Grant Expenses

The Authority developed the Resources Enabling Affordable Community Housing (REACH) Virginia program to use internally generated funds to provide grants and subsidize mortgage loans to assist the elderly, disabled, homeless, and other low-income persons and increase affordable housing opportunities in the Commonwealth. The amount of REACH Virginia the Authority commits is based on the average of the Authority's change in net position, as unadjusted for the effect of Governmental Accounting Standards Board (GASB) No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, for the preceding five fiscal years multiplied by a Board approved percentage currently set a 60%. The amount made available to the REACH Virginia initiative is subject to periodic review by the Authority depending on the impact to its financial position.

The Authority provides several different types of grants, which are reflected on the financial statements as operating expenses and include but are not limited to down payment assistance grants, accessibility grants, network capacity support grants and community market support grants. Most of these grants are conditional and are only paid based on a loan closing or for reimbursement for a supportive housing expense incurred by a grantee.

In fiscal year 2022, the Authority had grant expenses of $34.0 million and issued another commitment to granting an additional $46.0 million dollars to Public Housing Revitalization throughout the Commonwealth of Virginia as part of REACH Virginia programs. These grants are expected to be paid out over the next 3 fiscal years starting in 2023 and are in addition to the similar grants expensed in prior fiscal years.

(2) Basis of Presentation

The accounts of the Authority are presented in a single enterprise fund set of basic financial statements consisting of various programs. The Authority's activities include the following programs:

(a) General Operating Accounts

The General Operating Accounts consist of a group of accounts used to record the receipt of income not directly pledged to the repayment of specific notes and bonds and the payment of expenses related to the Authority's administrative functions.

(b) Rental Housing Bond Group

The proceeds of the Rental Housing Bonds are used to finance construction and permanent mortgage loans on rental housing developments, as well as, temporary financing for other rental housing real estate owned and the financing of the Authority's office facilities.

(c) Commonwealth Mortgage Bond Group

The proceeds of Commonwealth Mortgage Bonds are used to purchase or make long-term mortgage loans to owner occupants of homeownership dwellings, as well as, temporary financing for other homeownership real estate owned.

(d) Homeownership Mortgage Bond Group

The Homeownership Mortgage Bond group was established to encompass the Authority's participation in the U.S. Department of the Treasury's New Issue Bond Program, which was created to assist state

and local housing finance agencies in acquiring cost-effective mortgage loan capital. The proceeds of Homeownership Mortgage Bonds are used to purchase or make long-term mortgage loans to owner occupants of homeownership dwellings.

(3) Restricted Assets

Restricted assets are primarily assets held for the benefit of the respective bond owners and include mortgage loans and investments. Certain assets are held on behalf of federal programs or housing initiatives of the Commonwealth.

Restricted assets as of June 30, 2022 and 2021 were as follows:

		June 30	
		2022	**2021**
Restricted current assets:			
Cash and cash equivalents	$	1,685,234,301	1,624,289,172
Interest receivable – investments		2,252,628	685,630
Derivative instruments		5,336,502	-
Mortgage loans held for sale		316,106,010	162,178,769
Mortgage and other loans receivable		185,957,091	186,044,836
Interest receivable – mortgage and other loans		23,254,858	25,301,513
Other real estate owned		1,429,581	983,316
Other assets		478,588	152,341
Total restricted current assets		2,220,049,559	1,999,635,577
Restricted noncurrent assets:			
Investments		1,053,615,558	1,084,615,808
Mortgage and other loans receivable		5,998,930,534	5,746,213,600
Less allowance for loan loss		96,143,116	115,972,219
Mortgage and other loans receivable, net		5,902,787,418	5,630,241,381
Net OPEB asset		7,791,339	3,515,448
Capital assets, net accumulated depreciation and amortization of $21,940,770 and $21,244,336 respectively		7,619,660	8,316,094
Total restricted noncurrent assets		6,971,813,975	6,726,688,731
Total restricted assets	$	9,191,863,534	8,726,324,308

(4) Mortgage and Other Loans Receivable

Substantially all mortgage and other loans receivable are secured by first liens on real property within the Commonwealth. The following are the interest rates and typical loan terms by loan program or bond group for the major loan programs:

Loan program/bond group	Interest rates	Initial loan terms
General Operating Accounts	0% to 7.61%	Thirty to forty years
Rental Housing Bond Group	0% to 12.00%	Thirty to forty years
Commonwealth Mortgage Bond Group	0% to 9.38%	Thirty years
Homeownership Mortgage Bond Group	2.00% to 5.75%	Thirty years

Commitments to fund new loans were as follows at June 30, 2022:

		Committed
Rental Housing Bond Group	$	857,523,939
Commonwealth Mortgage Bond Group		197,028,720
Total	$	1,054,552,659

(5) Cash, Cash Equivalents, and Investments

Cash includes cash on hand and amounts in checking accounts, which are insured by the Federal Depository Insurance Corporation or are collateralized under provisions of the Virginia Security for Public Deposits Act. At June 30, 2022 and 2021, the carrying amount of the Authority's deposits was $292,542,601 and $115,935,471, respectively. The associated bank balance of the Authority's deposits was $281,215,552 and $116,740,199 at June 30, 2022 and 2021, respectively. The difference between the carrying amount and the bank balance is due to outstanding checks, deposits in transit, and other reconciling items.

Cash equivalents include investments with original maturities of three months or less from date of purchase. Investments consist of U.S. government and agency securities, repurchase agreements, asset-backed securities, agency-mortgage backed securities, money market securities and other interest-bearing securities held at the FHLB Atlanta. Investments in the bond funds consist of those permitted by the various resolutions adopted by the Authority. At June 30, 2022 and 2021, total cash equivalents were $1,533,520,642 and $1,653,556,287, respectively.

The Investment of Public Funds Act of the Code of Virginia as well as the various bond resolutions establishes permitted investments for the Authority. Within the permitted statutory framework, the Authority's investment policy is to fully invest all monies and maximize the return thereon, by investing and managing investments in a prudent manner that will enable the Authority to fulfill its financial commitments. Approved investments include but are not limited to: direct obligations of the U.S. government, direct obligations of any state or political subdivision of the U.S. government, obligations unconditionally guaranteed by the U.S. government or other political subdivisions, bonds, debentures, certificates of deposit, repurchase agreements, swap contracts, futures contracts, and forward contracts. No more than 3.0% of the Authority's total assets may be invested in any one entity, excluding obligations issued or guaranteed by the U.S. government and repurchase agreement transactions. However, repurchase agreements cannot be no more than 10% of the Authority's total assets and must mature in less than one month. Such agreements must be collateralized with U.S. Treasury or Agency securities with a fair value at least equal to 102% of the principal amount of the agreement.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy is to generally hold all investments to maturity and to limit the length of an investment at purchase, to coincide with expected timing of its use.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in market rates of interest will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. As a means of communicating interest rate risk, the Authority has elected the segmented time distribution method of disclosure, which requires the grouping of investment cash flows into sequential time periods in tabular form.

As of June 30, 2022, the Authority had the following investments (including cash equivalents but excludes equity investments) and maturities:

Investment type	Less than 1 year	1-5 years	6-10 years	Over 10 years	Total
U.S. government and agency	$ 583,583,464	-	-	-	583,583,464
Repurchase agreements	625,000,000				625,000,000
Asset-backed securities	-	-	259,916	1,539,242	1,799,158
Collateralized mortgage obligations	-	-	-	24,780,290	24,780,290
Agency-mortgage backed securities	-	-	533,449	1,026,801,819	1,027,335,268
Money market securities	324,937,178	-	-	-	324,937,178
Total investments	$ 1,533,520,642	-	793,365	1,053,121,351	2,587,435,358

As of June 30, 2021, the Authority had the following investments (including cash equivalents) and maturities:

Investment type	Less than 1 year	1-5 years	6-10 years	over 10 years	Total
U.S. government and agency	$ 529,980,932	-	-	-	529,980,932
Repurchase agreements	825,000,000				825,000,000
Asset-backed securities	-	-	-	2,433,046	2,433,046
Collateralized mortgage obligations	-	-	-	10,456,573	10,456,573
Agency-mortgage backed securities	-	-	800,185	1,071,859,051	1,072,659,236
Money market securities	298,575,355	-	-	-	298,575,355
Total investments	$ 1,653,556,287	-	800,185	1,084,748,670	2,739,105,142

On December 21, 2018, the Authority extended a pledge and security agreement with FNMA that requires the Authority to post collateral to secure its repurchase obligations with respect to the HFA Preferred Risk Sharing mortgage loans during the recourse period. The amount of required collateral is $12.5 million through December 31, 2022, compared to $34.0 million required collateral a year ago. To comply with the collateral requirement, the Authority elected to pledge agency-mortgage backed securities valued at $26.6 million and held in trust by a custodian agent for FNMA.

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparties to an investment will not fulfill its obligations. The Authority places emphasis on securities of high credit quality and marketability. The following table presents investment (including cash equivalents) exposure to credit risk by investment type as of June 30, 2022:

		Amount	S & P/ Moody's rating	Percentage of total investments	
Agency-Mortgage Backed Securities	$	1,027,335,268	Aaa	39.70	%
Repurchase Agreements		625,000,000	BBB-	24.15	
US Government & Agency		583,583,464	Aaa	22.55	
Money Market Securities		320,570,892	P-1	12.39	
Collateralized Mortgage Obligation		24,780,290	Aaa	0.96	
Money Market Securities		4,000,000	NR	0.16	
Asset-Backed Securities		1,276,033	Ca	0.05	
Money Market Securities		366,286	Aaa-mf	0.01	
Asset-Backed Securities		350,980	WR	0.01	
Asset-Backed Securities		109,630	Aa2	0.01	
Asset-Backed Securities		62,515	A1	0.01	
Total investments	$	2,587,435,358		100.00	%

The following table presents investment (including cash equivalents) exposure to credit risk by investment type as of June 30, 2021:

		Amount	S & P/ Moody's rating	Percentage of total investments
Agency-Mortgage Backed Securities	$	1,072,659,236	Aaa	39.16 %
Repurchase Agreements		825,000,000	BBB-	30.12
US Government & Agency		529,980,932	Aaa	19.35
Money Market Securities		294,209,069	P-1	10.74
Collateralized Mortgage Obligation		10,456,573	NR	0.38
Money Market Securities		4,000,000	NR	0.15
Asset-Backed Securities		1,638,154	Ca	0.05
Asset-Backed Securities		531,856	WR	0.02
Money Market Securities		366,286	Aaa-mf	0.01
Asset-Backed Securities		167,806	A1	0.01
Asset-Backed Securities		95,230	A3	0.01
Total investments	$	2,739,105,142		100.00 %

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to investments held by a single issuer. The Authority only makes large investments with issuers who are either insured by the government, have strong credit ratings or who post collateral. The Authority had the following issuers that represent 5% or more of the total investments as of June 30, 2022 and 2021:

