**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, 2021 and 2020

(With Independent Auditors' Reports Thereon)

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

## Table of Contents

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, 2021 and 2020. 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-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 VHDA'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. During fiscal year 2021 and 2020, management reallocated $3.7 million and $8.5 million in REACH resources to business partners as COVID relief grants or subsidies to support housing agencies throughout the Commonwealth, respectively.

**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 2021, the Authority continued to maintain its operations despite the COVID-19 pandemic with most of its associates able to work remotely. The Authority also continues to support its mortgagors by allowing forbearances on their loans by either participating in programs mandated by the Federal Government or programs the Authority offers that are similar to such Federal programs. As the COVID crisis continues to unfold the Authority continues to operate effectively and maintain its strong financial position that still grew at a rate of 3.7% 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.

Additionally, during fiscal 2021 the Authority became a sub-recipient of COVID-19 Economic Relief funds from the U.S. Department of the Treasury and collaborated with the Commonwealth's Department of Housing and Community Development (DHCD) to disburse over $119 million in rental payments to landlords as part of the Virginia Rent Relief Program.

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. Participation in the FNMA Housing Finance Agency (HFA) Preferred Risk Sharing Programs has allowed the Authority to securitize homeownership mortgage loans with either no mortgage insurance or private mortgage insurance and, unlike mortgage loans financed with the proceeds of tax-exempt bonds, to permit the funding of refinancing loans and loans to borrowers who are not first time homebuyers. In addition, since its inception in the spring of 2015, the Authority has issued more than 19,400 down-payment assistance (DPA) grants valued at over $100 million to assist qualified first time homebuyers and has issued more than 31,700 Mortgage Credit Certificates (MCC) valued at over $1.1 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. Rental housing financing improved significantly in fiscal year 2021 due to product re-pricing measures, REACH subsidies, and strong demand for rental housing. In February 2016, the Authority was approved to originate loans using a federal risk-sharing program whereby rental housing mortgage loans will be insured by FHA (with loss experienced shared between the Authority and U.S. Department of Housing and Urban Development) and financed through the Federal Financing Bank (FFB). The Authority began to access this lower cost of capital by financing loans with this new risk-sharing/FFB program in fiscal year 2017. The FFB program was terminated by the Federal Government during fiscal year 2020.

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 forbearances 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 unemployment increased in Virginia during the COVID crisis, home values have remained strong during the same period. 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 works with its borrowers and property managers by offering forbearances and loss mitigation options during this COVID crisis. In addition, substantial funds have been made available to rental housing mortgagors through Virginia's Rent Relief Fund. As a result, the delinquencies and foreclosures on its rental housing mortgage loans have been maintained at relatively low levels.

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, 2021***

Homeownership mortgage loan originations totaled 8,981 loans for $2,042.2 million in fiscal year 2021 compared to 8,558 loans for $1,822.2 million 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 1.1% 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.

### *Year Ended June 30, 2020*

Homeownership mortgage loan originations totaled 8,558 loans for $1,822.2 million in fiscal year 2020 compared to 6,697 loans for $1,313.2 million for fiscal year 2019, an increase of 27.8% in units and 38.8% 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, increased advertising, and strong demand for affordable homes.

As of June 30, 2020, the Authority serviced for itself and for third parties a total of 80,121 first and second homeownership mortgage loans with outstanding balances totaling $8.6 billion. Approximately 35,000 of the mortgage loans were serviced for GNMA and FNMA, for which the Authority receives a fee. The outstanding balances of loans serviced, increased by $674.8 million or 8.5% and the number of loans serviced increased by 5,100 loans or 6.80%, since June 30, 2019, primarily in the form of FNMA mortgage loans and FHA insured first lien mortgage loans that have been pooled into MBS guaranteed by GMNA and originated with corresponding uninsured second lien mortgage loans.

In fiscal year 2020, there were 235 homeownership mortgage foreclosures valued at $28.1 million or 1.1% of the self-serviced homeownership mortgage loan portfolio, compared to a year ago with 297 foreclosures valued at $37.4 million or 1.5% of loan amounts. Recovery rates averaging 86.8%, representing an improvement of 10.1% over the prior year, somewhat mitigated the impact of loan losses. Total delinquency rates on the servicing portfolio based on loan count averaged 9.2% for the fiscal year, compared to 8.9% a year ago. Total delinquency rates on the servicing portfolio based on outstanding mortgage loan balances averaged 8.5% and 7.5% as of June 30, 2020 and 2019, respectively. Delinquencies consist of first mortgage loans over 30 days past due and foreclosures and bankruptcies.

Financing commitments for 5,492 rental housing units were made during fiscal year 2020, totaling $810.5 million, compared to 5,673 rental housing units totaling $727.9 million for fiscal year 2019. 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, 2020, the Authority serviced 1,150 rental housing mortgage loans with outstanding balances totaling $3.7 billion. Compared to June 30, 2019, the number of loans in the portfolio decreased 15 while loan balances increased $421.5 million or 12.8%. Delinquency rates based on rental housing portfolio loan count averaged 0.55% and 0.67% for the years ended June 30, 2020 and 2019, respectively. The average delinquency rates based on outstanding mortgage loan balances were 0.10% or $324 million for fiscal year 2020 compared to 0.43% or $13.3 million for fiscal year 2019.

## 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 with interest rates above current market rates, 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 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 | | |
|---|---|---|---|
| | **2021** | **2020** | **2019** |
| Cash and cash equivalents | $ 1,769.5 | 1,660.9 | 827.6 |
| Investments | 1,087.0 | 584.9 | 617.5 |
| Mortgage loans held for sale | 162.2 | 118.1 | 201.1 |
| Mortgage and other loans receivable, net | 6,001.1 | 5,842.5 | 5,454.0 |
| Other assets | 129.3 | 128.6 | 128.4 |
| Total assets | 9,149.1 | 8,335.0 | 7,228.6 |
| Deferred outflows of resources-OPEB | 8.7 | 4.6 | 4.7 |

| | | | | |
|---|---|---|---|---|
| Notes and bonds payable, net | $ | 5,068.9 | 4,447.4 | 3,487.4 |
| Other liabilities | | 317.2 | 255.5 | 238.5 |
| Total liabilities | | 5,386.1 | 4,702.9 | 3,725.9 |
| Deferred inflows of resources | | 53.3 | 50.6 | 41.4 |
| Invested in capital assets, net of related debt | | 12.5 | 15.2 | 14.6 |
| Restricted by bond indentures | | 3,341.5 | 3,220.9 | 3,103.5 |
| Unrestricted | | 364.4 | 350.0 | 347.9 |
| Net position | $ | 3,718.4 | 3,586.1 | 3,466.0 |

***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, $143.1 million of the Rental Housing Bond Group, and collectively included bond redemptions of $104.3 million. 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%.

***June 30, 2020 Compared to June 30, 2019***

Total assets increased $1,106.4 million, or 15.3% from the prior year. Cash and cash equivalents and investments increased $800.7 million, or 55.4% from the prior year. Mortgage and other loans receivables, net, and mortgage loans held for sale increased by $305.5 million, or 5.4%, primarily as a result of strong mortgage originations and the issuance of $378.0 million in Commonwealth Pass-through bonds.

Total liabilities increased $977.0 million, or 26.2% from the prior year. Notes and bonds payable increased $960.0 million or 27.5%, due primarily to the Authority issuing several bonds to fund a growing rental housing portfolio and maintain high liquidity during the crisis. For the year ended June 30, 2020, the Authority issued a total of $939.6 million of Rental Housing bonds and $378.0 million of Commonwealth Pass-through bonds. Bond principal repayments and redemptions during the year totaled $158.4 million of the Commonwealth Mortgage Bond Group, $39.9 million of the Homeownership Mortgage Bond Group, $163.8 million of the Rental Housing Bond


(Continued)

Group, and collectively included bond redemptions of $165.7 million. Proceeds from the Bond Groups and from GNMA and FNMA mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

Total assets exceeded total liabilities by $3,586.1 million, representing an increase in net position of $120.1 million, and a 3.5% return over the preceding fiscal year. As of June 30, 2020, net position invested in capital assets, net of related debt, was $15.2 million. Net position restricted by bond resolutions totaled $3,220.9 million, an increase of $117.4 million, or 3.8% from the prior year. Unrestricted net position totaled $350.0 million, an increase of $2.1 million, or 0.6%.

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

(In millions)

| | | Year ended June 30 | | |
|---|---|---|---|---|
| | | **2021** | **2020** | **2019** |
| Operating revenues: | | | | |
| Interest on mortgage and other loans | $ | 295.2 | 294.7 | 297.9 |
| Housing Choice Voucher program income | | 7.1 | 7.1 | 6.6 |
| Other operating revenues | | 109.1 | 98.7 | 70.7 |
| Total operating revenues | | 411.4 | 400.5 | 375.2 |
| Operating expenses: | | | | |
| Interest on notes and bonds payable | | 144.7 | 123.3 | 128.6 |
| Housing Choice Voucher program expense | | 7.4 | 7.9 | 7.4 |
| Other operating expenses | | 135.4 | 122.6 | 105.7 |
| Grant expenses | | 40.6 | 38.3 | 14.7 |
| Provision for loan losses | | (4.1) | 39.8 | (8.3) |
| Total operating expenses | | 324.0 | 331.9 | 248.1 |
| Net operating income | | 87.4 | 68.6 | 127.1 |
| Non-operating revenues: | | | | |
| Investment income | | 45.9 | 49.2 | 56.3 |
| Unrealized gain/(loss) on derivatives | | (1.0) | 2.3 | (0.9) |
| Pass-through grants received | | 216.4 | 92.6 | 107.1 |
| Pass-through grants disbursed | | (216.4) | (92.6) | (107.1) |
| Total non-operating revenues | | 44.9 | 51.5 | 55.4 |
| Change in net assets | $ | 132.3 | 120.1 | 182.5 |

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

Non-operating revenues, net, decreased by $6.6 million or 12.8% from the prior year. The primary factor was a decrease in investment income of $3.3 million or 6.7% due to a lower interest rate environment.

***Fiscal Year 2020***

Operating revenues increased $25.3 million or 6.7% from the prior year. The primary factor was the increase in other operating revenues of $28.0 million or 39.6%, due to gains on the sale of homeownership mortgage loans securitized through GNMA and FNMA. Operating expenses for the year increased $83.8 million or 33.8% from the prior year. The increase was primarily the result of the provision for loan losses and grant expenses, which increased $48.1 million and $23.6 million, respectively.