		June 30, 2022		
Investment	**S&P/Moody's rating**		**Amount**	**Percentage of total investments**
Agency-Mortgage Backed Securities				
GNMA	Aaa	$	1,027,335,265	39.7%
Repurchase Agreements				
Cantor Fitzgerald	BBB-		625,000,000	24.2%
Money Market Securities				
US Bank Commercial Paper	P-1		220,850,895	8.5%
		$	1,873,186,160	72.4%

Investment	S&P/Moody's rating	June 30, 2021 Amount	June 30, 2021 Percentage of total investments
Agency-Mortgage Backed Securities			
GNMA	Aaa	$ 1,072,659,236	39.4%
Repurchase Agreements			
Cantor Fitzgerald	BBB-	825,000,000	30.0%
Money Market Securities			
US Bank Commercial Paper	P-1	214,233,069	7.8%
		$ 2,111,892,305	77.2%

(d) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Authority will not be able to recover the value of its investment of collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Authority may not recover its deposits. The Authority's deposits are insured by the federal depository insurance or collateralized under the provisions of the Virginia Security for Public Deposits Act. For investments, custodial risk is the risk that in the event of a failure of a counterparty, the Authority will not be able to recover the value of its investments. The Authority's market value of securities that were uninsured and held by a counterparty at June 30, 2022 and 2021:

Investment	Amount as of June 30, 2022	Amount as of June 30, 2021
Asset Backed Securities - Held by US Bank	$ 1,799,158	2,799,332
Money Market Securities - Held by Broker-Dealer	324,937,181	298,209,069
	$ 326,736,339	301,008,401

(e) Fair Value Hierarchy

As of June 30, 2022, the Authority had the following investments, excluding cash equivalents valued at cost, measured at fair value on a recurring basis using the following fair value hierarchy categories:

Investment type		June 30, 2022	Fair value measurement using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Agency-mortgage backed securities	$	1,027,335,265	-	1,027,335,265	-
Asset-backed securities		1,799,158	-	1,799,158	-
Collateralized mortgage obligations		24,780,290	-	24,780,290	-
Total investments	$	1,053,914,713	-	1,053,914,713	-

As of June 30, 2021, the Authority had the following investments (excluding cash equivalents) measured using the following fair value hierarchy categories:

Investment type		June 30, 2021	Fair value measurement using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Agency-mortgage backed securities	$	1,072,659,236	-	1,072,659,236	-
Asset-backed securities		2,433,046	-	2,433,046	-
Collateralized mortgage obligations		10,456,573		10,456,573	
Total investments	$	1,085,548,855	-	1,085,548,855	-

(f) Equity Investment

On January 31, 2021, the Authority made an equity investment in IndieDwell Virginia Inc. for $1.5 million, which equates to a 37.5 percent interest in the company. As of June 30, 2022, the equity investment has a fair market value of $1.1 million. Additionally, two of the five Board members of the company are Authority associates which together giving the Authority reasonable influence of the company. Therefore, the Authority will be using the equity method of accounting for the investment. IndieDwell Virginia Inc. is currently in the developmental stages to acquire a location to begin its home manufacturing process in Virginia some time in 2023.

(6) Capital Assets

Activity in the capital assets' accounts for the year ended June 30, 2022 was as follows:

		Balance June 30, 2021	Additions	Disposals	Transfers	Balance June 30, 2022
Land	$	2,935,815	-	-	-	2,935,815
Construction in process		1,399,746	69,029	-	(214,029)	1,254,746
Building		38,261,618	75,120	-	-	38,336,738
Leased Building		3,587,582	1,521,388	-	-	5,108,970
Furniture and equipment		24,717,037	261,285	(1,318)	214,029	25,191,033
Motor vehicles		769,323	-	(115,342)	-	653,981
	$	71,671,121	1,926,822	(116,660)	-	73,481,283

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2022 was as follows:

		Balance June 30, 2021	Additions	Disposals	Transfers	Balance June 30, 2022
Building	$	(25,472,598)	(1,305,689)	-	-	(26,778,287)
Leased Building		(2,078,504)	(695,340)	-	-	(2,773,844)
Furniture and equipment		(20,023,959)	(2,300,501)	1,318	-	(22,323,142)
Motor vehicles		(615,899)	(53,420)	115,342	-	(553,977)
	$	(48,190,960)	(4,354,950)	116,660	-	(52,429,250)

Activity in the capital assets' accounts for the year ended June 30, 2021 was as follows:

		Balance June 30, 2020	Additions	Disposals	Transfers	Balance June 30, 2021
Land	$	2,935,815	-	-	-	2,935,815
Construction in process		5,896,120	382,070	-	(4,878,444)	1,399,746
Building		38,261,618	-	-	-	38,261,618
Leased Building		3,587,582	-	-	-	3,587,582
Furniture and equipment		19,482,800	355,793	-	4,878,444	24,717,037
Motor vehicles		689,011	111,894	(31,582)	-	769,323
	$	70,852,946	849,757	(31,582)	-	71,671,121

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2021 was as follows:

		Balance June 30, 2020	Additions	Disposals	Transfers	Balance June 30, 2021
Building	$	(24,158,005)	(1,314,593)	-	-	(25,472,598)
Leased Building		(1,383,164)	(695,340)	-	-	(2,078,504)
Furniture and equipment		(17,575,022)	(2,448,937)	-	-	(20,023,959)
Motor vehicles		(602,260)	(45,221)	31,582	-	(615,899)
	$	(43,718,451)	(4,504,091)	31,582	-	(48,190,960)

(7) Leases

On July 1, 2018 the Authority entered into an agreement to lease an office building. The lease term is 5 years, with two options to renew at one year each. In June of 2022, the Authority reassessed the terms of the lease and decided to exercise the option to extend the lease agreement which will result in an increase to the lease liability. Annual rent expense for year ended June 30, 2022 is $711,615. As of June 30, 2022 the leased asset is valued as a depreciable capital asset at $2,297,543 including accumulated amortization of $2,661,101, and excluding the effects of leasehold improvements. The carrying amount of leasehold improvements as of June 30, 2022 are $37,583.

The principal payment obligations and associated interest related to the building lease commencing July 1, 2022 and thereafter are as follows:

Year ending June 30		Principal	Interest	Total
2023	$	714,824	74,940	789,764
2024		760,802	48,686	809,488
2025		808,970	20,756	829,726
2026		141,115	630	141,745
Total	$	2,425,711	145,012	2,570,723

(8) Notes and Bonds Payable

Notes and bonds payable at June 30, 2021 and June 30, 2022 and changes for the year ended June 30, 2022 were as follows:

Description		Balance at June 30, 2021	Issued	Retired	Balance at June 30, 2022
			(Amounts shown in thousands)		
General operating accounts:					
Revolving line of credit:					
Bank of America					
floating daily rate (rate of 1.60% at June 30, 2022) termination date of December 1, 2026	$	—	105,000	105,000	—
Federal Home Loan Bank					
varying fixed rate notes with 14 to 180-day maturities (average of 1.28% as of June 30, 2022 and 0.17% at June 30, 2021), maturities range from July 11, 2022 to August 12, 2022		710,300	—	—	710,300
Total general operating accounts	$	710,300	105,000	105,000	710,300

Description		Balance at June 30, 2021	Issued	Retired	Balance at June 30, 2022
			(Amounts shown in thousands)		
Rental housing bond group:					
2011 Series D, dated December 8, 2011, 3.78% effective interst rate, final due date January 1, 2022	$	122,890	—	122,890	—
2012 Series B/C, dated August 21, 2012, 3.64% effective interest rate, final due date August 1, 2042		95,400	—	95,400	—
2012 Series D dated October 30, 2012, 4.15% effective interest rate, final due date October 1, 2042		185,150	—	63,340	121,810
2012 Series E dated November 2, 2042, 3.16% effective interest rate, final due date November 1, 2042		8,875	—	285	8,590
2013 Series A/B dated April 11, 2013, 3.95% effective interest rate, final due date April 1, 2043		28,490	—	915	27,575
2013 Series C dated May 2, 2013, 3.82% effective interest rate, final due date February 1, 2043		135,825	—	4,385	131,440
2013 Series D dated May 30, 2013, 4.06% effective interest rate, final due date June 1, 2043		94,595	—	2,785	91,810
2013 Series E dated July 11, 2013, 4.15% effective interest rate, final due date July 1, 2043		17,940	—	535	17,405
2013 Series F dated October 10, 2013, 4.98% effective interest rate, final due date October 1, 2043		51,805	—	1,315	50,490
2013 Series G dated December 3, 2013, 4.39% effective interest rate, final due date December 1, 2043		9,165	—	245	8,920
2014 Series A dated August 19, 2014, 3.75% effective interest rate, final due date August 1, 2049		11,625	—	235	11,390
2014 Series B dated October 28, 2014, 3.30% effective interest rate, final due date October 1, 2044		7,920	—	225	7,695
2014 Series C dated November 20, 2014, 4.29% effective interest rate, final due date November 1, 2044		117,610	—	3,190	114,420
2015 Series A dated March 18, 2015, 3.50% effective interest rate, final due date March 1, 2045		34,855	—	990	33,865
2015 Series B dated May 12, 2015, 3.44% effective interest rate, final due date May 1, 2045		10,365	—	300	10,065
2015 Series C dated August 5, 2015, 3.68% effective interest rate, final due date August 1, 2045		20,625	—	570	20,055

Description		Balance at June 30, 2021	Issued	Retired	Balance at June 30, 2022
		(Amounts shown in thousands)			
2015 Series D dated November 10, 2015, 3.55% effective interest rate, final due date November 1, 2045	$	31,815	—	880	30,935
2015 Series E/F dated December 8, 2015, 3.94% effective interest rate, final due date December 1, 2045		75,445	—	1,915	73,530
2016 Series A dated March 8, 2016, 2.99% effective interest rate, final due date March 1, 2046		4,375	—	125	4,250
2016 Series B dated May 17, 2016, 3.35% effective interest rate, final due date May 1, 2046		63,870	—	1,805	62,065
2016 Series C dated July 19, 2016, 2.72% effective interest rate, final due date July 1, 2046		4,335	—	120	4,215
2016 Series D dated October 18, 2016, 2.89% effective interest rate, final due date October 1, 2046		7,370	—	210	7,160
2017 Series A dated March 14, 2017, 3.66% effective interest rate, final due date March 1, 2049		26,775	—	605	26,170
2017 Series B dated June 13, 2017, 3.35% effective interest rate, final due date June 1, 2047		6,545	—	170	6,375
2017 Series C dated September 13, 2017, 3.24% effective interest rate, final due date September 1, 2047		2,755	—	70	2,685
2017 Series D dated October 19, 2017, 3.21% effective interest rate, final due date October 1, 2047		5,390	—	140	5,250
2017 Series E dated December 5, 2017, 3.28% effective interest rate, final due date December 1, 2050		46,910	—	1,035	45,875
2018 Series A dated March 27, 2018, 3.62% effective interest rate, final due date March 1, 2053		32,990	—	650	32,340
2018 Series B dated June 5, 2018, 3.76% effective interest rate, final due date June 1, 2053		26,780	—	510	26,270
2018 Series C dated August 28, 2018, 3.63% effective interest rate, final due date August 1, 2053		18,645	—	240	18,405
2018 Series D dated October 2, 2018, 3.79% effective interest rate, final due date October 1, 2053		72,395	—	1,290	71,105
2018 Series E dated December 4, 2018, 3.90% effective interest rate, final due date December 1, 2049		42,090	—	—	42,090
2019 Series A dated March 26, 2019, 3.70% effective interest rate, final due date March 1, 2054		79,225	—	16,820	62,405

(Amounts shown in thousands)

Description	Balance at June 30, 2021	Issued	Retired	Balance at June 30, 2022
2019 Series B dated May 22, 2019, 3.10% effective interest rate, final due date May 1, 2054	$ 16,940	—	320	16,620
2019 Series C dated August 21, 2019 3.13% effective interest rate, final due date August 1, 2054	50,000	—	425	49,575
2019 Series D dated October 16, 2019 3.12% effective interest rate, final due date October 1, 2054	50,000	—	430	49,570
2019 Series E dated December 12, 2019 2.89% effective interest rate, final due date December 1, 2054	63,700	—	—	63,700
2020 Series A dated March 25, 2020 2.74% effective interest rate, final due date March 1, 2055	75,000	—	700	74,300
2020 Series B dated March 25, 2020 2.30% effective interest rate, final due date March 1, 2055	75,905	—	—	75,905
2020 Series C dated April 28, 2020 3.57% effective interest rate, final due date April 1, 2055	200,000	—	—	200,000
2020 Series D dated May 27, 2020 3.58% effective interest rate, final due date June 1, 2055	425,000	—	—	425,000
2020 Series E dated July 28, 2020 2.40% effective interest rate, final due date July 1, 2055	44,770	—	—	44,770
2020 Series F dated July 21, 2020 3.09% effective interest rate, final due date July 1, 2055	200,000	—	—	200,000
2020 Series G dated October 14, 2020 2.20% effective interest rate, final due date September 1, 2055	23,050	—	—	23,050
2020 Series H dated October 7, 2020 2.94% effective interest rate, final due date September 1, 2055	175,000	—	—	175,000
2020 Series I dated December 9, 2020 2.33% effective interest rate, final due date November 1, 2053	44,970	—	—	44,970
2020 Series J dated December 2, 2020 3.04% effective interest rate, final due date November 1, 2055	50,000	—	—	50,000

Description	Balance at June 30, 2021	Issued	Retired	Balance at June 30, 2022
		(Amounts shown in thousands)		
2021 Series A dated March 2, 2021 2.68% effective interest rate, final due date February 1, 2056	$ 81,590	—	—	81,590
2021 Series B dated March 30, 2021 2.12% effective interest rate, final due date March 1, 2056	49,975	—	—	49,975
2021 Series C dated april 22, 2021 2.85% effective interest rate, final due date April 1, 2056	101,620	—	—	101,620
2021 Series D dated June 3, 2021 2.17% effective interest rate, final due date May 1, 2056	32,195	—	—	32,195
2021 Series E dated June 24, 2021 2.71% effective interest rate, final due date June 1, 2056	80,000	—	—	80,000
2021 Series F dated July 27, 2021 2.17% effective interest rate, final due date July 1, 2056	—	50,000	—	50,000
2021 Series G dated July 27, 2021 2.56% effective interest rate, final due date August 1, 2056	—	30,000	—	30,000
2021 Series H dated September 2, 2021 2.58% effective interest rate, final due date September 1, 2056	—	30,000	—	30,000
2021 Series I dated October 12, 2021 2.23% effective interest rate, final due date October 1, 2056	—	5,925	—	5,925
2021 Series J dated November 9, 2021 2.98% effective interest rate, final due date November 1, 2056	—	226,630	—	226,630
2021 Series K dated December 7, 2021 2.39% effective interest rate, final due date December 1, 2056	—	149,080	—	149,080
2022 Series A dated February 2, 2022 2.95% effective interest rate, final due date February 1, 2057	—	40,000	—	40,000
2022 Series B dated March 8, 2022 3.12% effective interest rate, final due date March 1, 2057	—	57,755	—	57,755
2022 Series C dated March 29, 2022 3.91% effective interest rate, final due date April 1, 2057	—	50,000	—	50,000
2022 Series D dated May 3, 2022 3.91% effective interest rate, final due date May 1, 2057	—	23,425	—	23,425
2022 Series E dated June 30, 2022 4.12% effective interest rate, final due date June 1, 2057	—	41,750	—	41,750
	3,340,560	704,565	326,065	3,719,060
Unamortized premium	(517)	—	24	(493)
Total rental housing bonds	$ 3,340,043			3,718,567

Description	Balance at June 30, 2021	Issued	Retired	Balance at June 30, 2022
	(Amounts shown in thousands)			
Commonwealth mortgage bonds group:				
2006 Series C, dated June 8, 2006, 6.34% effective interest rate, final due date June 25, 2034	$ 6,269	—	1,010	5,259
2008 Series A, dated March 25, 2008, 6.13% effective interest rate, final due March 25, 2038	9,334	—	3,068	6,266
2008 Series B, dated April 10, 2008, 6.20% effective interest rate, final due date March 25, 2038	14,129	—	4,372	9,757
2008 Series C, dated November 18, 2008, 6.56% effective interest rate, final due date June 25, 2038	5,033	—	968	4,065
2012 Series A, dated December 20, 2012, 2.10% effective interest rate, final due date July 1, 2026	44,800	—	8,400	36,400
2012 Series B/C, dated December 20, 2012, 3.09% effective interest rate, final due date July 1, 2039.	281,970	—	66,600	215,370
2013 Series B, dated May 21, 2013, 2.75% effective interest rate, final due date April 25, 2042	25,254	—	6,473	18,781
2013 Series C, dated October 24, 2013, 4.25% effective interest rate, final due date October 25, 2043	33,992	—	11,625	22,367
2013 Series D, dated December 19, 2013, 4.30% effective interest rate, final due date December 25, 2043	30,739	—	9,808	20,931
2014 Series A, dated December 11, 2014, 3.50% effective interest rate, final due date October 25, 2037	40,592	—	8,296	32,296

Description	Balance at June 30, 2021	Issued	Retired	Balance at June 30, 2022
		(Amounts shown in thousands)		
2015 Series A, dated November 10, 2015, 3.25% effective interest rate, final due date June 25, 2045	$ 62,848	—	11,572	51,276
2016 Series A, dated June 9, 2016, 3.10% effective interest rate, final due date June 25, 2041	61,646	—	13,075	48,571
2017 Series A, dated June 13, 2017, 3.13% effective interest rate, final due date November 25, 2039	72,497	—	14,285	58,212
2019 Series A, dated November 5, 2019, 2.95% effective interest rate, final due date October 25, 2049	73,177	—	22,019	51,158
2020 Series A, dated February 12, 2020, 2.85% effective interest rate, final due date December 25, 2049	89,418	—	21,481	67,937
2020 Series B, dated April 21, 2020, 2.75% effective interest rate, final due date October 25, 2046	113,132	—	27,743	85,389
2021 Series A, dated August 17, 2021, 2.13% effective interest rate, final due date July 25, 2051	—	151,168	7,257	143,911
2022 Series A, dated February 1, 2022, 2.88% effective interest rate, final due date February 25, 2052	—	41,615	567	41,048
	964,830	192,783	238,619	918,994
Unamortized premium	(530)	—	134	(396)
Total commonwealth mortgage bonds group	$ 964,300			918,598

Description	Balance at June 30, 2021	Issued	Retired	Balance at June 30, 2022
		(Amounts shown in thousands)		
Homeownership mortgage bonds group:				
2013 Series A, dated March 27, 2013, 3.25% effective interest rate, final due date August 25, 2042	$ 54,241	—	11,607	42,634
Total homeownership mortgage bonds group	54,241	—	—	42,634
Total	$ 5,068,884			5,390,099

Notes and bonds payable at June 30, 2021 and June 30, 2022 and changes for the year ended June 30, 2022 were summarized as follows (amounts in thousands):

Description	Balance at June 30, 2021	Increases	Decreases	Balance at June 30, 2022	Due within one year
Notes from direct borrowings	$ 710,300	105,000	105,000	710,300	710,300
Rental housing bonds group	3,340,043	704,565	326,041	3,718,567	63,380
Commonwealth mortgage bonds group	964,300	192,783	238,485	918,598	41,503
Homeownership mortgage bonds group	54,241	-	11,607	42,634	1,566
Total	$ 5,068,884	1,002,348	681,133	5,390,099	816,749

Notes and bonds payable at June 30, 2020 and June 30, 2021 and changes for the year ended June 30, 2021 were summarized as follows (amounts in thousands):

Description	Balance at June 30, 2020	Increases	Decreases	Balance at June 30, 2021	Due within one year
Notes from direct borrowings	$ 450,300	322,000	62,000	710,300	710,300
Rental housing bonds group	2,599,950	883,170	143,077	3,340,043	41,045
Commonwealth mortgage bonds group	1,279,150	-	314,850	964,300	57,436
Homeownership mortgage bonds group	118,025	-	63,784	54,241	1,788
Total	$ 4,447,425	1,205,170	583,711	5,068,884	810,569

Current and noncurrent amounts of notes and bonds payable at June 30, 2022 and 2021 were as follows:

		June 30	
		2022	**2021**
Notes and bonds payable - current	$	816,748,847	810,568,517
Bonds payable - noncurrent		4,573,350,313	4,258,315,284
Total	$	5,390,099,160	5,068,883,801

From time to time, the Authority has participated in refundings, in which new debt is issued and the proceeds are used to redeem, generally within ninety days, previously issued debt. Related discounts or premiums previously deferred are recognized in income or expense, respectively. There were no refundings during the years ended June 30, 2022 and 2021. The Authority had redemptions of $337,420,000 and $214,910,477 during the years ended June 30, 2022 and 2021, respectively.