**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 availability of 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 decreased to 0.05% in June 2021 from 0.13% in June 2020.

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 4.3% and 8.4% in June 2021 and 2020, respectively. Virginia underemployment rates, which include those no longer seeking employment and those employed only part-time who desire full-time work, were 10.1% and 8.5% in the fiscal year ended June 30, 2021 and 2020, respectively.

**Additional Information**

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

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# Independent Auditors' Report

The Board of Commissioners
Virginia Housing Development Authority:

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Virginia Housing Development Authority (the Authority), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

*Opinions*

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 Virginia Housing Development Authority, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

**Other Matters**

*Required Supplementary Information*

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, Retiree Healthcare Plan – Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios, and Retiree Healthcare Plan – Schedule of Contributions, on pages 2 through 10 and pages 65 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information included on Schedules 3 through 10 on pages 67 through 76 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedule of Net Position – June 30, 2021, Combining Schedule of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2021, Combining Schedule of Fiduciary Net Position – Fiduciary Funds – Custodial Funds – June 30, 2021, Combining Schedule of Changes in Fiduciary Net Position – Fiduciary Funds – Custodial Funds – Year Ended June 30, 2021, Combining Schedule of Net Position – June 30, 2020, Combining Schedule of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2020, Combining Schedule of Fiduciary Net Position – Fiduciary Funds – Custodial Funds – June 30, 2020, and Combining Schedule of Changes in Fiduciary Net Position – Fiduciary Funds – Custodial Funds – Year Ended June 30, 2020 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules 3 through 10 on pages 67 through 76 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

KPMG LLP

Richmond, Virginia
September 10, 2021

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the Commonwealth of Virginia)

Statements of Net Position

June 30, 2021 and 2020

| | | 2021 | 2020 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents (note 5) | $ | 1,769,491,758 | 1,660,877,163 |
| Interest receivable – investments | | 2,832,233 | 1,794,720 |
| Derivative instruments (note 11) | | - | 94,742 |
| Mortgage loans held for sale (note 1) | | 162,178,769 | 118,078,121 |
| Mortgage and other loans receivable, net (note 4) | | 193,509,885 | 156,757,551 |
| Interest receivable – mortgage and other loans | | 25,866,306 | 24,048,833 |
| Other real estate owned (note 1) | | 3,022,492 | 5,889,990 |
| Other assets | | 15,053,911 | 10,294,477 |
| Total current assets | | 2,171,955,354 | 1,977,835,597 |
| Noncurrent assets: | | | |
| Investments (note 5) | | 1,087,048,855 | 584,906,607 |
| Mortgage and other loans receivable (note 4) | | 5,977,138,167 | 5,860,240,168 |
| Less allowance for loan loss (note 1) | | 169,582,599 | 174,496,556 |
| Mortgage and other loans receivable, net | | 5,807,555,568 | 5,685,743,612 |
| Capital Assets, net of accumulated depreciation and amortization of $48,190,960 and $43,718,451 respectively (note 6) | | 23,480,161 | 27,134,495 |
| Mortgage servicing rights, net (note 1) | | 44,412,583 | 42,397,723 |
| Other assets | | 14,694,679 | 17,027,360 |
| Total noncurrent assets | | 6,977,191,846 | 6,357,209,797 |
| **Total assets** | | 9,149,147,200 | 8,335,045,394 |
| **Deferred outflows of resources** | | | |
| Other postemployment benefits - change in assumptions (note 15) | | 2,071,266 | 2,362,344 |
| Other postemployment benefits - difference between expected and actual experience (note 15) | | 6,631,614 | 2,228,265 |
| **Total deferred outflows of resources** | | 8,702,880 | 4,590,609 |



(Continued)

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

Statements of Net Position

June 30, 2021 and 2020

| | | 2021 | 2020 |
|---|---|---|---|
| **Liabilities** | | | |
| Current liabilities: | | | |
| Notes and bonds payable (note 8) | $ | 810,568,517 | 560,378,235 |
| Accrued interest payable on notes and bonds | | 33,781,431 | 30,184,485 |
| Escrows (note 10) | | 30,912,915 | 32,058,237 |
| Federal grant awards held (note 1) | | 59,396,327 | - |
| Derivative instruments (note 11) | | 886,359 | - |
| Accounts payable and other liabilities | | 37,376,792 | 33,749,789 |
| Total current liabilities | | 972,922,341 | 656,370,746 |
| Noncurrent liabilities: | | | |
| Bonds payable, net (note 8) | | 4,258,315,284 | 3,887,046,954 |
| Project reserves (notes 10 and 16) | | 112,923,300 | 113,395,875 |
| Loan participation payable to Federal Financing Bank (note 9) | | 35,595,327 | 36,335,719 |
| Other liabilities (notes 12, 14, and 16) | | 6,359,395 | 9,737,352 |
| Total noncurrent liabilities | | 4,413,193,306 | 4,046,515,900 |
| **Total liabilities** | | 5,386,115,647 | 4,702,886,646 |
| **Deferred inflows of resources** | | | |
| Deferred fees and points on multifamily loans (note 1) | | 49,248,495 | 47,035,467 |
| Other postemployment benefits - change in assumptions (note15) | | 743,223 | 583,584 |
| Other postemployment benefits - difference between expected and actual experience (note 15) | | 145,377 | 166,145 |
| Other postemployment benefits - difference between projected and actual earning (note 15) | | 3,165,139 | 2,860,594 |
| **Total deferred inflows of resources** | | 53,302,234 | 50,645,790 |
| **Net position (notes 1 and 13):** | | | |
| Net investment in capital assets (notes 1 and 13) | | 12,503,621 | 15,210,206 |
| Restricted by bond indentures (notes 1 and 13) | | 3,341,544,046 | 3,220,945,553 |
| Unrestricted (notes 1 and 13) | | 364,384,532 | 349,947,808 |
| **Total net position** | $ | 3,718,432,199 | 3,586,103,567 |

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, 2021 and 2020

| | | 2021 | 2020 |
|---|---|---|---|
| Operating revenues: | | | |
| Interest on mortgage and other loans receivable | $ | 295,244,139 | 294,659,227 |
| Housing Choice Voucher program administrative income (note 1) | | 7,077,938 | 7,124,917 |
| Gains and recoveries on sale of other real estate owned | | 521,726 | 889,851 |
| Gains on sale of single family mortgage loans | | 47,726,925 | 47,655,216 |
| Mortgage servicing fees net of guaranty fees | | 38,138,170 | 40,109,949 |
| Tax credit program fees earned | | 4,322,587 | 6,019,088 |
| Other | | 18,356,301 | 4,063,498 |
| Total operating revenues | | 411,387,786 | 400,521,746 |
| Operating expenses: | | | |
| Interest on notes and bonds payable | | 144,686,760 | 123,263,072 |
| Salaries and related employee benefits (notes 14 and 15) | | 66,376,938 | 60,079,588 |
| General operating expenses | | 29,434,547 | 26,070,730 |
| Note and bond expenses | | 1,391,737 | 1,021,934 |
| Bond issuance expenses | | 5,770,768 | 8,367,128 |
| Grant expenses | | 40,570,872 | 38,284,248 |
| Housing Choice Voucher program expenses (note 1) | | 7,421,173 | 7,933,578 |
| Mortgage servicing rights amortization and other servicing costs | | 31,574,640 | 25,739,520 |
| Losses on other real estate owned (note 1) | | 868,837 | 1,336,513 |
| Provision for loan losses (note 1) | | (4,109,917) | 39,844,305 |
| Total operating expenses | | 323,986,355 | 331,940,616 |
| Operating income | | 87,401,431 | 68,581,130 |
| Nonoperating revenues (losses): | | | |
| Pass-through grant awards (note 1) | | 216,353,355 | 92,644,179 |
| Pass-through grant expenses (note 1) | | (216,353,355) | (92,644,179) |
| Investment income (note 12) | | 45,889,220 | 49,165,319 |
| Unrealized gain (loss) on derivative instruments (note 11) | | (981,101) | 2,312,965 |
| Other, net | | 19,082 | 27,223 |
| Total nonoperating revenues, net | | 44,927,201 | 51,505,507 |
| Change in net position | | 132,328,632 | 120,086,637 |
| Total net position, beginning of year | | 3,586,103,567 | 3,466,016,930 |
| Total net position, end of year | $ | 3,718,432,199 | 3,586,103,567 |

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, 2021 and 2020

| | | 2021 | 2020 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Cash payments for mortgage and other loans | $ | (2,754,633,437) | (2,595,093,017) |
| Principal repayments on mortgage and other loans | | 776,700,640 | 611,650,743 |
| Sale of mortgage loans | | 1,127,708,769 | 1,544,528,129 |
| Interest received on mortgage and other loans | | 301,889,258 | 305,107,048 |
| Pass-through grant awards received | | 275,749,682 | 92,644,179 |
| Pass-through grant awards disbursed | | (216,353,355) | (92,644,179) |
| Grant administrative fees received | | 3,135,000 | - |
| Housing Choice Voucher payments received | | 6,913,739 | 8,503,642 |
| Housing Choice Voucher payments disbursed | | (5,905,634) | (6,768,220) |
| Escrow and project reserve payments received | | 212,883,567 | 217,382,175 |
| Escrow and project reserve payments disbursed | | (214,501,465) | (217,515,251) |
| Other operating revenues | | 114,391,478 | 110,933,542 |
| Cash received for loan origination fees and loan discounts | | 7,805,791 | 15,031,320 |
| Cash paid for loan origination fees and loan premiums | | (19,332,386) | (15,705,524) |
| Cash payments for salaries and related benefits | | (69,495,379) | (57,678,401) |
| Cash payments on grants | | (40,570,873) | (38,284,248) |
| Cash payments for general operating expenses | | (25,575,819) | (26,045,068) |
| Cash payments for servicing release premiums and guaranty fees | | (48,510,675) | (44,115,966) |
| Proceeds from sale of other real estate owned | | 6,880,234 | 31,915,396 |
| Disposition of other real estate owned property | | - | (4,777) |
| Net cash used in operating activities | | (560,820,865) | (156,158,477) |
| Cash flows from noncapital financing activities: | | | |
| Proceeds from issuance of notes and bonds | | 1,205,170,000 | 1,477,013,634 |
| Proceeds from loan participation - FFB | | - | 7,850,000 |
| Principal payments on notes and bonds | | (584,026,845) | (517,113,828) |
| Principal payments on loan participation - FFB | | (740,392) | (674,833) |
| Interest payments on notes and bonds | | (140,774,354) | (120,654,322) |
| Cash payments for bond issuance expenses | | (5,770,768) | (8,367,128) |
| Net cash provided by noncapital financing activities | | 473,857,641 | 838,053,523 |
| Cash flows from capital and related financing activities: | | | |
| Purchases of property, furniture, and equipment | | (849,757) | (3,122,676) |
| Proceeds from the sale of property, furniture and equipment | | - | 4,110 |
| Net cash used in capital and related financing activities | | (849,757) | (3,118,566) |
| Cash flows from investing activities: | | | |
| Purchases of investments | | (12,201,027) | - |
| Proceeds from sales or maturities of investments | | 180,969,102 | 123,133,346 |
| Interest received on investments | | 27,659,501 | 31,334,887 |
| Net cash provided by investing activities | | 196,427,576 | 154,468,233 |
| Net increase in cash and cash equivalents | | 108,614,595 | 833,244,713 |
| Cash and cash equivalents, at beginning of year | | 1,660,877,163 | 827,632,450 |
| Cash and cash equivalents, at end of year | $ | 1,769,491,758 | 1,660,877,163 |