The principal payment obligations and associated interest related to all note and bond indebtedness (excluding the effect of unamortized discounts and premium) commencing July 1, 2022 and thereafter are as follows:

		Bonds		Direct Placements & Direct Borrowings		
Year ending June 30		**Outstanding principal**	**Current interest**	**Outstanding principal**	**Current interest**	**Total debt service**
2023	$	99,033,847	136,233,141	717,715,000	19,901,806	972,883,794
2024		110,540,000	133,717,462	7,670,000	8,386,227	260,313,689
2025		126,665,000	131,753,046	7,930,000	8,083,470	274,431,516
2026		101,730,000	129,572,075	8,210,000	7,770,205	247,282,280
2027		98,055,000	127,252,821	8,490,000	7,445,935	241,243,756
2028-2032		519,910,000	597,530,139	47,045,000	31,961,452	1,196,446,591
2033-2037		585,819,526	517,378,906	55,750,000	21,999,274	1,180,947,706
2038-2042		771,528,601	410,609,829	66,110,000	10,184,370	1,258,432,800
2043-2047		784,542,002	266,677,265	14,630,000	431,816	1,066,281,083
2048-2052		860,569,568	149,043,930	-	-	1,009,613,498
2053-2057		399,045,000	29,930,349	-	-	428,975,349
Total	$	4,457,438,544	2,629,698,963	933,550,000	116,164,555	8,136,852,062

The principal payment obligations related to all note and bond indebtedness (excluding the effect of unamortized discounts and premium) commencing July 1, 2022 and thereafter are as follows:

Year ending June 30	General fund notes	Rental housing bonds	Rental housing bonds direct placement	Commonwealth mortgage bonds	Homeownership mortgage bonds	Total principal
2023	$ 710,300,000	55,965,000	7,415,000	41,502,903	1,565,945	816,748,848
2024	-	91,040,000	7,670,000	19,500,000	-	118,210,000
2025	-	107,265,000	7,930,000	19,400,000	-	134,595,000
2026	-	85,630,000	8,210,000	16,100,000	-	109,940,000
2027	-	81,785,000	8,490,000	16,270,000	-	106,545,000
2028-2032	-	446,610,000	47,045,000	73,300,000	-	566,955,000
2033-2037	-	517,595,000	55,750,000	68,224,526	-	641,569,526
2038-2042	-	559,580,000	66,110,000	211,948,601	-	837,638,601
2043-2047	-	588,805,000	14,630,000	154,668,532	41,068,469	799,172,001
2048-2052	-	562,490,000	-	298,079,568	-	860,569,568
2053-2057	-	399,045,000	-	-	-	399,045,000
Total	$ 710,300,000	3,495,810,000	223,250,000	918,994,130	42,634,414	5,390,988,544

The associated interest related to all note and bond indebtedness commencing July 1, 2022 and thereafter are as follows:

Year ending June 30	General fund interest	Rental housing interest	Rental housing bonds direct placement	Commonwealth interest	Homeownership interest	Total interest
2023	$ 11,222,740	106,390,144	8,679,066	28,453,279	1,389,718	156,134,947
2024	-	105,297,502	8,386,227	27,085,235	1,334,725	142,103,689
2025	-	103,825,061	8,083,470	26,593,260	1,334,725	139,836,516
2026	-	102,147,028	7,770,205	26,090,322	1,334,725	137,342,280
2027	-	100,334,733	7,445,935	25,583,362	1,334,726	134,698,756
2028-2032	-	469,732,089	31,961,452	121,124,424	6,673,626	629,491,591
2033-2037	-	400,472,683	21,999,274	110,232,597	6,673,626	539,378,180
2038-2042	-	312,357,374	10,184,370	91,578,829	6,673,626	420,794,199
2043-2047	-	213,679,620	431,816	52,686,209	311,436	267,109,081
2048-2052	-	120,348,948	-	28,694,982	-	149,043,930
2053-2057	-	29,930,349	-	-	-	29,930,349
Total	$ 11,222,740	2,064,515,531	104,941,815	538,122,499	27,060,933	2,745,863,518

The Authority has bonds outstanding under three general bond resolutions. All are general obligation bonds backed by the full faith and credit of the Authority. Interest and principal payments are secured by a pledge of the assets and revenues pledged to the bond resolution under which the bonds are issued, to the extent provided for in such resolution. The direct placement bonds are general obligation bonds which are secured on parity with other outstanding bonds from the same bond resolution, and there are no terms of the indentures that are unique to those placements.

The assets and revenues pledged to each bond resolution secure only the bonds issued under that resolution. For each resolution, assets and revenues in excess of the liability to bondholders is available to support the general obligations of the Authority. The Authority has the option to redeem various bonds pursuant the terms of each bond issue. The redemptions generally cannot be exercised without condition until the bonds have been outstanding for nine years or more, as fully described in various bond documents. Further discussion of the resolutions is in Note 2.

Direct borrowings include an uncollateralized revolving credit agreement with the Bank of America and a credit agreement with the Federal Home Loan Bank (FHLB) of Atlanta.

The Authority entered into a $100 million revolving credit agreement on December 1, 2015 with the Bank of America to provide funds for general corporate purposes specifying a scheduled expiration date after one year, which may be extended from time to time but in no event later than December 1, 2028. The revolving credit agreement was amended on October 31, 2018 to specify the next scheduled expiration date as December 1, 2019. On January 1, 2020 the line of credit was increased to $150.0 million. The revolving credit agreement was amended on April 1, 2020 to increase the line of credit to $250.0 million. On October 30, 2020 the agreement was amended to update the facility fee rate and scheduled expiration date. Under the terms of this agreement, interest on any advances is charged at a rate equal to the daily floating LIBOR rate for deposits with one month maturity plus a margin ranging from 30 to 105 basis points per annum based upon the Authority’s long-term credit ratings. On October 28, 2021 the agreement was amended to update the applicable margin, facility fee rate and define a new expiration date. Under the terms of this agreement, applicable margin and facility fee will range from 75 to 110 basis points and 22.5 to 27.5 respectively, per annum based upon the Authority’s long term credit ratings. As of June 30, 2021, the borrowing rate was 0.80%; however, there was no outstanding balance as of June 30, 2022. The Authority is in compliance with all debt covenant requirements.

The Authority maintains a $1.3 billion credit agreement with the FHLB of Atlanta, whereby FHLB of Atlanta may advance funds that are secured by cash, mortgage loans and government agency securities held in FHLB of Atlanta as collateral. As of June 30, 2022, there was $787.9 million in mortgage backed securities pledged to FHLB Atlanta. As of June 30, 2021, there was $796.9 million in mortgage backed securities pledged to FHLB Atlanta. Interest on any advance can be charged either under a floating daily rate or a fixed rate with a stated maturity not to exceed either one year for daily rate or twenty years for fixed rate loans. As of June 30, 2022 there were seven 14 to 180 day fixed rate borrowings: one for a total of $160.0 million at 0.88%, one for a total of $159.0 million at 1.04%, one for a total of $175.0 million at 1.50% and four for a total of $216.3 at 1.58%. The Authority is in compliance with all debt covenant requirements. At June 30, 2022 and 2021, there was $710.3 million outstanding.

(9) Loan Participation Payable to Federal Financing Bank

On March 23, 2015, the Authority was designated as a “qualified Housing Finance Agency” under the Risk-Sharing Act and entered into a Risk-Sharing Agreement with HUD. In conjunction with the Risk-Sharing Agreement, the Authority elected to participate in a program offered by the Federal Financing Bank (FFB) for the financing of rental housing mortgage loans. The FFB is a government corporation, under the general supervision and direction of the Secretary of the Treasury, created by Congress with statutory authority to purchase any obligation that is fully guaranteed by another federal agency. To the extent that FFB proceeds are utilized to finance certain mortgage loans, such mortgage loans would not be available to be financed under the Rental Housing Bond Group other than on a temporary basis prior to such FFB financing. In February 2016, the Authority executed the necessary agreements to allow the Authority to participate in such FFB financing.

Under the program established by the Risk-Sharing Act (the “Risk-Sharing Program”), the Authority retains underwriting, mortgage loan management and property disposition functions and responsibility for defaulted loans. Following default under a mortgage loan subject to a HUD contract of mortgage insurance under the Risk-Sharing Program, HUD agrees to make an initial claim payment of 100% of the loan’s unpaid principal balance and accrued interest, subject to certain adjustments that passes through the Authority to FFB. After a period during which the Authority may work toward curing the default, foreclosing the mortgage, or reselling the related project, any losses are calculated and apportioned between the Authority and HUD according to a specified risk-sharing percentage determined at the time of its endorsement for insurance. At its issuance, the Authority may choose a risk percentage ranging from 50% to 90%, which in turn determines its reimbursement obligation to HUD. During the intervening period prior to the final loss settlement, the Authority is obligated to pay interest on the amount of the initial claim payment under a debenture required to be issued to HUD at the time of the initial claim payment.

For each rental housing mortgage loan to be financed by the FFB, the Authority will sell to the FFB a certificate representing a participation interest in the rental housing mortgage loan consisting of all principal payments due thereon and all interest payments due thereon, whereby the rate to FFB will be less than the mortgage loan interest rate. The participation proceeds from the FFB are recorded as a debt obligation payable to the FFB.

Under these agreements, the Authority will retain responsibility for originating, closing and servicing the rental housing mortgage loans underlying the certificates sold to the FFB. As servicer, the Authority will remit the balance of each mortgage payment to U.S. Bank, N.A. (“Custodian”). The Custodian will fund any required account and pay the amounts due to the FFB, deduct their fees, then remit any amount remaining to the Authority as servicing fees.

Under the terms of the agreements in the Risk-Sharing Program, the Authority has sold certificates representing the beneficial interest in the following mortgage loans to FFB:

Description	Balance at June 30, 2021	Issued	Retired	Balance at June 30, 2022
Participation Certificates Outstanding:				
Colonnade at Rocktown - Note rate of 4.68%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.45%				
Maturity date of May 1, 2047	$ 2,801,464	—	56,875	2,744,589
Wilsondale II - Note rate of 4.47%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.12%				
Maturity date of July 1, 2047	7,270,598	—	150,657	7,119,941
Baker Woods - Note rate of 3.91%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.89%				
Maturity date of December 1, 2052	5,319,245	—	87,515	5,231,730
Twin Canal Village - Note rate of 3.82%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.18%				
Maturity date of April 1, 2043	6,689,388	—	200,114	6,489,274
Treesdale - Note rate of 4.22%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.30%				
Maturity date of November 1, 2048	3,576,448	—	70,753	3,505,695
Landing at Weyers Cove - Note rate of 4.22%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.30%				
Maturity date of November 1, 2048	2,352,055	—	46,530	2,305,525
Belle Hall - Note rate of 3.57%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.72%				
Maturity date of September 1, 2049	4,300,417	—	89,765	4,210,652
Campostella Commons - Note rate of 3.57%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.72%				
Maturity date of September 1, 2049	3,285,712	—	68,585	3,217,127
Total participation certificates payable	$ 35,595,327	—	770,794	34,824,533

(10) Escrows and Project Reserves

Escrows and project reserves represent amounts held by the Authority as escrows for insurance, real estate taxes and completion assurance, and as reserves for replacement and operations (Note 16). The Authority invests these funds and, for project reserves, allows earnings to accrue to the benefit of the mortgagor.