(Continued)

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

Statements of Cash Flows

Years ended June 30, 2021 and 2020

| | | 2021 | 2020 |
|---|---|---|---|
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | $ | 87,401,431 | 68,581,130 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation of property, furniture, and equipment | | 4,504,091 | 3,560,567 |
| Bond issuance costs | | 5,770,768 | 8,367,128 |
| Interest on notes and bonds payable | | 144,686,760 | 123,263,072 |
| (Increase)/decrease in mortgage loans held for sale | | (44,100,648) | 83,019,242 |
| Increase in mortgage and other loans receivable | | (807,656,454) | (496,814,202) |
| (Decrease)/increase in allowance for loan loss | | (4,913,957) | 37,258,672 |
| Increase in interest receivable – mortgage and other loans | | (1,817,473) | (457,034) |
| Decrease in other real estate owned | | 2,867,498 | 6,538,500 |
| Increase in mortgage servicing rights | | (2,014,860) | (4,371,656) |
| Increase in other assets | | (2,426,754) | (3,535,880) |
| (Increase)/decrease in OPEB deferred outflows of resources | | (4,112,271) | 120,143 |
| Increase in OPEB deferred inflows of resources | | 2,656,444 | 9,274,755 |
| Increase in Federal funds held | | 59,396,327 | - |
| Increase in accounts payable and other liabilities | | 249,046 | 9,650,648 |
| Decrease in escrows and project reserves | | (1,310,813) | (613,562) |
| Net cash used in operating activities | $ | (560,820,865) | (156,158,477) |
| Supplemental disclosure of noncash activity: | | | |
| Increase in other real estate owned as a result of loan foreclosures | $ | 3,898,027 | 24,874,430 |
| Decrease in mortgage and other loans receivable from transferring loans to MBS securities retained as investments | $ | 654,006,121 | 71,023,236 |

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, 2021 and 2020

| | | 2021 | | 2020 | |
|---|---|---|---|---|---|
| | | **Pension (and Other Employee Benefit) Trust Funds *** | **Custodial Funds** | **Pension (and Other Employee Benefit) Trust Funds *** | **Custodial Funds** |
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ | 1,457 | 149,446,277 | 1,448 | 150,785,838 |
| Interest receivable - investments | | - | 194 | - | 419 |
| Interest receivable - mortgage and other loans | | - | 51,724 | - | 28,338 |
| Other assets | | - | 65,267 | - | 68,137 |
| Total current assets | | 1,457 | 149,563,462 | 1,448 | 150,882,732 |
| Noncurrent assets: | | | | | |
| Mortgage and other loans receivable | | - | 26,148,502 | - | 19,782,583 |
| Investments | | 45,689,049 | - | 40,639,151 | - |
| Total noncurrent assets | | 45,689,049 | 26,148,502 | 40,639,151 | 19,782,583 |
| Total assets | | 45,690,506 | 175,711,964 | 40,640,599 | 170,665,315 |
| **LIABILITIES** | | | | | |
| Accounts payable | | 727,928 | - | 640,795 | - |
| Other liabilities | | - | 5,792,847 | - | 5,879,033 |
| Total liabilities | | 727,928 | 5,792,847 | 640,795 | 5,879,033 |
| **NET POSITION** | | | | | |
| Restricted for: | | | | | |
| Other postemployment benefit plan other than pension | | 44,962,578 | - | 39,999,804 | - |
| Funds held in escrow | | - | 140,613,543 | - | 141,673,339 |
| Other governmental agency | | - | 29,305,574 | - | 23,112,943 |
| Total Net Position | $ | 44,962,578 | 169,919,117 | 39,999,804 | 164,786,282 |

* December 31, 2020 and 2019 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, 2021 and 2020

| | | 2021 | | 2020 | |
|---|---|---|---|---|---|
| | | **Pension (and Other Employee Benefit) Trust Funds *** | **Custodial Funds** | **Pension (and Other Employee Benefit) Trust Funds *** | **Custodial Funds** |
| **ADDITIONS** | | | | | |
| Contribution: | | | | | |
| Borrower payments | $ | - | 3,634,520,105 | - | 1,867,261,825 |
| Employers | | 2,168,014 | 99,038 | 2,111,960 | 115,355 |
| Other governmental agency | | - | 7,534,150 | - | 5,029,903 |
| Total Contributions | | 2,168,014 | 3,642,153,293 | 2,111,960 | 1,872,407,083 |
| Investment earnings: | | | | | |
| Net increase in fair value of investments | | 2,007,922 | - | 4,683,522 | - |
| Interest, dividends, and other | | 784,329 | 19,243 | 976,865 | 133,047 |
| Securities lending income (gain on sales) | | 857,504 | - | 702,406 | - |
| Total investment earnings | | 3,649,755 | 19,243 | 6,362,793 | 133,047 |
| Total additions | | 5,817,769 | 3,642,172,536 | 8,474,753 | 1,872,540,130 |
| **DEDUCTIONS** | | | | | |
| Benefits paid to participants or beneficiaries | | 727,928 | - | 640,795 | - |
| Other governmental agency | | - | 1,318,231 | - | 85,189 |
| Disbursement of escrow funds | | - | 3,635,579,901 | - | 1,787,292,494 |
| Administrative expense | | 127,067 | 141,569 | 172,177 | 99,038 |
| Total deductions | | 854,995 | 3,637,039,701 | 812,972 | 1,787,476,721 |
| Net increase in fiduciary net position | | 4,962,774 | 5,132,835 | 7,661,781 | 85,063,409 |
| Net position - beginning | | 39,999,804 | 164,786,282 | 32,338,023 | 79,722,873 |
| Net position - ending | $ | 44,962,578 | 169,919,117 | 39,999,804 | 164,786,282 |

* December 31, 2020 and 2019 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, 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) as shown in Note 11. At June 30, 2020, the Authority had outstanding 53 forward sales transactions with a $244.2 million notional amount with seven counterparties with concentrations and ratings (Standard & Poor's, Moody's Investors Service). The 2021 forward sales contacts will settle by September 21, 2021. 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 $4,913,957 for the year ended June 30, 2021 and increased by $37,258,672 for the year ended June 30, 2020.

| | | Year ended June 30 | |
|---|---|---|---|
| | | **2021** | **2020** |
| Beginning balance, July 1 | $ | 174,496,556 | 137,237,884 |
| Provision: | | | |
| Homeownership | | (5,285,763) | 20,491,636 |
| Rental Housing | | 1,175,846 | 19,352,669 |
| Provision | | (4,109,917) | 39,844,305 |
| Net (charge-offs)/recoveries: | | | |
| Homeownership | | (574,819) | (2,470,898) |
| Rental Housing | | (229,221) | (114,735) |
| Net charge-offs | | (804,040) | (2,585,633) |
| Net change | | (4,913,957) | 37,258,672 |
| Ending balance, June 30 | $ | 169,582,599 | 174,496,556 |

### *(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. 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 $75,555,989 and $73,252,566 during the years ended June 30, 2021 and 2020, 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 $1,007,411 and $2,108,691 as of June 30, 2021 and 2020, respectively. Cumulative excess administrative funds totaled $438,978 and $332,256 as of June 30, 2021 and 2020, 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 $8,659,941 and $18,580,392 during the years ended June 30, 2021 and 2020, 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 $1,124,309 and $811,220 during the years ended June 30, 2021 and 2020, 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, 2021, the Authority received and disbursed pass-through grants totaling $19,850,022 and $101,582,053 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 $12,716,041. For its support of the program, the Authority earned $3,135,000 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.

For the year ended June 30, 2021 and 2020, grant expenses have been separated from the general operating caption and added as a new caption titled grant expenses within the Operating Expenses section of the Statements of Revenues, Expenses, and Changes in Net Position.

### (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) Reclassifications

Certain reclassifications have been made in the June 30, 2020 financial statements to confirm to the June 30, 2021 presentation.

The "Less net loan discounts" row was removed from the Statements of Net Position to be consistent with the current year. The change relocated rental housing financing fees to deferred inflows and any remaining premiums and discounts were moved to Mortgage and other loans receivable.

### (aa) Federal Grant Awards

During fiscal year 2021, Virginia Housing received Federal funding from the U.S. Department of the Treasury, used in mitigating financial hardships associated with the coronavirus pandemic. There are two specific programs that Virginia Housing received award funds from, Emergency Rental Assistance program and Coronavirus Relief Fund program. Federal grant awards held are federal funds received but not yet disbursed related to the Rent Relief Program (see Note 1(s)).

### (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 2021, the Authority had grant expenses of $40.6 million and issued another commitment to granting an additional $40.0 million dollars to the twenty-one Planning District Commissions throughout the Commonwealth of Virginia as part of REACH Virginia programs. These twenty-one grants are expected to be paid out over the next 3 fiscal years starting in 2022 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



(Continued)

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, 2021 and 2020 were as follows:

| | | June 30 | |
|---|---|---|---|
| | | **2021** | **2020** |
| Restricted current assets: | | | |
| Cash and cash equivalents | $ | 1,624,289,172 | 1,501,927,200 |
| Interest receivable – investments | | 685,630 | 192,183 |
| Derivative instruments | | - | 94,742 |
| Mortgage loans held for sale | | 162,178,769 | 118,078,121 |
| Mortgage and other loans receivable | | 186,044,836 | 149,420,540 |
| Interest receivable – mortgage and other loans | | 25,301,513 | 23,505,597 |
| Other real estate owned | | 983,316 | 2,566,406 |
| Other assets | | 152,341 | 75,796 |
| Total restricted current assets | | 1,999,635,577 | 1,795,860,585 |
| Restricted noncurrent assets: | | | |
| Investments | | 1,084,615,808 | 582,275,486 |
| Mortgage and other loans receivable | | 5,746,213,600 | 5,630,833,051 |
| Less allowance for loan loss | | 115,972,219 | 123,165,735 |
| Mortgage and other loans receivable, net | | 5,630,241,381 | 5,507,667,316 |
| Net OPEB asset | | 3,515,448 | 6,361,885 |
| Capital assets, net accumulated depreciation and amortization of $21,244,336 and $20,547,902 respectively | | 8,316,094 | 9,012,528 |
| Total restricted noncurrent assets | | 6,726,688,731 | 6,105,317,215 |
| Total restricted assets | $ | 8,726,324,308 | 7,901,177,800 |



(Continued)

## (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 8.00% | 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, 2021:

| | | Committed |
|---|---|---|
| Rental Housing Bond Group | $ | 833,442,055 |
| Commonwealth Mortgage Bond Group | | 494,207,651 |
| Total | $ | 1,327,649,706 |

## (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, 2021 and 2020, the carrying amount of the Authority’s deposits was $115,935,471 and $98,749,077, respectively. The associated bank balance of the Authority’s deposits was $116,740,199 and $92,932,101 at June 30, 2021 and 2020, 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, 2021 and 2020, total cash equivalents were $1,653,556,287 and $1,562,128,086, 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, 2021, 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 | $ | 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 |

As of June 30, 2020, 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 | $ | 629,858,685 | - | - | - | 629,858,685 |
| Repurchase agreements | | 750,000,000 | | | | 750,000,000 |
| Asset-backed securities | | - | - | - | 2,631,120 | 2,631,120 |
| Agency-mortgage backed securities | | - | - | 1,055,429 | 581,220,058 | 582,275,487 |
| Money market securities | | 182,269,401 | - | - | - | 182,269,401 |
| Total investments | $ | 1,562,128,086 | - | 1,055,429 | 583,851,178 | 2,147,034,693 |

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 $34.0 million through December 31, 2021, compared to $47.0 million required collateral a year ago. To comply with the collateral requirement, the Authority elected to pledge agency-mortgage backed securities valued at $36.8 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, 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 % |

The following table presents investment (including cash equivalents) exposure to credit risk by investment type as of June 30, 2020:

| | | Amount | S & P/ Moody's rating | Percentage of total investments | |
|---|---|---|---|---|---|
| Agency-Mortgage Backed Securities | $ | 582,275,487 | Aaa | 27.12 | % |
| Repurchase Agreements | | 550,000,000 | BBB- | 25.62 | |
| Repurchase Agreements | | 200,000,000 | Baa2 | 9.31 | |
| US Government & Agency | | 629,858,685 | Aaa | 29.33 | |
| Money Market Securities | | 177,903,115 | P-1 | 8.29 | |
| Money Market Securities | | 4,000,000 | NR | 0.18 | |
| Asset-Backed Securities | | 1,655,486 | Ca | 0.08 | |
| Asset-Backed Securities | | 642,072 | WR | 0.03 | |
| Asset-Backed Securities | | 215,893 | A1 | 0.01 | |
| Asset-Backed Securities | | 117,669 | A3 | 0.01 | |
| Money Market Securities | | 366,286 | Aaa-mf | 0.02 | |
| Total investments | $ | 2,147,034,693 | | 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, 2021 and 2020:

| | | June 30, 2021 | | |
|---|---|---|---|---|
| **Investment** | **S&P/Moody's rating** | | **Amount** | **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% |

| Investment | S&P/Moody's rating | June 30, 2020 Amount | June 30, 2020 Percentage of total investments |
|---|---|---|---|
| **Agency-Mortgage Backed Securities** | | | |
| GNMA | Aaa | $ 582,275,487 | 27.1% |
| **Repurchase Agreements** | | | |
| Cantor Fitzgerald | BBB- | 550,000,000 | 25.6% |
| Jefferies | Baa2 | 200,000,000 | 9.3% |
| **Money Market Securities** | | | |
| US Bank Commercial Paper | P-1 | 177,903,115 | 8.3% |
| | | $ 1,510,178,602 | 70.3% |

### *(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, 2021 and 2020:

| Investment | Amount as of June 30, 2021 | Amount as of June 30, 2020 |
|---|---|---|
| Asset Backed Securities - Held by US Bank | $ 2,799,332 | 2,631,120 |
| Money Market Securities - Held by Broker-Dealer | 298,209,069 | 182,269,401 |
| | $ 301,008,401 | 184,900,521 |

### *(e) Fair Value Hierarchy*

As of June 30, 2021, 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:

| | | | Fair value measurement using | | |
|---|---|---|---|---|---|
| **Investment type** | | **June 30, 2021** | **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 | - |

As of June 30, 2020, the Authority had the following investments (excluding cash equivalents) measured using the following fair value hierarchy categories:

| | | | Fair value measurement using | | |
|---|---|---|---|---|---|
| **Investment type** | | **June 30, 2020** | **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 | $ | 582,275,487 | - | 582,275,487 | - |
| Asset-backed securities | | 2,631,120 | - | 2,631,120 | - |
| Total investments | $ | 584,906,607 | - | 584,906,607 | - |

### *(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 40 percent interest in the company. 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 2022.

## (6) Capital Assets

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) |

Activity in the capital assets' accounts for the year ended June 30, 2020 was as follows:

| | | Balance June 30, 2019 | Additions | Disposals | Transfers | Balance June 30, 2020 |
|---|---|---|---|---|---|---|
| Land | $ | 2,935,815 | - | - | - | 2,935,815 |
| Construction in process | | 3,263,635 | 2,632,485 | - | - | 5,896,120 |
| Building | | 38,261,618 | - | - | - | 38,261,618 |
| Leased Building | | 3,587,582 | - | - | - | 3,587,582 |
| Furniture and equipment | | 20,152,420 | 411,975 | (1,081,595) | - | 19,482,800 |
| Motor vehicles | | 610,796 | 78,215 | - | - | 689,011 |
| | $ | 68,811,866 | 3,122,675 | (1,081,595) | - | 70,852,946 |

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2020 was as follows:

| | | Balance June 30, 2019 | Additions | Disposals | Transfers | Balance June 30, 2020 |
|---|---|---|---|---|---|---|
| Building | $ | (22,830,644) | (1,327,361) | - | - | (24,158,005) |
| Leased Building | | (687,824) | (695,340) | - | - | (1,383,164) |
| Furniture and equipment | | (17,178,999) | (1,477,618) | 1,081,595 | - | (17,575,022) |
| Motor vehicles | | (542,012) | (60,248) | - | - | (602,260) |
| | $ | (41,239,479) | (3,560,567) | 1,081,595 | - | (43,718,451) |

## (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. The Authority does not plan to exercise the renewal options. Annual rent expense for year ended June 30, 2021 is $733,147. As of June 30, 2021 the leased asset is valued as a depreciable capital asset at $1,509,077 including accumulated amortization of $2,078,504, and excluding the effects of leasehold improvements. The carrying amount of leasehold improvements as of June 30, 2021 are $67,647.

The principal payment obligations and associated interest related to the building lease commencing July 1, 2021 and thereafter are as follows:

| Year ending June 30 | | Principal | Interest | Total |
|---|---|---|---|---|
| 2022 | $ | 724,086 | 46,340 | 770,426 |
| 2023 | | 770,008 | 19,756 | 789,764 |
| 2024 | | 134,315 | 599 | 134,914 |
| Total | $ | 1,628,409 | 66,695 | 1,695,104 |

## (8) Notes and Bonds Payable

Notes and bonds payable at June 30, 2020 and June 30, 2021 and changes for the year ended June 30, 2021 were as follows:

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at June 30, 2021 |
|---|---|---|---|---|
| | | (Amounts shown in thousands) | | |
| General operating accounts: | | | | |
| Revolving line of credit: | | | | |
| Bank of America floating daily rate (rate of 0.80% at June 30, 2021) termination date of December 1, 2021 | $ 5,000 | 57,000 | 62,000 | — |
| Federal Home Loan Bank varying fixed rate notes with 90-day maturities (average of 0.17% as of June 30, 2021 and 0.29% at June 30,2020), maturities range from July 1, 2021 to September 15, 2021 | 445,300 | 265,000 | — | 710,300 |
| Total general operating accounts | $ 450,300 | 322,000 | 62,000 | 710,300 |

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at June 30, 2021 |
|---|---|---|---|---|
| | (Amounts shown in thousands) | | | |
| Rental housing bond group: | | | | |
| 2010 Series F, dated December 2, 2010, 4.86% effective interest rate, final due date January 1, 2041 | $ 16,510 | — | 16,510 | — |
| 2011 Series A, dated May 24, 2011, 4.92% effective interest rate, final due date May 1, 2041 | 9,720 | — | 9,720 | — |
| 2011 Series B, dated September 27, 2011, 4.27% effective interest rate, final due date October 1, 2041 | 12,700 | — | 12,700 | — |
| 2011 Series C, dated December 8, 2011, 4.24% effective interest rate, final due date December 1, 2038 | 15,940 | — | 15,940 | — |
| 2011 Series D, dated December 8, 2011, 4.93% effective interest rate, final due date January 1, 2039 | 127,200 | — | 4,310 | 122,890 |
| 2012 Series A, dated February 28, 2012, 3.60% effective interest rate, final due date March 1, 2042 | 29,325 | — | 29,325 | — |
| 2012 Series B/C, dated August 21, 2012, 3.64% effective interest rate, final due date August 1, 2042 | 98,270 | — | 2,870 | 95,400 |
| 2012 Series D, dated October 30, 2012, 4.02% effective interest rate, final due date October 1, 2042 | 190,635 | — | 5,485 | 185,150 |
| 2012 Series E, dated November 2, 2012, 3.16% effective interest rate, final due date November 1, 2042 | 9,155 | — | 280 | 8,875 |
| 2013 Series A/B, dated April 11, 2013, 3.95% effective interest rate, final due date April 1, 2043 | 29,385 | — | 895 | 28,490 |
| 2013 Series C, dated May 2, 2013, 3.82% effective interest rate, final due date February 1, 2043 | 140,080 | — | 4,255 | 135,825 |
| 2013 Series D, dated May 30, 2013, 4.06% effective interest rate, final due date June 1, 2043 | 97,270 | — | 2,675 | 94,595 |
| 2013 Series E, dated July 11, 2013, 4.15% effective interest rate, final due date July 1, 2043 | 18,465 | — | 525 | 17,940 |
| 2013 Series F, dated October 10, 2013, 4.98% effective interest rate, final due date October 1, 2043 | 53,080 | — | 1,275 | 51,805 |