At June 30, 2022 and 2021, these escrows and project reserves were presented in the Authority's Statements of Net Position as follows:

		June 30	
		2022	2021
Escrow - current	$	29,578,957	30,912,915
Project reserves - noncurrent		105,053,442	112,923,300
Total	$	134,632,399	143,836,215

(11) Derivative Instruments

The Authority enters into forward sales contracts for the delivery of GNMA and FNMA securities in order to lock in the sales price for the securitization of certain homeownership mortgage loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into GNMA and FNMA securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative gains or losses on the Statements of Revenues, Expenses, and Changes in Net Position. Fair values of the forwards are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of investment derivatives are classified as Level 2 in the fair value hierarchy.

The outstanding forward contracts, summarized by counterparty rating as of June 30, 2022 were as follows:

Counterparty rating	Count		Par	Concentration		Notional amount		Fair value		Fair value asset (liability)
A-1+/AA+	8	$	29,000,000	6.0%	$	28,941,250	$	28,631,094	$	310,156
A-1/A+	32		209,578,692	43.1%		206,882,467		204,911,814		1,970,653
A-1/A+	17		122,900,000	25.3%		121,596,043		120,191,625		1,404,418
A-2/BBB+	9		96,000,000	19.8%		92,780,840		91,356,641		1,424,199
A-2/BBB+	12		28,257,973	5.8%		28,115,205		27,888,129		227,076
	78	$	485,736,665	100.0%	$	478,315,805	$	472,979,303	$	5,336,502

The outstanding forward contracts, summarized by counterparty as of June 30, 2021, were as follows:

Counterparty rating	Count		Par	Concentration		Notional amount		Fair value		Fair value asset (liability)
A-1+/AA+	8	$	58,000,000	10.6%	$	60,270,469	$	60,296,564	$	(26,095)
A-1/A+	18		222,000,000	40.4%		229,513,906		229,748,304		(234,398)
A-1/A+	17		126,000,000	22.9%		130,339,102		130,435,785		(96,683)
A-2/BBB+	11		57,000,000	10.3%		58,215,742		58,625,628		(409,886)
A-2/BBB+	11		87,000,000	15.8%		89,789,922		89,909,219		(119,297)
	65	$	550,000,000	100.0%	$	568,129,141	$	569,015,500	$	(886,359)

(Continued)

(12) Investment Income and Arbitrage Liabilities

The amount of investment income the Authority may earn with respect to certain tax-exempt bond issues in the Commonwealth Mortgage Bond Group, Homeownership Bond Group, and Rental Housing Bond Group, is limited by certain federal legislation. Earnings in excess of the allowable amount must be rebated to the U.S. Department of the Treasury. These excess earnings are recorded in accounts payable and other liabilities. No rebates were paid and no rebate liability existed as of June 30, 2022 and 2021.

(13) Net Position

Net investment in capital assets represents property, furniture, and equipment, and vehicles, less the current outstanding applicable debt. Restricted net position represents those portions of the total net position in trust accounts established by the various bond resolutions for the benefit of the respective bond owners. Restricted net position is generally mortgage loans and funds held for placement into mortgage loans, investments, and funds held for scheduled debt service. At the bond resolution level, assets can be released from restriction by bond indentures at any time, subject to the revenue test that requires the assets and future income stream generated by those restricted assets be greater than the funds needed to cover scheduled debt service.

Unrestricted net position represents those portions of the total net position set aside for current utilization and tentative plans for future utilization of such net position. As of June 30, 2022 and 2021, such plans included funds to be available for other loans and loan commitments; over commitments and over allocations in the various bond issues; support funds and contributions to bond issues; support for REACH Virginia initiatives and tenant-based housing assistance payments; and working capital and future operating and capital expenditures. Additional unrestricted net position commitments include maintenance of the Authority’s obligation with regard to the general obligation pledge on its bonds; contributions to future bond issues other than those scheduled during the next year; coverage on uninsured assets; unsubsidized rental housing conventional loan program; and any unanticipated losses in connection with the uninsured portions of the balance of the homeownership and rental housing loans; coverage on the liability exposure of commissioners and officers; the cost of holding foreclosed property prior to resale; costs incurred with the redemption of bonds; homeownership loan prepayment shortfalls; and other risks and contingencies.

(14) Employee Benefits Plans

The Authority incurs employment retirement savings expenses under two defined contribution plans equal to between 8% and 11% of full-time employees’ compensation. Total retirement savings expense for the year ended June 30, 2022 and 2021 was $5,205,447 and $4,743,620, respectively.

The Authority sponsors a deferred compensation plan available to all employees created in accordance with Internal Revenue Section 457(b). The Plan permits participants to defer a portion of their salary or wages until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the Plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the Authority’s basic financial statements.

As of June 30, 2022 and 2021, included in other liabilities is an employee compensated absences accrual of $6,340,847 and $5,906,027, respectively (Note 16).

(15) Other Postemployment Benefits

(a) Retiree Healthcare Plan Description (the Plan)

Beginning with the year ended June 30, 2018, the Authority applied the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The Plan is a single-employer defined benefit other postemployment benefit (OPEB) plan established January 1, 2006 to provide post-employment reimbursement of eligible medical, dental and vision expenses to current and eligible future retirees and their spouses in accordance with the terms of the Plan.

The Authority serves as Plan Administrator for the Plan. Pursuant to a resolution of the Board of Commissioners of the Authority, the Executive Director of the Authority authorized and empowered the Retiree Health Care Plan Oversight Committee (Oversight Committee), a committee made up of five members of management, to carry out the duties and responsibilities as Plan Administrator for the Plan.

Plan assets are administered through the Virginia Housing Development Authority Retiree Health Care Plan Trust, (the Trust), an irrevocable trust to be used solely for providing benefits to eligible participants in the Plan. Assets of the Trust are irrevocable, legally protected from creditors, and are dedicated to providing post-employment reimbursement of eligible medical, dental and vision expenses to current and eligible future retirees and their spouses, in accordance with the terms of the Plan.

At its sole discretion, the Authority retains the right to amend the Plan at any time and from time to time with respect to benefits, funding, contributions and permanency. The Authority reserves the right to discontinue or terminate its funding of the Plan at any time without prejudice, provided that the decision to terminate funding of the Plan is effected by a written resolution adopted by a majority of the Board of Commissions of the Authority. There is a standalone report that can be made available by contacting the Authority.

At January 1, 2022, participants in the Plan consisted of the following:

Active employees	450
Inactive plan members (retirees) receiving benefits	139
Total Participants	589

Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service, (or at least 55 years of age with 10 years of service if employed by the Authority prior to such date). Plan participants receive an annual benefit based on age and years of service at retirement and based on a matrix, updated annually for cost of living plus 2.0% not to exceed 150.0% of the annual premium for the preferred provider organization medical plan offered that year by the Authority if the participant is under age 65 or not to exceed 75.0% of the annual premium if the participant is age 65 or over. The annual benefit may be used to pay for health insurance purchased through the Authority’s group plan or elsewhere, and for other eligible medical, dental and vision expenses. The Authority pays benefits as incurred throughout the year, and the Plan reimburses the Authority for the benefits paid annually.

(Continued)

(b) Contributions

Plan documents note that all benefits under the Plan shall be funded by the Authority. No contributions may be made to the Plan by participants in the Plan. The Authority establishes contribution rates based on the actuarially determined contribution rate. The Authority supplements the actuarially determined rate by ensuring the Plan is additionally funded based on a percentage of budgeted payroll plus administrative fees incurred by the Plan. The Authority pays benefits and administrative fees on behalf of the Plan on an annual basis. The contribution rates range between 4.5% to 5.5% of covered payroll. For the years ended December 31, 2021 and December 31, 2020, the Authority's contributions to the Plan were \$2,279,584 and \$2,168,014, respectively. At June 30, 2022 and June 30, 2021, the Authority reported no outstanding amount of contributions to the Plan required for the years ended December 31, 2021 and December 31, 2020.

(c) OPEB Liability, Expense, and Deferred Outflows and Deferred Inflows of Resources Related to the Retiree Healthcare Plan

For the years ended June 30, 2022 and June 30, 2021, the Authority recognized OPEB expense of \$420,865 and \$1,345,596, respectively. At June 30, 2022, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

Year ending June 30, 2022		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	6,868,575	124,609
Net difference between projected and actual earnings on OPEB Plan investments		-	5,757,970
Change in assumptions		1,911,020	665,047
Total	$	8,779,595	6,547,626

At June 30, 2021, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

Year ending June 30, 2021		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	6,631,614	145,377
Net difference between projected and actual earnings on OPEB Plan investments		-	3,165,139
Change in assumptions		2,071,266	743,223
Total	$	8,702,880	4,053,739

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 will be recognized in OPEB expense as follows:

Year ended June 30, 2022		
2023	$	(614,204)
2024		(1,152,581)
2025		(249,776)
2026		25,531
2027		941,735
Thereafter		3,281,264
	$	2,231,969

As of June 30, 2021 the amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2021		
2022	$	(223,369)
2023		208,885
2024		(329,492)
2025		573,313
2026		848,619
Thereafter		3,571,185
	$	4,649,141

(d) Actuarial Assumptions

The Authority's net OPEB liability (asset) was measured as of December 31, 2021 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2022.

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	January 1, 2022
Actuarial Cost Method	Entry-Age Normal percentage of Salary
Amortization Method	Level Percentage of Pay, Open
Amortization Period	20 years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Inflation Rate	2.5 percent, per annum
Investment rate of return	5.5 percent, per annum
Projected Salary Increases	3.5 percent, per annum
Healthcare cost trend rates	6.00 percent in 2022 grading uniformly to 5.50 percent over 2 years and following the 2021 Getzen model thereafter to an ultimate rate of 4.04 percent in the year 2075; the Retiree Credit Matrix will increase at 5.00 percent, per annum.
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 95 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.
Marital Status	Actual spouse participation and dates of birth were used for retirees; 65 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their spouses.
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.

	Age 65 Cost Male	Age 65 Cost Female
Retiree/Spouse:	$22,024	$20,064

Age Variance	Claims were age adjusted each year based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	January 1, 2021
Actuarial Cost Method	Entry-Age Normal percentage of Salary
Amortization Method	Level Percentage of Pay, Open
Amortization Period	20 years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Inflation Rate	2.5 percent, per annum
Investment rate of return	5.5 percent, per annum
Projected Salary Increases	3.5 percent, per annum
Healthcare cost trend rates	6.25 percent in 2021 grading uniformly to 5.75 percent over 2 years and following the 2020 Getzen model thereafter to an ultimate rate of 4.04 percent in the year 2075; the Retiree Credit Matrix will increase at 5.00 percent, per annum.
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 95 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.
Marital Status	Actual spouse participation and dates of birth were used for retirees; 65 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their spouses.
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.

	Age 65 Cost Male	Age 65 Cost Female
Retiree/Spouse:	$20,336	$18,526

Age Variance	Claims were age adjusted each year based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.

The assumptions were updated in the January 1, 2022 valuation to reflect the following changes:

The mortality improvement was updated from MP-2020 to improvement scale MP-2021. The medical trend was revised from 6.25% in 2021 grading uniformly to 5.75% over 2 years and following the 2020 Gatzen model thereafter to 6.00% in 2022 grading uniformly to 5.50% over 2 years and following the 2021 Getzen model thereafter.

(e) Net OPEB Liability (Asset) at June 30, 2022 and June 30, 2021

The net OPEB asset (NOA) represents the total OPEB liability determined in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, less the associated fiduciary net position. The NOA is reported on the Authority's statements of net position as an other non-current asset.

As of June 30, 2022, the NOA amounts are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balances at December 31, 2020	$ 41,447,130	44,962,578	(3,515,448)
Changes for the year:			
Service cost	1,617,167	-	1,617,167
Interest	2,324,671	-	2,324,671
Differences between expected and actual experience	974,668	-	974,668
Change of assumptions	142,726	-	142,726
Contributions - employer	-	2,279,584	(2,279,584)
Net investment income	-	7,153,202	(7,153,202)
Benefit (payments)/refunds	(797,549)	(797,549)	-
Administrative expenses	-	(97,663)	97,663
Net Changes	4,261,683	8,537,574	(4,275,891)
Balances at December 31, 2021	$ 45,708,813	53,500,152	(7,791,339)

As of June 30, 2021, the NOA amounts are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balances at December 31, 2019	$ 33,637,918	39,999,804	(6,361,886)
Changes for the year:			
Service cost	1,554,370	-	1,554,370
Interest	2,160,751	-	2,160,751
Changes of benefit terms	-	-	-
Differences between expected and actual experience	5,059,834	-	5,059,834
Change of assumptions	(237,815)	-	(237,815)
Contributions - employer	-	2,168,014	(2,168,014)
Net investment income	-	3,649,755	(3,649,755)
Benefit (payments)/refunds	(727,928)	(727,928)	-
Administrative expenses	-	(127,067)	127,067
Net Changes	7,809,212	4,962,774	2,846,438
Balances at December 31, 2020	$ 41,447,130	44,962,578	(3,515,448)

(f) Long-Term Expected Rate of Return

The long-term expected returns were determined using the arithmetic mean after investment expenses on best-estimate ranges of expected future rates of returns from various investment firms, historical market returns and internal estimates. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Allocation Target Range	Long-Term Expected Rate of Return
U.S. Fixed Income (includes cash and cash equivalents)	25% to 70%	4.00%
U.S. Equity	30% to 75%	6.70%
Foreign Equity	0% to 15%	4.80%

(g) Discount Rate

The discount rate used to measure the total OPEB liability was 5.50% as of December 31, 2021 and 2020. The projections of cash flows used to determine the discount rate assumed the Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active retirees. Therefore, the long term expected rate of return on the Plan's investments was applied to all future periods of projected benefit payments to determine the total OPEB liability

(h) Sensitivity of the Authority's Net OPEB Liability (Asset) to Changes in the Discount Rate

The following represents the net OPEB liability (asset) of the Authority as of June 30, 2022, calculated using the stated discount rate assumption, as well as what the Authority's net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.5%) or 1 percentage-point higher (6.5%) than the current discount rate:

Year ending December 31, 2021		1% Decrease	Current	1% Increase
		4.50%	5.50%	6.50%
Net OPEB liability (asset)	$	(419,429)	(7,791,339)	(13,751,182)

As of June 30, 2021, the net OPEB liability (asset) of the Authority is as follows:

Year ending December 31, 2020		1% Decrease	Current	1% Increase
		4.50%	5.50%	6.50%
Net OPEB liability (asset)	$	3,222,658	(3,515,448)	(8,962,359)

(i) Sensitivity of the Authority's Net OPEB Liability (Asset) to Changes in the Heath Care Trend Rate

The following represents the June 30, 2022 net OPEB liability (asset) of the Authority, calculated using the stated health care cost trend assumption, as well as what the Authority's net OPEB liability (asset) would be if it were calculated using a health care cost trend that is 1 percentage-point lower or 1 percentage-point higher than the current health care cost trend rates:

Year ending December 31, 2021		1% Decrease	Current	1% Increase
		5.00% decreasing to 4.50% over 2 years	6.00% decreasing to 5.50% over 2 years	7.00% decreasing to 6.50% over 2 years
Net OPEB liability (asset)	$	(14,207,170)	(7,791,339)	261,139

As of June 30, 2021, sensitivity of the Authority's Net OPEB liability (asset) to changes in health care trends are as follows:

Year ending December 31, 2020		1% Decrease	Current	1% Increase
		5.25% decreasing to 4.75% over 2 years	6.25% decreasing to 5.75% over 2 years	7.25% decreasing to 6.75% over 2 years
Net OPEB liability (asset)	$	(9,372,640)	(3,515,448)	3,832,938

(16) Other Long-Term Liabilities

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2022 was as follows:

		Balance at June 30, 2021	**Additions**	**Decreases**	**Balance at June 30, 2022**
Project reserves	$	112,923,300	23,323,580	31,193,438	105,053,442
Other liabilities		453,368	3,671,368	2,283,727	1,841,009
Compensated absences payable		5,906,027	4,827,745	4,392,925	6,340,847
	$	119,282,695	31,822,693	37,870,090	113,235,298

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2021 was as follows:

		Balance at June 30, 2020	**Additions**	**Decreases**	**Balance at June 30, 2021**
Project reserves	$	113,395,875	30,457,804	30,930,379	112,923,300
Other liabilities		4,612,711	1,369,619	5,528,962	453,368
Compensated absences payable		5,124,641	4,337,198	3,555,812	5,906,027
	$	123,133,227	36,164,621	40,015,153	119,282,695

(17) Troubled Debt Restructuring

Restructuring a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The Authority makes every effort to work with borrowers and grants concessions to debtors if the probability of payment from the debtor increases. As of June 30, 2022 and 2021, the Authority has granted the following concessions to debtors, which are considered troubled debt restructurings. There are no commitments to lend additional resources to debtors who had a troubled debt restructuring.

		Year ended June 30,	
Homeownership loans		**2022**	**2021**
Aggregated recorded balance	$	149,357,828	105,296,095
Number of loans		1,168	862
Gross interest revenue if loans had been current		5,002,136	4,589,257
Interest revenue included in changes in net position		4,241,494	4,070,115

		Year ended June 30,	
Rental housing loans		**2022**	**2021**
Aggregated recorded balance	$	10,401,504	10,648,886
Number of loans		10	10
Gross interest revenue if loans had been current		882,118	836,938
Interest revenue included in changes in net position		348,655	356,972

(18) Contingencies and Other Matters

Certain claims, suits, and complaints arising in the ordinary course of business have been filed and are pending against the Authority. In the opinion of management, all such matters are adequately covered by insurance or, if not so covered, are without merit or are of such kind or involve such amounts as would not have a material adverse effect on the basic financial statements of the Authority.

The Authority participates in several Federal financial assistance programs, principal of which are the HUD loan guarantee programs. Although the Authority's administration of Federal grant programs has been audited in accordance with the provisions of the United States Office of Management and Budget Uniform Guidance, these programs are still subject to financial and compliance audits. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although the Authority does not expect such amounts, if any, to be material in relation to its basic financial statements.

The Authority is exposed to various risks of loss such as theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. The Authority carries commercial insurance for these risks. There have been no significant reductions in insurance coverage from coverage in the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

(19) Subsequent Events

In addition to scheduled issuances and redemptions, the Authority made redemptions of notes and bonds payable subsequent to June 30, 2022 as follows:

	Redemption date	Amount
Redemptions:		
Rental Housing Bond 2019 Series E Non-AMT	8/15/2022	$ 5,710,000

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Required Supplementary Information
Retiree Healthcare Plan
Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
(unaudited)
Last 5 Calendar Years

		2021	2020	2019	2018	2017
Total OPEB Liability						
Service Cost	$	1,617,167	1,554,370	1,045,841	984,232	675,928
Interest		2,324,671	2,160,751	1,753,636	1,608,746	1,419,341
Differences between expected and actual experience		974,668	5,059,834	1,262,503	1,320,653	(228,449)
Changes of assumptions		142,726	(237,815)	(641,942)	370,909	2,830,950
Benefit payments		(797,549)	(727,928)	(640,795)	(630,078)	(519,345)
Net change in Total OPEB Liability		4,261,683	7,809,212	2,779,243	3,654,462	4,178,425
Total OPEB Liability - beginning		41,447,130	33,637,918	30,858,675	27,204,213	23,025,788
Total OPEB Liability - ending	$	45,708,813	41,447,130	33,637,918	30,858,675	27,204,213
Plan Fiduciary Net Position						
Contributions - employer	$	2,279,584	2,168,014	2,111,960	1,952,210	1,758,037
Net investment income		7,153,202	3,649,755	6,362,793	(865,732)	3,717,204
Benefit payments		(797,549)	(727,928)	(640,795)	(630,078)	(519,345)
Administrative expenses		(97,663)	(127,067)	(172,177)	(186,925)	(117,278)
Net change in Plan Fiduciary Net Position		8,537,574	4,962,774	7,661,781	269,475	4,838,618
Plan Fiduciary Net Position - beginning		44,962,578	39,999,804	32,338,023	32,068,548	27,229,930
Plan Fiduciary Net Position - ending	$	53,500,152	44,962,578	39,999,804	32,338,023	32,068,548
Net OPEB Liability (Asset) - ending		(7,791,339)	(3,515,448)	(6,361,886)	(1,479,348)	(4,864,335)
Plan Fiduciary Net Position as a % of the Total OPEB Liability		117.0%	108.5%	118.9%	104.8%	117.9%
Covered-employee payroll	$	46,693,627	42,735,350	41,987,414	37,467,939	33,966,194
Net OPEB Liability as a % of covered-employee payroll		-16.7%	-8.2%	-15.2%	-3.9%	-14.3%

See accompanying independent auditors' report.