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at June 30, 2021 |
|---|---|---|---|---|
| | | (Amounts shown in thousands) | | |
| 2013 Series G, dated December 3, 2013, 4.39% effective interest rate, final due date December 1, 2043 | $ 9,400 | — | 235 | 9,165 |
| 2014 Series A, dated August 19, 2014, 3.75% effective interest rate, final due date August 1, 2049 | 11,855 | — | 230 | 11,625 |
| 2014 Series B, dated October 28, 2014, 3.30% effective interest rate, final due date October 1, 2044 | 8,145 | — | 225 | 7,920 |
| 2014 Series C, dated November 20, 2014, 4.29% effective interest rate, final due date November 1, 2044 | 120,730 | — | 3,120 | 117,610 |
| 2015 Series A, dated March 18, 2015, 3.50% effective interest rate, final due date March 1, 2045 | 35,825 | — | 970 | 34,855 |
| 2015 Series B, dated May 12, 2015, 3.44% effective interest rate, final due date May 1, 2045 | 10,655 | — | 290 | 10,365 |
| 2015 Series C, dated August 5, 2015, 3.68% effective interest rate, final due date August 1, 2045 | 21,185 | — | 560 | 20,625 |
| 2015 Series D, dated November 10, 2015, 3.55% effective interest rate, final due date November 1, 2045 | 32,680 | — | 865 | 31,815 |
| 2015 Series E/F, dated December 8, 2015, 3.94% effective interest rate, final due date December 1, 2045 | 77,325 | — | 1,880 | 75,445 |
| 2016 Series A, dated March 8, 2016, 2.99% effective interest rate, final due date March 1, 2046 | 4,500 | — | 125 | 4,375 |
| 2016 Series B, dated May 17, 2016, 3.35% effective interest rate, final due date May 1, 2046 | 65,645 | — | 1,775 | 63,870 |
| 2016 Series C, dated July 19, 2016, 2.72% effective interest rate, final due date July 1, 2046 | 4,450 | — | 115 | 4,335 |
| 2016 Series D, dated October 18, 2016, 2.89% effective interest rate, final due date October 1, 2046 | 7,575 | — | 205 | 7,370 |
| 2017 Series A, dated March 14, 2017, 3.66% effective interest rate, final due date March 1, 2049 | 27,370 | — | 595 | 26,775 |

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at June 30, 2021 |
|---|---|---|---|---|
| | | (Amounts shown in thousands) | | |
| 2017 Series B, dated June 13, 2017, 3.35% effective interest rate, final due date June 1, 2047 | $ 6,690 | — | 145 | 6,545 |
| 2017 Series C, dated September 13, 2017, 3.24% effective interest rate, final due date September 1, 2047 | 2,825 | — | 70 | 2,755 |
| 2017 Series D, dated October 19, 2017, 3.21% effective interest rate, final due date October 1, 2047 | 5,530 | — | 140 | 5,390 |
| 2017 Series E, dated December 5, 2017, 3.28% effective interest rate, final due date December 1, 2050 | 47,880 | — | 970 | 46,910 |
| 2018 Series A, dated March 27, 2018, 3.62% effective interest rate, final due date March 1, 2053 | 48,375 | — | 15,385 | 32,990 |
| 2018 Series B, dated June 5, 2018, 3.76% effective interest rate, final due date June 1, 2053 | 27,355 | — | 575 | 26,780 |
| 2018 Series C, dated August 28, 2018, 3.63% effective interest rate, final due date August 1, 2053 | 23,145 | — | 4,500 | 18,645 |
| 2018 Series D, dated October 2, 2018, 3.79% effective interest rate, final due date October 1, 2053 | 74,395 | — | 2,000 | 72,395 |
| 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, 3.62% effective interest rate, final due date March 1, 2054 | 80,425 | — | 1,200 | 79,225 |
| 2019 Series B, dated May 22, 2019, 3.10% effective interest rate, final due date May 1, 2054 | 17,100 | — | 160 | 16,940 |
| 2019 Series C, dated August 21, 2019 3.13% effective interest rate, final due date August 1, 2054 | 50,000 | — | — | 50,000 |
| 2019 Series D, dated October 16, 2019 3.12% effective interest rate, final due date October 1, 2054 | 50,000 | — | — | 50,000 |
| 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 | — | — | 75,000 |

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at June 30, 2021 |
|---|---|---|---|---|
| | (Amounts shown in thousands) | | | |
| 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 |
| 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 |
| | 2,600,490 | 883,170 | 143,100 | 3,340,560 |
| Unamortized premium | (540) | — | 23 | (517) |
| Total rental housing bonds | $ 2,599,950 | | | 3,340,043 |



(Continued)

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at June 30, 2021 |
|---|---|---|---|---|
| | (Amounts shown in thousands) | | | |
| Commonwealth mortgage bonds group: | | | | |
| 2002 Series E/F/G, dated December 17, 2002, 5.29% effective interest rate, final due date December 25, 2032 | $ 5,498 | — | 5,498 | — |
| 2004 Series B, dated June 10, 2004, 5.80% effective interest rate, final due date June 25, 2034 | 1,229 | — | 1,229 | — |
| 2006 Series C, dated June 8, 2006, 6.31% effective interest rate, final due date June 25, 2034 | 7,895 | — | 1,626 | 6,269 |
| 2008 Series A, dated March 25, 2008, 6.12% effective interest rate, final due March 25, 2038 | 12,779 | — | 3,445 | 9,334 |
| 2008 Series B, dated April 10, 2008, 6.18% effective interest rate, final due date March 25, 2038 | 19,473 | — | 5,344 | 14,129 |
| 2008 Series C, dated November 18, 2008, 6.53% effective interest rate, final due date June 25, 2038 | 6,462 | — | 1,429 | 5,033 |
| 2012 Series A, dated December 20, 2012, 2.10% effective interest rate, final due date July 1, 2026 | 53,200 | — | 8,400 | 44,800 |
| 2012 Series B/C, dated December 20, 2012, 3.17% effective interest rate, final due date July 1, 2039. | 371,250 | — | 89,280 | 281,970 |
| 2013 Series B, dated May 21, 2013, 2.75% effective interest rate, final due date April 25, 2042 | 31,358 | — | 6,104 | 25,254 |

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at June 30, 2021 |
|---|---|---|---|---|
| | | (Amounts shown in thousands) | | |
| 2013 Series C, dated October 24, 2013, 4.25% effective interest rate, final due date October 25, 2043 | $ 51,445 | — | 17,453 | 33,992 |
| 2013 Series D, dated December 19, 2013, 4.30% effective interest rate, final due date December 25, 2043 | 44,088 | — | 13,349 | 30,739 |
| 2014 Series A, dated December 11, 2014, 3.50% effective interest rate, final due date October 25, 2037 | 54,536 | — | 13,944 | 40,592 |
| 2015 Series A, dated November 10, 2015, 3.25% effective interest rate, final due date June 25, 2045 | 78,278 | — | 15,430 | 62,848 |
| 2016 Series A, dated June 9, 2016, 3.10% effective interest rate, final due date June 25, 2041 | 80,682 | — | 19,036 | 61,646 |
| 2017 Series A, dated June 13, 2017, 3.13% effective interest rate, final due date November 25, 2039 | 92,412 | — | 19,915 | 72,497 |
| 2019 Series A, dated November 5, 2019, 2.95% effective interest rate, final due date October 25, 2049 | 103,076 | — | 29,899 | 73,177 |
| 2020 Series A, dated February 12, 2020, 2.85% effective interest rate, final due date December 25, 2049 | 119,507 | — | 30,089 | 89,418 |
| 2020 Series B, dated April 21, 2020, 2.75% effective interest rate, final due date October 25, 2046 | 146,804 | — | 33,672 | 113,132 |
| | 1,279,972 | — | 315,142 | 964,830 |
| Unamortized premium | (822) | — | 292 | (530) |
| Total commonwealth mortgage bonds group | $ 1,279,150 | | | 964,300 |

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at June 30, 2021 |
|---|---|---|---|---|
| | | (Amounts shown in thousands) | | |
| Homeownership mortgage bonds group: | | | | |
| 2010 Series B, dated October 29, 2010, 3.54% effective interest rate, final due date March 1, 2022 | $ 8,000 | — | 8,000 | — |
| 2011 Series A, dated June 14, 2011, 3.58% effective interest rate, final due date March 1, 2024 | 17,900 | — | 17,900 | — |
| 2011 Series B, dated September 27, 2011, 3.41% effective interest rate, final due date September 1, 2024 | 22,850 | — | 22,850 | — |
| 2013 Series A, dated March 27, 2013, 3.25% effective interest rate, final due date August 25, 2042 | 69,275 | — | 15,034 | 54,241 |
| Total homeownership mortgage bonds group | 118,025 | — | 63,784 | 54,241 |
| Total | $ 4,447,425 | | | 5,068,884 |

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 |

Notes and bonds payable at June 30, 2019 and June 30, 2020 and changes for the year ended June 30, 2020 were summarized as follows (amounts in thousands):

| Description | | Balance at June 30, 2019 | Increases | Decreases | Balance at June 30, 2020 | Due within one year |
|---|---|---|---|---|---|---|
| Notes from direct borrowings | $ | 445,300 | 160,000 | 155,000 | 450,300 | 450,300 |
| Rental housing bonds group | | 1,824,645 | 939,605 | 164,300 | 2,599,950 | 39,110 |
| Commonwealth mortgage bonds group | | 1,059,464 | 377,951 | 158,265 | 1,279,150 | 59,740 |
| Homeownership mortgage bonds group | | 157,951 | - | 39,926 | 118,025 | 11,228 |
| Total | $ | 3,487,360 | 1,477,556 | 517,491 | 4,447,425 | 560,378 |

Current and noncurrent amounts of notes and bonds payable at June 30, 2021 and 2020 were as follows:

| | | June 30 | |
|---|---|---|---|
| | | 2021 | 2020 |
| Notes and bonds payable - current | $ | 810,568,517 | 560,378,235 |
| Bonds payable - noncurrent | | 4,258,315,284 | 3,887,046,954 |
| Total | $ | 5,068,883,801 | 4,447,425,189 |

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, 2021 and 2020. The Authority had redemptions of $214,910,477 and $165,705,000 during the years ended June 30, 2021 and 2020, 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, 2021 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** |
| 2022 | $ | 93,098,516 | 133,562,980 | 717,470,000 | 10,169,598 | 954,301,094 |
| 2023 | | 99,225,000 | 131,433,270 | 7,415,000 | 8,679,066 | 246,752,336 |
| 2024 | | 111,125,000 | 129,170,569 | 7,670,000 | 8,386,227 | 256,351,796 |
| 2025 | | 120,725,000 | 126,937,688 | 7,930,000 | 8,083,470 | 263,676,158 |
| 2026 | | 91,110,000 | 124,575,859 | 8,210,000 | 7,770,205 | 231,666,064 |
| 2027-2031 | | 493,895,000 | 584,028,467 | 45,480,000 | 33,758,374 | 1,157,161,841 |
| 2032-2036 | | 563,887,144 | 501,153,313 | 53,885,000 | 24,129,615 | 1,143,055,072 |
| 2037-2041 | | 741,555,559 | 389,867,945 | 63,890,000 | 12,711,751 | 1,208,025,255 |
| 2042-2046 | | 762,351,266 | 235,635,726 | 28,770,000 | 1,423,109 | 1,028,180,101 |
| 2047-2051 | | 697,117,923 | 122,406,310 | - | - | 819,524,233 |
| 2052-2056 | | 355,120,000 | 30,069,272 | - | - | 385,189,272 |
| Total | $ | 4,129,210,408 | 2,508,841,399 | 940,720,000 | 115,111,415 | 7,693,883,222 |

The principal payment obligations related to all note and bond indebtedness (excluding the effect of unamortized discounts and premium) commencing July 1, 2021 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 |
|---|---|---|---|---|---|---|
| 2022 | $ 710,300,000 | 33,875,000 | 7,170,000 | 57,435,925 | 1,787,591 | 810,568,516 |
| 2023 | - | 80,025,000 | 7,415,000 | 19,200,000 | - | 106,640,000 |
| 2024 | - | 91,625,000 | 7,670,000 | 19,500,000 | - | 118,795,000 |
| 2025 | - | 101,325,000 | 7,930,000 | 19,400,000 | - | 128,655,000 |
| 2026 | - | 75,010,000 | 8,210,000 | 16,100,000 | - | 99,320,000 |
| 2027-2031 | - | 403,625,000 | 45,480,000 | 90,270,000 | - | 539,375,000 |
| 2032-2036 | - | 475,675,000 | 53,885,000 | 88,212,144 | - | 617,772,144 |
| 2037-2041 | - | 541,990,000 | 63,890,000 | 199,565,559 | - | 805,445,559 |
| 2042-2046 | - | 523,905,000 | 28,770,000 | 185,992,632 | 52,453,634 | 791,121,266 |
| 2047-2051 | - | 427,965,000 | - | 269,152,923 | - | 697,117,923 |
| 2052-2056 | - | 355,120,000 | - | - | - | 355,120,000 |
| Total | $ 710,300,000 | 3,110,140,000 | 230,420,000 | 964,829,183 | 54,241,225 | 5,069,930,408 |

The associated interest related to all note and bond indebtedness commencing July 1, 2021 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 |
|---|---|---|---|---|---|---|
| 2022 | $ 1,207,510 | 100,043,195 | 8,962,088 | 31,752,265 | 1,767,520 | 143,732,578 |
| 2023 | - | 99,625,728 | 8,679,066 | 30,102,799 | 1,704,743 | 140,112,336 |
| 2024 | - | 97,822,242 | 8,386,227 | 29,643,584 | 1,704,743 | 137,556,796 |
| 2025 | - | 96,081,335 | 8,083,470 | 29,151,610 | 1,704,743 | 135,021,158 |
| 2026 | - | 94,222,444 | 7,770,205 | 28,648,672 | 1,704,743 | 132,346,064 |
| 2027-2031 | - | 439,444,322 | 33,758,374 | 136,060,429 | 8,523,716 | 617,786,841 |
| 2032-2036 | - | 370,968,333 | 24,129,615 | 121,661,264 | 8,523,716 | 525,282,928 |
| 2037-2041 | - | 280,157,440 | 12,711,750 | 101,186,790 | 8,523,716 | 402,579,696 |
| 2042-2046 | - | 180,842,973 | 1,423,109 | 52,690,237 | 2,102,516 | 237,058,835 |
| 2047-2051 | - | 102,599,954 | - | 19,806,356 | - | 122,406,310 |
| 2052-2056 | - | 30,069,272 | - | - | - | 30,069,272 |
| Total | $ 1,207,510 | 1,891,877,238 | 113,903,904 | 580,704,006 | 36,260,156 | 2,623,952,814 |

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, 2025. 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. As of June 30, 2020, the borrowing rate was 0.38%; however, there was no outstanding balance as of June 30, 2021. As of June 30, 2020, the Authority had an outstanding balance of $5.0 million. 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, 2021, there was $796.9 million in mortgage backed securities pledged to FHLB Atlanta. As of June 30, 2020, there was $485.6 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, 2021 there were four 90 day fixed rate borrowings: one for a total of $173.5 million at 0.17%, two for a total of $377.8 million at 0.16% and one for a total of $159.0 million at 0.19%. The Authority is in compliance with all debt covenant requirements. At June 30, 2021 and 2020, there was $710.3 and $445.3 million outstanding, respectfully.

### (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, 2020 | Issued | Retired | Balance at June 30, 2021 |
|---|---|---|---|---|
| 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 | $ 2,855,743 | — | 54,279 | 2,801,464 |
| 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 | 7,414,680 | — | 144,082 | 7,270,598 |
| 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 | 5,403,411 | — | 84,166 | 5,319,245 |
| 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 | 6,882,013 | — | 192,625 | 6,689,388 |
| 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 | 3,644,280 | — | 67,832 | 3,576,448 |
| 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 | 2,396,665 | — | 44,610 | 2,352,055 |
| 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 | 4,387,035 | — | 86,618 | 4,300,417 |
| 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 | 3,351,892 | — | 66,180 | 3,285,712 |
| Total participation certificates payable | $ 36,335,719 | — | 740,392 | 35,595,327 |

## (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, 2021 and 2020, these escrows and project reserves were presented in the Authority's Statements of Net Position as follows:

| | | June 30 | |
|---|---|---|---|
| | | 2021 | 2020 |
| Escrow - current | $ | 30,912,915 | 32,058,237 |
| Project reserves - noncurrent | | 112,923,300 | 113,395,875 |
| Total | $ | 143,836,215 | 145,454,112 |

## (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, 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) |

The outstanding forward contracts, summarized by counterparty as of June 30, 2020, were as follows:

| Counterparty rating | Count | | Par | Concentration | | Notional amount | | Fair value | | Fair value asset (liability) |
|---|---|---|---|---|---|---|---|---|---|---|
| A-1+/AA+ | 10 | $ | 38,667,347 | 15.8% | $ | 40,925,852 | $ | 40,842,378 | $ | 83,474 |
| A-1/A+ | 16 | | 70,000,000 | 28.7% | | 73,860,078 | | 73,896,096 | | (36,018) |
| A-1/A+ | 14 | | 60,000,000 | 24.6% | | 63,219,883 | | 63,319,070 | | (99,187) |
| A-2/BBB+ | 5 | | 46,000,000 | 18.8% | | 48,553,047 | | 48,553,760 | | (713) |
| A-2/BBB+ | 6 | | 22,000,000 | 9.0% | | 23,200,977 | | 23,184,065 | | 16,912 |
| NR | 2 | | 7,534,402 | 3.1% | | 8,033,695 | | 7,903,421 | | 130,274 |
| | 53 | $ | 244,201,749 | 100.0% | $ | 257,793,532 | $ | 257,698,790 | $ | 94,742 |

## (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, 2021 and 2020.

## (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, 2021 and 2020, 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, 2021 and 2020 was $4,743,620 and $4,245,770, 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, 2021 and 2020, included in other liabilities is an employee compensated absences accrual of $5,906,027 and $5,124,642, 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, 2021, participants in the Plan consisted of the following:

| | |
|---|---|
| Active employees | 419 |
| Inactive plan members (retirees) receiving benefits | 136 |
| Total Participants | 555 |

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.

### *(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, 2020 and December 31, 2019, the Authority's contributions to the Plan were $2,168,014 and $2,111,960, respectively. At June 30, 2021 and June 30, 2020, the Authority reported no outstanding amount of contributions to the Plan required for the years ended December 31, 2020 and December 31, 2019.

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

For the years ended June 30, 2021 and June 30, 2020, the Authority recognized OPEB expense of $1,345,596 and $772,976, respectively. 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 |

At June 30, 2020, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

| Year ending June 30, 2020 | | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|---|
| Difference between expected and actual experience | $ | 2,228,265 | 166,145 |
| Net difference between projected and actual earnings on OPEB Plan investments | | - | 2,860,594 |
| Change in assumptions | | 2,362,344 | 583,584 |
| Total | $ | 4,590,609 | 3,610,323 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021 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 |

As of June 30, 2020 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, 2020 | | |
|---|---|---|
| 2021 | $ | (349,898) |
| 2022 | | (349,897) |
| 2023 | | 82,357 |
| 2024 | | (456,020) |
| 2025 | | 446,784 |
| Thereafter | | 1,606,960 |
| | $ | 980,286 |

### *(d) Actuarial Assumptions*

The Authority's net OPEB liability (asset) was measured as of December 31, 2020 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2021.