(1) This schedule should present 10 years of data; however, the information prior to 2017 is not readily available.
(2) There were no changes in benefit terms for years ended 2021 through 2017.
(3) Assumptions for year ended 2021 through 2017 were updated to reflect changes in the mortality rates, medical trends, and aging assumptions.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Required Supplementary Information
Retiree Healthcare Plan
Schedule of Contributions
(unaudited)
Last 5 Calendar Years

		2021	2020	2019	2018	2017
Actuarially determined contribution	$	-	1,310,144	555,921	890,416	297,975
Contributions in relation to the actuarially determined contribution		2,279,584	2,168,014	2,111,960	1,952,210	1,758,037
Contribution deficiency (excess)	$	(2,279,584)	(857,870)	(1,556,039)	(1,061,794)	(1,460,062)
Covered-employee payroll	$	46,693,627	42,735,350	41,987,414	37,467,939	33,966,194
Contributions as a % of covered-employee payroll		4.9%	5.1%	5.0%	5.2%	5.2%

See accompanying independent auditors' report.

(1) This schedule should present 10 years of data; however, the information prior to 2017 is not readily available.

(2) Contributions made to the Plan in 2021 to 2017 were in excess of the actuarial annual required contributions.

(3) The actuarial contribution rate is determined based on the same assumptions as the actuarial lability with a valuation date as of January 1, 2022 using the following actuarial assumptions as discussed in Note 15:

Valuation Date	January 1, 2022
Actuarial Cost Method	Entry-Age Normal percentage of Salary
Amortization Method	Level Percentage of Pay, Open
Amortization Period	20 years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Inflation Rate	2.5 percent, per annum
Investment rate of return	5.5 percent, per annum
Projected Salary Increases	3.5 percent, per annum
Healthcare cost trend rates	6.00 percent in 2022 grading uniformly to 5.50 percent over 2 years and following the 2021 Getzen model thereafter to an ultimate rate of 4.04 percent in the year 2075; the Retiree Credit Matrix will increase at 5.00 percent, per annum.
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 95 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.
Marital Status	Actual spouse participation and dates of birth were used for retirees; 65 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their spouses.
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.

	Age 65 Cost Male	Age 65 Cost Female
Retiree/Spouse:	$22,024	$20,064

Age Variance	Claims were age adjusted each year based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.

Schedule 3

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position

June 30, 2022

Assets	**General Operating Accounts**	**Rental Housing Bond Group**	**Commonwealth Mortgage Bond Group**	**Home-ownership Bond Group**	**Total**
Current assets:					
Cash and cash equivalents	$ 378,949,888	1,150,161,461	275,208,488	21,743,406	1,826,063,243
Interest receivable – investments	2,354,898	1,036,689	1,197,961	17,645	4,607,193
Derivative instruments	-	-	5,336,502	-	5,336,502
Mortgage loans held for sale	-	-	316,106,009	-	316,106,009
Mortgage and other loans receivable, net	8,357,128	103,058,101	78,674,342	4,224,648	194,314,219
Interest receivable – mortgage and other loans	755,425	17,571,248	5,249,417	316,696	23,892,786
Other real estate owned	3,188,560	427,000	741,991	260,590	4,618,141
Other assets	26,152,384	-	7,593	-	26,159,977
Total current assets	419,758,283	1,272,254,499	682,522,303	26,562,985	2,401,098,070
Noncurrent assets:					
Investments	819,206,816	-	234,707,900	1,124,337	1,055,039,053
Mortgage and other loans receivable	302,760,316	4,270,008,327	1,582,103,629	111,994,048	6,266,866,320
Less allowance for loan loss	47,311,987	55,894,850	39,134,462	1,113,804	143,455,103
Mortgage and other loans receivable, net	255,448,329	4,214,113,477	1,542,969,167	110,880,244	6,123,411,217
Capital Assets, net of accumulated depreciation and amortization of $52,429,250	13,432,373	7,619,660	-	-	21,052,033
Mortgage servicing rights, net	44,074,557	-	-	-	44,074,557
Other Assets	19,158,265	-	-	-	19,158,265
Total noncurrent assets	1,151,320,340	4,221,733,137	1,777,677,067	112,004,581	7,262,735,125
Total assets	1,571,078,623	5,493,987,636	2,460,199,370	138,567,566	9,663,833,195
Deferred outflows of resources					
Other postemployment benefits - change in assumptions	1,911,020	-	-	-	1,911,020
Other postemployment benefits - difference between expected and actural experience	6,868,575	-	-	-	6,868,575
Total Deferred outflows of resources	8,779,595	-	-	-	8,779,595

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position

June 30, 2022

Liabilities	**General Operating Accounts**	**Rental Housing Bond Group**	**Commonwealth Mortgage Bond Group**	**Home-ownership Bond Group**	**Total**
Current liabilities:					
Notes and bonds payable	710,300,000	63,380,000	41,502,902	1,565,945	816,748,847
Accrued interest payable on notes and bonds	306,916	27,056,179	4,584,424	115,468	32,062,987
Escrows	29,578,957	-	-	-	29,578,957
Federal grand awards held	226,810,062	-	-	-	226,810,062
Accounts payable and other liabilities	28,617,772	-	198	-	28,617,970
Total current liabilities	995,613,707	90,436,179	46,087,524	1,681,413	1,133,818,823
Noncurrent liabilities:					
Bonds payable, net	-	3,655,186,744	877,095,100	41,068,469	4,573,350,313
Project reserves	105,053,442	-	-	-	105,053,442
Loan participation payable to Federal Financing Bank	34,824,533	-	-	-	34,824,533
Other (assets) liabilities	8,181,856	-	-	-	8,181,856
Total noncurrent liabilities	148,059,831	3,655,186,744	877,095,100	41,068,469	4,721,410,144
Total liabilities	1,143,673,538	3,745,622,923	923,182,624	42,749,882	5,855,228,967
Deferred inflows of resources					
Deferred fees and points on multifamily loans	476,574	63,457,616	-	-	63,934,190
Other postemployment benefits - change in assumptions	665,047	-	-	-	665,047
Other postemployment benefits - difference between expected and actural experience	124,609	-	-	-	124,609
Other postemployment benefits - difference between projected and actual earning	5,757,970	-	-	-	5,757,970
Total deferred inflows of resources	7,024,200	63,457,616	-	-	70,481,816
Net position:					
Net investment in capital assets	12,026,831	454,520	-	-	12,481,351
Restricted by bond indentures	-	1,684,452,577	1,537,016,746	95,817,684	3,317,287,007
Unrestricted	417,133,649	-	-	-	417,133,649
Total net position	$ 429,160,480	1,684,907,097	1,537,016,746	95,817,684	3,746,902,007

See accompanying independent auditors' report.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2022

	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Operating revenues:					
Interest on mortgage and other loans receivable	$ 11,717,487	201,031,941	74,459,708	5,576,742	292,785,878
Housing Choice Voucher program administrative income	8,379,512	-	-	-	8,379,512
Gains and recoveries on sale of other real estate owned	309,856	-	95,494	44,990	450,340
Gains on sale of single family mortgage loans	-	-	41,899,002	-	41,899,002
Mortgage servicing fees net of guaranty fees	38,191,108	-	-	-	38,191,108
Tax credit program fees earned	4,784,281	-	-	-	4,784,281
Other	15,714,869	8,192,702	118	-	23,907,689
Total operating revenues	79,097,113	209,224,643	116,454,322	5,621,732	410,397,810
Operating expenses:					
Interest on notes and bonds payable	2,599,287	110,754,204	29,229,242	1,526,190	144,108,923
Salaries and related employee benefits	72,856,377	-	-	-	72,856,377
General operating expenses	43,018,479	-	3,935	-	43,022,414
Note and bond expenses	1,428,411	-	-	-	1,428,411
Bond issuance expenses	325,585	4,723,281	1,014,305	-	6,063,171
Grant expenses	34,021,786	-	-	-	34,021,786
Housing Choice Voucher program expenses	8,447,467	-	-	-	8,447,467
Mortgage servicing rights amortization and other servicing costs	25,969,788	-	6,074,038	-	32,043,826
Losses on other real estate owned	820,084	-	262,858	54,590	1,137,532
Provision for loan losses	(5,972,236)	(8,301,383)	(10,861,092)	(401,235)	(25,535,946)
Total operating expenses	183,515,028	107,176,102	25,723,286	1,179,545	317,593,961
Operating income (expense)	(104,417,915)	102,048,541	90,731,036	4,442,187	92,803,849
Nonoperating revenues (expenses):					
Pass-through grant awards	238,148,054	-	-	-	238,148,054
Pass-through grants expenses	(238,148,054)	-	-	-	(238,148,054)
Investment income	26,193,131	2,274,313	9,933,479	(340,296)	38,060,627
Unrealized loss on instruments	(81,228,761)	-	(21,178,906)	-	(102,407,667)
Other, net	12,999	-	-	-	12,999
Total nonoperating revenues, net	(55,022,631)	2,274,313	(11,245,427)	(340,296)	(64,334,041)
Income (loss) before transfers	(159,440,546)	104,322,854	79,485,609	4,101,891	28,469,808
Transfers between funds	210,493,856	(130,771,596)	(79,894,586)	172,326	-
Change in net position	51,053,310	(26,448,742)	(408,977)	4,274,217	28,469,808
Total net position, beginning of year	378,107,170	1,711,355,839	1,537,425,723	91,543,467	3,718,432,199
Total net position, end of year	$ 429,160,480	1,684,907,097	1,537,016,746	95,817,684	3,746,902,007

See accompanying independent auditors' report.

Schedule 5

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Fiduciary Net Position
Fiduciary Funds – Custodial Funds

June 30, 2022

		Escrow Funds (GNMA, FNMA, FHLMC, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
ASSETS						
Current assets:						
Cash and cash equivalents	$	93,736,163	3,642,444	754,128	817,025	98,949,760
Interest receivable - investments		-	2,952	1,279	633	4,864
Interest receivable - mortgage and other loans		-	1,046	53,593	7,469	62,108
Other assets		-	65,149	-	-	65,149
Total current assets		93,736,163	3,711,591	809,000	825,126	99,081,881
Noncurrent assets:						
Mortgage and other loans receivable		-	2,702,870	24,293,135	9,000,847	35,996,852
Investments			-	-	-	-
Total noncurrent assets		-	2,702,870	24,293,135	9,000,847	35,996,852
Total assets		93,736,163	6,414,461	25,102,135	9,825,973	135,078,732
LIABILITIES						
Other liabilities		-	1,078,596	789,260	845,447	2,713,304
Total liabilities		-	1,078,596	789,260	845,447	2,713,304
NET POSITION						
Restricted for:						
Other postemployment benefit plan other than pension						
Funds held in escrow		93,736,163	-	-	-	93,736,163
Other governmental agency		-	5,335,865	24,312,875	8,980,526	38,629,266
Total Net Position	$	93,736,163	5,335,865	24,312,875	8,980,526	132,365,429

See accompanying independent auditors' report.