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. |



(Continued)

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Valuation Date | January 1, 2020 |
| 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 | 7.25 percent in 2019 grading uniformly to 6.50 percent over 3 years and following the 2020 Getzen model thereafter to an ultimate rate of 4.04 percent in the year 2077; 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; 55 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: | $18,770 | $17,099 |

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



(Continued)

The assumptions were updated in the January 1, 2021 valuation to reflect the following changes:

The revised mortality rates were based on the PUB-2010 General Government Employees headcount weighted table with improvement scale MP-2020. The medical trend was revised from 7.25% in 2020 grading uniformly over 3 years and following the Getzen model thereafter to 6.25% in 2021 grading uniformly to 5.75% over 2 years and following the 2020 Getzen model thereafter.

The percentage of retirees assumed to cover a spouse at retirement was updated from 55% to 65%. Previously all pre-65 retirees were assumed to elect to participate in the pre-Medicare group medical plan. The assumption was updated to assume that 50% elect the pre-Medicare group medical plan, while 50% elect the credit matrix benefit amount only.

Withdrawal rates were updated to 75% of the 2003 SOA Pension Plan Small Age Table. The plan participation assumption was updated from 75% of fully eligible post-65 active employees are assumed to elect coverage upon retirement to 95% of fully eligible post-65 active employees are assumed to elect coverage upon retirement.

The retirement rates were updated based on the 2021 experience study as follows:

| Age | 2020 Rates | 2021 Rates |
|---|---|---|
| 55 | 5.0% | 8.0% |
| 56 to 59 | 1.0% | 2.0% |
| 60 | 7.0% | 7.0% |
| 61 | 2.0% | 7.0% |
| 62 | 25.0% | 25.0% |
| 63 to 64 | 15.0% | 15.0% |
| 65 to 69 | 100.0% | 25.0% |
| 70 | 100.0% | 100.0% |

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

The net OPEB asset (NOA) represents the total OPEB liability determined in accordance with GASB Statement No. 75, *Accounting and 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, 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 |
| 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) |

As of June 30, 2020, the NOA amounts are as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability | Plan Net Position | Net OPEB Asset |
| Balances at December 31, 2018 | $ 30,858,675 | 32,338,023 | (1,479,348) |
| Changes for the year: | | | |
| Service cost | 1,045,841 | - | 1,045,841 |
| Interest | 1,753,636 | - | 1,753,636 |
| Differences between expected and actual experience | 1,262,503 | - | 1,262,503 |
| Change of assumptions | (641,942) | - | (641,942) |
| Contributions employer | - | 2,111,960 | (2,111,960) |
| Net investment income | - | 6,362,793 | (6,362,793) |
| Benefit (payments)/refunds | (640,795) | (640,795) | - |
| Administrative expenses | - | (172,177) | 172,177 |
| Net Changes | 2,779,243 | 7,661,781 | (4,882,538) |
| Balances at December 31, 2019 | $ 33,637,918 | 39,999,804 | (6,361,886) |

### *(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 | Target Allocation | Long-Term Expected Rate of Return |
|---|---|---|
| U.S. Fixed Income (includes cash and cash equivalents) | 45% | 6.00% |
| U.S. Equity | 45% | 7.40% |
| Foreign Equity | 10% | 8.00% |

### *(g) Discount Rate*

The discount rate used to measure the total OPEB liability was 5.50% as of December 31, 2020 and 2019. 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, 2021, 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, 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) |

As of June 30, 2020, the net OPEB liability (asset) of the Authority is as follows:

| **Year ending December 31, 2019** | 1% Decrease | Current | 1% Increase |
|---|---|---|---|
| | 4.50% | 5.50% | 6.50% |
| Net OPEB liability (asset) | $ (917,731) | (6,361,886) | (10,743,904) |

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

The following represents the June 30, 2021 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, 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 |

As of June 30, 2020, sensitivity of the Authority's Net OPEB liability (asset) to changes in health care trends are as follows:

| **Year ending December 31, 2019** | | 1% Decrease | Current | 1% Increase |
|---|---|---|---|---|
| | | 6.25% decreasing to 5.50% over 3 years | 7.25% decreasing to 6.50% over 3 years | 8.25% decreasing to 7.50% over 3 years |
| Net OPEB liability (asset) | $ | (10,988,261) | (6,361,886) | (575,582) |

## (16) Other Long-Term Liabilities

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 |

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2020 was as follows:

| | | Balance at June 30, 2019 | Additions | Decreases | Balance at June 30, 2020 |
|---|---|---|---|---|---|
| Project reserves | $ | 114,173,466 | 28,934,900 | 29,712,491 | 113,395,875 |
| Other liabilities | | 7,843,617 | 2,341,816 | 5,572,722 | 4,612,711 |
| Compensated absences payable | | 4,854,151 | 4,154,774 | 3,884,284 | 5,124,641 |
| | $ | 126,871,234 | 35,431,490 | 39,169,497 | 123,133,227 |

## (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, 2021 and 2020, 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** | | **2021** | **2020** |
| Aggregated recorded balance | $ | 105,296,095 | 114,823,981 |
| Number of loans | | 862 | 920 |
| Gross interest revenue if loans had been current | | 4,589,257 | 4,999,633 |
| Interest revenue included in changes in net position | | 4,070,115 | 4,384,064 |

| | | Year ended June 30, | |
|---|---|---|---|
| **Rental housing loans** | | **2021** | **2020** |
| Aggregated recorded balance | $ | 10,648,886 | 2,344,432 |
| Number of loans | | 10 | 3 |
| Gross interest revenue if loans had been current | | 836,938 | 137,384 |
| Interest revenue included in changes in net position | | 356,972 | 60,724 |

## (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 issuances and redemptions of notes and bonds payable subsequent to June 30, 2021 as follows:

| | Issue date/ Redemption date | | Amount |
|---|---|---|---|
| Issues: | | | |
| Commonwealth Mortgage Bonds 2021 Series A-Taxable | 8/17/2021 | $ | 151,168,047 |
| Rental Housing Bond 2021 Series F-Non-AMT | 7/7/2021 | | 50,000,000 |
| Rental Housing Bond 2021 Series G-Taxable | 7/20/2021 | | 30,000,000 |
| Rental Housing Bond 2020 Series H-Taxable | 8/24/2021 | | 30,000,000 |
| Redemptions: | | | |
| Rental Housing Bond 2011 Series D Taxable | 7/1/2021 | $ | 118,425,000 |
| Commonwealth Mortgage Bonds 2012 Series C-Non-AMT (Partial 1) | 7/9/2021 | | 13,000,000 |
| Commonwealth Mortgage Bonds 2012 Series C-Non-AMT (Partial 2) | 8/2/2021 | | 9,200,000 |

**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 4 Calendar Years

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

(3) Assumptions for year ended 2020 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 4 Calendar Years

| | | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ | 1,310,144 | 555,921 | 890,416 | 297,975 |
| Contributions in relation to the actuarially determined contribution | | 2,168,014 | 2,111,960 | 1,952,210 | 1,758,037 |
| Contribution deficiency (excess) | $ | (857,870) | (1,556,039) | (1,061,794) | (1,460,062) |
| Covered-employee payroll | $ | 42,735,350 | 41,987,414 | 37,467,939 | 33,966,194 |
| Contributions as a % of covered-employee payroll | | 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 2020 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, 2021 using the following actuarial assumptions as discussed in Note 15:

| | |
|---|---|
| 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. |

**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 (note 1) | 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 | 0 | 0 | 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 |

See accompanying independent auditors' report.

Schedule 4

**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 | 34,243,126 | 754,630 | 10,864,668 | 26,796 | 45,889,220 |
| Unrealized loss on derivative instruments | - | - | (981,101) | - | (981,101) |
| 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 |

See accompanying independent auditors' report.

# 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 |

See accompanying independent auditors' report.

# VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

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

For the 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 |

See accompanying independent auditors' report.

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position

June 30, 2020

| **Assets** | **General Operating Accounts** | **Rental Housing Bond Group** | **Commonwealth Mortgage Bond Group** | **Home-ownership Bond Group** | **Total** |
|---|---|---|---|---|---|
| Current assets: | | | | | |
| Cash and cash equivalents | $ 182,747,546 | 834,853,836 | 605,917,992 | 37,357,789 | 1,660,877,163 |
| Interest receivable – investments | 1,602,587 | 38,288 | 152,090 | 1,755 | 1,794,720 |
| Derivative instruments | - | - | 94,742 | - | 94,742 |
| Mortgage loans held for sale | - | - | 118,078,121 | - | 118,078,121 |
| Mortgage and other loans receivable, net | 7,337,011 | 72,170,020 | 72,091,769 | 5,158,751 | 156,757,551 |
| Interest receivable – mortgage and other loans | 665,810 | 16,615,968 | 6,300,482 | 466,573 | 24,048,833 |
| Other real estate owned | 3,323,584 | 427,000 | 1,735,904 | 403,502 | 5,889,990 |
| Other assets | 10,289,513 | - | 4,964 | - | 10,294,477 |
| Total current assets | 205,966,051 | 924,105,112 | 804,376,064 | 43,388,370 | 1,977,835,597 |
| Noncurrent assets: | | | | | |
| Investments | 543,569,793 | - | 41,336,814 | - | 584,906,607 |
| Mortgage and other loans receivable | 262,674,454 | 3,478,588,166 | 1,953,510,925 | 165,466,623 | 5,860,240,168 |
| Less allowance for loan loss | 51,330,821 | 62,015,808 | 58,924,836 | 2,225,091 | 174,496,556 |
| Mortgage and other loans receivable, net | 211,343,633 | 3,416,572,358 | 1,894,586,089 | 163,241,532 | 5,685,743,612 |
| Capital Assets, net of accumulated depreciation and amortization of $43,718,451 | 18,121,968 | 9,012,527 | - | - | 27,134,495 |
| Mortgage servicing rights, net | 42,397,723 | - | - | - | 42,397,723 |
| Other Assets | 17,027,360 | - | - | - | 17,027,360 |
| Total noncurrent assets | 832,460,477 | 3,425,584,885 | 1,935,922,903 | 163,241,532 | 6,357,209,797 |
| **Total assets** | 1,038,426,528 | 4,349,689,997 | 2,740,298,967 | 206,629,902 | 8,335,045,394 |
| **Deferred outflows of resources** | | | | | |
| Other postemployment benefits - change in assumptions | 2,362,344 | - | - | - | 2,362,344 |
| Other postemployment benefits - difference between expected and actual experience | 2,228,265 | - | - | - | 2,228,265 |
| Total deferred outflows of resources | 4,590,609 | - | - | - | 4,590,609 |