Schedule 6

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds

Year Ended June 30, 2022

	Escrow Funds (GNMA, FNMA, FHLMC, Habitat)	Commonwealth Priority Housing Fund	Virgina Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
ADDITIONS					
Contribution:					
Borrower payments	$ 2,716,640,483	-	-	-	2,716,640,483
Employers	-	22,091	86,619	32,859	141,569
Other governmental agency minus Employers	-	-	5,656,152	3,800,000	9,456,152
Total Contributions	2,716,640,483	22,091	5,742,771	3,832,859	2,726,238,204
Investment earnings:					
Interest, dividends, and other	-	19,308	3,139	1,604	24,051
Total investment earnings	-	19,308	3,139	1,604	24,051
Total additions	2,716,640,483	41,399	5,745,910	3,834,463	2,726,262,255
DEDUCTIONS					
Other governmental agency	-	110,000	56,303	-	166,303
Disbursement of escrow funds	2,763,517,863	-	-	-	2,763,517,863
Administrative expense	-	24,882	76,208	30,687	131,777
Total deductions	2,763,517,863	134,882	132,511	30,687	2,763,815,943
Net increase in fiduciary net position	(46,877,380)	(93,483)	5,613,399	3,803,776	(37,553,688)
Net position - beginning	140,613,543	5,429,348	18,699,476	5,176,750	169,919,117
Net position - ending	$ 93,736,163	5,335,865	24,312,875	8,980,526	132,365,429

See accompanying independent auditors' report.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position

June 30, 2021

Assets		General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Current assets:						
Cash and cash equivalents	$	223,980,168	1,174,736,085	365,440,186	5,335,319	1,769,491,758
Interest receivable – investments		2,146,609	25,043	660,471	110	2,832,233
Mortgage loans held for sale		-	-	162,178,769	-	162,178,769
Mortgage and other loans receivable, net		7,465,049	102,691,931	78,797,095	4,555,810	193,509,885
Interest receivable – mortgage and other loans		684,881	19,750,058	5,078,347	353,020	25,866,306
Other real estate owned		2,039,175	427,000	357,239	199,078	3,022,492
Other assets		15,046,361	-	7,550	-	15,053,911
Total current assets		251,362,243	1,297,630,117	612,519,657	10,443,337	2,171,955,354
Noncurrent assets:						
Investments		832,931,619	-	252,617,236	1,500,000	1,087,048,855
Mortgage and other loans receivable		261,776,936	3,886,569,485	1,693,186,064	135,605,682	5,977,138,167
Less allowance for loan loss		53,610,380	64,196,233	50,158,563	1,617,423	169,582,599
Mortgage and other loans receivable, net		208,166,556	3,822,373,252	1,643,027,501	133,988,259	5,807,555,568
Capital Assets, net of accumulated depreciation and amortization of $48,190,960		15,164,067	8,316,094	-	-	23,480,161
Mortgage servicing rights, net		44,412,583	-	-	-	44,412,583
Other Assets		14,694,679	-	-	-	14,694,679
Total noncurrent assets		1,115,369,504	3,830,689,346	1,895,644,737	135,488,259	6,977,191,846
Total assets		1,366,731,747	5,128,319,463	2,508,164,394	145,931,596	9,149,147,200
Deferred outflows of resources						
Other postemployment benefits - change in assumptions		2,071,266	-	-	-	2,071,266
Other postemployment benefits - difference between expected and actual experience		6,631,614	-	-	-	6,631,614
Total Deferred outflows of resources		8,702,880	-	-	-	8,702,880

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position
June 30, 2021

Liabilities	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Current liabilities:					
Notes and bonds payable	710,300,000	41,045,000	57,435,926	1,787,591	810,568,517
Accrued interest payable on notes and bonds	72,942	28,008,542	5,553,044	146,903	33,781,431
Escrows	30,912,915	-	-	-	30,912,915
Federal grant awards held	59,396,327	-	-	-	59,396,327
Derivative instruments	-	-	886,359	-	886,359
Accounts payable and other liabilities	37,376,792	-	-	-	37,376,792
Total current liabilities	838,058,976	69,053,542	63,875,329	1,934,494	972,922,341
Noncurrent liabilities:					
Bonds payable, net	-	3,298,998,307	906,863,342	52,453,635	4,258,315,284
Project reserves	112,923,300	-	-	-	112,923,300
Loan participation payable to Federal Financing Bank	35,595,327	-	-	-	35,595,327
Other liabilities	6,359,395	-	-	-	6,359,395
Total noncurrent liabilities	154,878,022	3,298,998,307	906,863,342	52,453,635	4,413,193,306
Total liabilities	992,936,998	3,368,051,849	970,738,671	54,388,129	5,386,115,647
Deferred inflows of resources					
Deferred fees and points on multifamily loans	336,720	48,911,775	-	-	49,248,495
Other postemployment benefits - change in assumptions	743,223	-	-	-	743,223
Other postemployment benefits - difference between expected and actual experience	145,377	-	-	-	145,377
Other postemployment benefits - difference between projected and actual earning	3,165,139	-	-	-	3,165,139
Total deferred inflows of resources	4,390,459	48,911,775	-	-	53,302,234
Net position:					
Net investment in capital assets	13,722,638	(1,219,017)	-	-	12,503,621
Restricted by bond indentures	-	1,712,574,856	1,537,425,723	91,543,467	3,341,544,046
Unrestricted	364,384,532	-	-	-	364,384,532
Total net position	$ 378,107,170	1,711,355,839	1,537,425,723	91,543,467	3,718,432,199

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2021

		General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Operating revenues:						
Interest on mortgage and other loans receivable	$	8,922,039	208,383,294	71,632,981	6,305,825	295,244,139
Housing Choice Voucher program administrative income		7,077,938	-	-	-	7,077,938
Gains and recoveries on sale of other real estate owned		267,153	800	250,381	3,392	521,726
Gains on sale of single family mortgage loans		-	-	47,726,925	-	47,726,925
Mortgage servicing fees net of guaranty fees		38,138,170	-	-	-	38,138,170
Tax credit program fees earned		4,322,587	-	-	-	4,322,587
Other		3,670,681	14,685,399	221	-	18,356,301
Total operating revenues		62,398,568	223,069,493	119,610,508	6,309,217	411,387,786
Operating expenses:						
Interest on notes and bonds payable		1,291,166	103,704,303	36,454,622	3,236,669	144,686,760
Salaries and related employee benefits		66,376,938	-	-	-	66,376,938
General operating expenses		29,429,655	-	4,892	-	29,434,547
Note and bond expenses		1,390,212	-	1,525	-	1,391,737
Bond issuance expenses		281,000	5,489,768	-	-	5,770,768
Grant expenses		40,570,872	-	-	-	40,570,872
Housing Choice Voucher program expenses		7,421,173	-	-	-	7,421,173
Mortgage servicing rights amortization and other servicing costs		27,293,855	-	4,280,785	-	31,574,640
Losses on other real estate owned		654,446	(39,334)	231,748	21,977	868,837
Provision for loan losses		2,678,905	1,830,425	(8,038,440)	(580,807)	(4,109,917)
Total operating expenses		177,388,222	110,985,162	32,935,132	2,677,839	323,986,355
Operating income (expense)		(114,989,654)	112,084,331	86,675,376	3,631,378	87,401,431
Nonoperating revenues (expenses):						
Pass-through grant awards		216,353,355	-	-	-	216,353,355
Pass-through grants expenses		(216,353,355)	-	-	-	(216,353,355)
Investment income		23,191,531	754,630	4,946,394	26,796	28,919,351
Unrealized loss on instruments		11,051,595.00	-	4,937,173	-	15,988,768
Other, net		19,082	-	-	-	19,082
Total nonoperating revenues, net		34,262,208	754,630	9,883,567	26,796	44,927,201
Income (loss) before transfers		(80,727,446)	112,838,961	96,558,943	3,658,174	132,328,632
Transfers between funds		92,871,545	(79,938,178)	(12,999,233)	65,866	-
Change in net position		12,144,099	32,900,783	83,559,710	3,724,040	132,328,632
Total net position, beginning of year		365,963,071	1,678,455,056	1,453,866,013	87,819,427	3,586,103,567
Total net position, end of year	$	378,107,170	1,711,355,839	1,537,425,723	91,543,467	3,718,432,199

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
June 30, 2021

	Escrow Funds (GNMA, FNMA, FHLMC, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 140,613,543	6,111,059	2,000,179	721,496	149,446,277
Interest receivable - investments	-	124	54	16	194
Interest receivable - mortgage and other loans	-	1,046	44,303	6,375	51,724
Other assets	-	65,267	-	-	65,267
Total current assets	140,613,543	6,177,496	2,044,536	727,887	149,563,462
Noncurrent assets:					
Mortgage and other loans receivable	-	2,254,370	18,693,285	5,200,847	26,148,502
Total noncurrent assets	-	2,254,370	18,693,285	5,200,847	26,148,502
Total assets	140,613,543	8,431,866	20,737,821	5,928,734	175,711,964
LIABILITIES					
Other liabilities	-	3,002,518	2,038,345	751,984	5,792,847
Total liabilities	-	3,002,518	2,038,345	751,984	5,792,847
NET POSITION					
Restricted for:					
Funds held in escrow	140,613,543	-	-	-	140,613,543
Other governmental agency	-	5,429,348	18,699,476	5,176,750	29,305,574
Total Net Position	$ 140,613,543	5,429,348	18,699,476	5,176,750	169,919,117

Schedule 10

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
Year Ended June 30, 2021

		Escrow Funds (GNMA, FNMA, FHLMC, Habitat)	Commonwealth Priority Housing Fund	Virgina Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
ADDITIONS						
Contribution:						
Borrower payments	$	3,634,520,105	-	-	-	3,634,520,105
Employers		-	22,320	58,398	18,320	99,038
Other governmental agency		-	-	4,759,150	2,775,000	7,534,150
Total Contributions		3,634,520,105	22,320	4,817,548	2,793,320	3,642,153,293
Investment earnings:						
Interest, dividends, and other		-	16,702	2,160	381	19,243
Total investment earnings		-	16,702	2,160	381	19,243
Total additions		3,634,520,105	39,022	4,819,708	2,793,701	3,642,172,536
DEDUCTIONS						
Other governmental agency		-	1,262,488	55,743	-	1,318,231
Disbursement of escrow funds		3,635,579,901	-	-	-	3,635,579,901
Administrative expense		-	22,091	86,619	32,859	141,569
Total deductions		3,635,579,901	1,284,579	142,362	32,859	3,637,039,701
Net increase in fiduciary net position		(1,059,796)	(1,245,557)	4,677,346	2,760,842	5,132,835
Net position - beginning		141,673,339	6,674,905	14,022,130	2,415,908	164,786,282
Net position - ending	$	140,613,543	5,429,348	18,699,476	5,176,750	169,919,117

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Virginia Housing Development Authority
Richmond, Virginia

We have audited, in accordance with the 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, the financial statements of the business-type activities and the fiduciary activities of the Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 8, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Commissioners
Virginia Housing Development Authority

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
September 8, 2022