(Continued)

**Schedule 7**

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

Combining Schedule of Net Position
June 30, 2020

| **Liabilities** | **General Operating Accounts** | **Rental Housing Bond Group** | **Commonwealth Mortgage Bond Group** | **Home-ownership Bond Group** | **Total** |
|---|---|---|---|---|---|
| Current liabilities: | | | | | |
| Notes and bonds payable | 450,300,000 | 39,110,000 | 59,740,335 | 11,227,900 | 560,378,235 |
| Accrued interest payable on notes and bonds | 85,717 | 22,030,659 | 7,283,038 | 785,071 | 30,184,485 |
| Escrows | 32,058,237 | - | - | - | 32,058,237 |
| Accounts payable and other liabilities | 33,749,789 | - | - | - | 33,749,789 |
| Total current liabilities | 516,193,743 | 61,140,659 | 67,023,373 | 12,012,971 | 656,370,746 |
| Noncurrent liabilities: | | | | | |
| Bonds payable, net | - | 2,560,839,869 | 1,219,409,581 | 106,797,504 | 3,887,046,954 |
| Project reserves | 113,395,875 | - | - | - | 113,395,875 |
| Loan participation payable to Federal Financing Bank | 36,335,719 | - | - | - | 36,335,719 |
| Other (assets) liabilities | 7,164,411 | 2,572,941 | - | - | 9,737,352 |
| Total noncurrent liabilities | 156,896,005 | 2,563,412,810 | 1,219,409,581 | 106,797,504 | 4,046,515,900 |
| **Total liabilities** | 673,089,748 | 2,624,553,469 | 1,286,432,954 | 118,810,475 | 4,702,886,646 |
| **Deferred inflows of resources** | | | | | |
| Deferred fees and points on multifamily loans (note 1) | 353,995 | 46,681,472 | - | - | 47,035,467 |
| Other postemployment benefits - change in assumptions | 583,584 | - | - | - | 583,584 |
| Other postemployment benefits - difference between expected and actual experience | 166,145 | - | - | - | 166,145 |
| Other postemployment benefits - difference between projected and actual earning | 2,860,594 | - | - | - | 2,860,594 |
| **Total deferred inflows of resources** | 3,964,318 | 46,681,472 | - | - | 50,645,790 |
| **Net position:** | | | | | |
| Net investment in capital assets | 16,015,263 | (805,057) | - | - | 15,210,206 |
| Restricted by bond indentures | - | 1,679,260,113 | 1,453,866,013 | 87,819,427 | 3,220,945,553 |
| Unrestricted | 349,947,808 | - | - | - | 349,947,808 |
| **Total net position** | $ 365,963,071 | 1,678,455,056 | 1,453,866,013 | 87,819,427 | 3,586,103,567 |

See accompanying independent auditors' report.

**Schedule 8**

**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, 2020

| | 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 | $ 9,958,880 | 183,716,739 | 91,944,803 | 9,038,805 | 294,659,227 |
| Housing Choice Voucher program administrative income | 7,124,917 | - | - | - | 7,124,917 |
| Gains and recoveries on sale of other real estate owned | 517,183 | - | 345,180 | 27,488 | 889,851 |
| Gains on sale of single family mortgage loans | - | - | 47,655,216 | - | 47,655,216 |
| Mortgage servicing fees net of guaranty fees | 40,109,949 | - | - | - | 40,109,949 |
| Tax credit program fees earned | 6,019,088 | - | - | - | 6,019,088 |
| Other | 432,286 | 3,624,794 | 6,418 | - | 4,063,498 |
| Total operating revenues | 64,162,303 | 187,341,533 | 139,951,617 | 9,066,293 | 400,521,746 |
| Operating expenses: | | | | | |
| Interest on notes and bonds payable | 7,940,618 | 73,434,453 | 37,261,747 | 4,626,254 | 123,263,072 |
| Salaries and related employee benefits | 60,079,588 | - | - | - | 60,079,588 |
| General operating expenses | 26,051,085 | 19,645 | - | - | 26,070,730 |
| Note and bond expenses | 1,020,198 | - | 1,736 | - | 1,021,934 |
| Bond issuance expenses | 241,000 | 6,135,834 | 1,990,294 | - | 8,367,128 |
| Grant expenses | 38,284,248 | - | - | - | 38,284,248 |
| Housing Choice Voucher program expenses | 7,933,578 | - | - | - | 7,933,578 |
| Mortgage servicing rights amortization and other servicing costs | 22,602,222 | - | 3,137,298 | - | 25,739,520 |
| Losses on other real estate owned | 556,831 | 75,104 | 647,901 | 56,677 | 1,336,513 |
| Provision for loan losses | 17,932,928 | 18,228,222 | 3,812,799 | (129,644) | 39,844,305 |
| Total operating expenses | 182,642,296 | 97,893,258 | 46,851,775 | 4,553,287 | 331,940,616 |
| Operating income (expense) | (118,479,993) | 89,448,275 | 93,099,842 | 4,513,006 | 68,581,130 |
| Nonoperating revenues (expenses): | | | | | |
| Pass-through grant awards | 92,644,179 | - | - | - | 92,644,179 |
| Pass-through grants expenses | (92,644,179) | - | - | - | (92,644,179) |
| Investment income | 37,700,726 | 4,851,867 | 6,480,312 | 132,414 | 49,165,319 |
| Unrealized gain on derivative instruments | - | - | 2,312,965 | - | 2,312,965 |
| Other, net | 27,223 | - | - | - | 27,223 |
| Total nonoperating revenues, net | 37,727,949 | 4,851,867 | 8,793,277 | 132,414 | 51,505,507 |
| Income (loss) before transfers | (80,752,044) | 94,300,142 | 101,893,119 | 4,645,420 | 120,086,637 |
| Transfers between funds | 83,834,295 | (16,187,236) | (69,474,437) | 1,827,378 | - |
| Change in net position | 3,082,251 | 78,112,906 | 32,418,682 | 6,472,798 | 120,086,637 |
| Total net position, beginning of year | 362,880,820 | 1,600,342,150 | 1,421,447,331 | 81,346,629 | 3,466,016,930 |
| Total net position, end of year | $ 365,963,071 | 1,678,455,056 | 1,453,866,013 | 87,819,427 | 3,586,103,567 |

See accompanying independent auditors' report.

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

Combining Schedule of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
June 30, 2020

| | 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 | $ 141,673,339 | 5,798,364 | 2,129,466 | 1,184,669 | 150,785,838 |
| Interest receivable - investments | - | 274 | 100 | 45 | 419 |
| Interest receivable - mortgage and other loans | - | 1,046 | 25,958 | 1,334 | 28,338 |
| Other assets | - | 68,137 | - | - | 68,137 |
| Total current assets | 141,673,339 | 5,867,821 | 2,155,524 | 1,186,048 | 150,882,732 |
| Noncurrent assets: | | | | | |
| Mortgage and other loans receivable | - | 3,366,858 | 13,989,878 | 2,425,847 | 19,782,583 |
| Total noncurrent assets | - | 3,366,858 | 13,989,878 | 2,425,847 | 19,782,583 |
| Total assets | 141,673,339 | 9,234,679 | 16,145,402 | 3,611,895 | 170,665,315 |
| **LIABILITIES** | | | | | |
| Other liabilities | - | 2,559,774 | 2,123,272 | 1,195,987 | 5,879,033 |
| Total liabilities | - | 2,559,774 | 2,123,272 | 1,195,987 | 5,879,033 |
| **NET POSITION** | | | | | |
| Restricted for: | | | | | |
| Funds held in escrow | 141,673,339 | - | - | - | 141,673,339 |
| Other governmental agency | - | 6,674,905 | 14,022,130 | 2,415,908 | 23,112,943 |
| Total Net Position | $ 141,673,339 | 6,674,905 | 14,022,130 | 2,415,908 | 164,786,282 |

See accompanying independent auditors' report.

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
For the Year Ended June 30, 2020

| | 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 | $ 1,867,261,825 | - | - | - | 1,867,261,825 |
| Employers | - | 23,320 | 60,837 | 31,198 | 115,355 |
| Other governmental agency | - | - | 3,729,903 | 1,300,000 | 5,029,903 |
| Total Contributions | 1,867,261,825 | 23,320 | 3,790,740 | 1,331,198 | 1,872,407,083 |
| Investment earnings: | | | | | |
| Interest, dividends, and other | - | 97,699 | 31,823 | 3,525 | 133,047 |
| Total investment earnings | - | 97,699 | 31,823 | 3,525 | 133,047 |
| Total additions | 1,867,261,825 | 121,019 | 3,822,563 | 1,334,723 | 1,872,540,130 |
| **DEDUCTIONS** | | | | | |
| Other governmental agency | - | 30,000 | 55,189 | - | 85,189 |
| Disbursement of escrow funds | 1,787,292,494 | - | - | - | 1,787,292,494 |
| Administrative expense | - | 22,320 | 58,398 | 18,320 | 99,038 |
| Total deductions | 1,787,292,494 | 52,320 | 113,587 | 18,320 | 1,787,476,721 |
| Net increase in fiduciary net position | 79,969,331 | 68,699 | 3,708,976 | 1,316,403 | 85,063,409 |
| Net position - beginning | 61,704,008 | 6,606,206 | 10,313,154 | 1,099,505 | 79,722,873 |
| Net position - ending | $ 141,673,339 | 6,674,905 | 14,022,130 | 2,415,908 | 164,786,282 |

See accompanying independent auditors' report.

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# 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*

The Board of Commissioners
Virginia Housing Development Authority:

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 fiduciary activities of the Virginia Housing Development Authority (the Authority), a component unity of the Commonwealth of Virginia, as of and for the year ended June 30, 2021, 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 10, 2021.

## 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 may exist that have not been identified.

## 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*.

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**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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Richmond, Virginia
September 10, 2021