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, 2023 and 2022

(With Independent Auditors' Reports Thereon)

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

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Management of the Virginia Housing Development Authority (Authority) offers readers of its financial report this overview and analysis of the Authority's financial performance for the years ended June 30, 2023 and 2022. 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 program 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 homeownership mortgage loans to either FNMA or FHLMC under their whole loan programs or it may issue FNMA or FHLMC securities backed by homeownership mortgage loans. Such 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 guaranty of FNMA and FHLMC 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.

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 acquiring and rehabilitating rental housing projects. The Authority is also the administrator of the Commonwealth's Virginia Housing Opportunity Tax Credit (HOTC) program which awards state income tax credits to further support of low-income housing developments that have received Federal Low Income Housing Tax Credits.

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

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

Financial Statements

The Authority adopted GASB statement No. 96 effective July 1, 2022, which changed the accounting for certain subscription-based information technology arrangements (SBITAs). As a consequence, the financial activity for the year ended June 30, 2022, has been modified to reflect the changes in accounting to allow comparability.

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 2023, the Authority returned to normal operations post COVID-19 with its associates returning to work, however the Authority did update its remote work policies which allows some associates to work remotely up to two days a week. As the Commonwealth came out of the pandemic, the Authority supported its mortgagors by leveraging the Federal Coronavirus State and Local Fiscal Recovery Funds (SLFRF) awarded from the U.S. Department of the Treasury to help return homeowners to affordable mortgage payments. At its peak, the Authority had nearly four thousand homeownership borrower forbearances on their loans by either participating in programs mandated by the Federal Government or programs the Authority offered that were similar to such Federal programs. As of end of fiscal year 2023, the number of homeownership borrowers with forbearances has fallen to less than nine hundred. Additionally, the Authority continued to operate effectively and maintain its strong financial position that still grew at a rate of 1.0% over the fiscal year to a total net position of over $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.

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

In its homeownership loan program, the Authority has continued to offer mortgage loans at affordable interest rates, financed mostly through the issuance of MBS guaranteed by GNMA, FNMA and FHLMC. In addition, since its inception in the spring of 2015, the Authority has issued more than 24,000 down-payment assistance (DPA) grants valued at over $126 million to assist qualified first-time homebuyers and has issued nearly 41,000 Mortgage Credit Certificates (MCC) valued at over $1.3 billion to provide even more tax advantages to low- or moderate-income borrowers getting homeownership mortgage loans.

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

The Authority's servicing efforts for its homeownership loan portfolio have been focused on working with homeownership mortgagors experiencing financial difficulties particularly during this COVID crisis by allowing forbearance and suspending foreclosures. The Authority will continue to offer various options, including loan modifications, to prevent future foreclosure for otherwise responsible homeownership mortgagors encountering financial hardship caused by the crisis. While home values have remained strong during the fiscal year 2023, it has started to effect affordability. Additionally, the Authority continued to provide substantial support to the Commonwealth's housing policy priorities to increase homeownership opportunities in underserved markets, and to foster successful homeownership by providing homeownership education.

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, 2023

Homeownership mortgage loan originations totaled 3,809 loans for over $900 million in fiscal year 2023 compared to 7,695 loans for $1.8 billion for fiscal year 2022, a decrease of 50.5% in units and 50.68% in dollars of mortgage loans over the prior year's production levels. The decrease in year over year production was attributed to increasing interest rates, increase in home prices and a reduction in the inventory of affordable homes.

As of June 30, 2023, the Authority serviced for itself and for third parties a total of 81,032 first and second homeownership mortgage loans with outstanding balances totaling over $9.0 billion. For approximately 37,400 of the mortgage loans serviced for GNMA, FNMA and FHLMC, the Authority receives an on-going fee. The outstanding balances of loans serviced, increased by $222.3 million or 2.5% and the number of loans serviced increased by 783 loans or 1.0%, since June 30, 2022, primarily due to rising interest rates reducing the number of borrowers refinancing and paying off.

In fiscal year 2023, there were 204 homeownership mortgage foreclosures valued at $27.4 million or 1.24% of the Authority serviced homeownership mortgage loan portfolio, compared to a year ago with 56 foreclosures valued at $7.0 million or 0.3% of loan amounts. Recovery rates averaging 87.6%, represent an increase of 24.8% over the prior year, caused by strong home values. Total delinquency rates on the servicing portfolio based on loan count averaged 10.2% for the fiscal year, compared to 11.6% a year ago. Total delinquency rates on the servicing portfolio based on outstanding mortgage loan balances averaged 9.7% and 11.1% as of June 30, 2023, and 2022, respectively. Delinquencies consist of first mortgage loans over 30 days past due and foreclosures and bankruptcies.

Financing commitments for 2,848 rental housing units were made during fiscal year 2023, totaling $483.2 million, compared to 5,707 rental housing units totaling $829.9 million for fiscal year 2022. The year over year decrease in dollars was primarily the result of increasing interest rates and construction costs during the fiscal year; however, the Authority's loan application pipeline still shows a strong demand for rental housing.

As of June 30, 2023, the Authority serviced 1,158 rental housing mortgage loans with outstanding balances totaling $5.0 billion. Compared to June 30, 2022, the number of loans in the portfolio increased by 27 while loan balances increased $423.1 million or 9.3%. Delinquency rates based on rental housing portfolio loan count averaged 0.00% and 0.01% for the years ended June 30, 2023 and 2022, respectively. The average delinquency rates based on outstanding mortgage loan balances were 0.00% on for fiscal year 2023 compared to 0.01% or $0.1 million for fiscal year 2022.

Year Ended June 30, 2022

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

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

(Continued)

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

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

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

Financial Analysis of the Authority

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

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

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

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

The largest component of the Authority's liabilities is outstanding bonds payable, the majority of which is fixed rate to maturity dates that may extend into the future as much as forty-three 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		
		2023	**2022 (as restated)**	**2021 (as restated)**
Cash and cash equivalents	$	1,423.0	1,826.1	1,769.5
Investments		819.3	1,055.0	1,087.0
Mortgage loans held for sale		178.4	316.1	162.2
Mortgage and other loans receivable, net		6,789.7	6,317.7	6,001.1
Other assets		144.2	169.8	156.3
Total assets		9,354.6	9,684.7	9,176.1
Deferred outflows of resources		11.3	8.8	8.7
Notes and bonds payable, net		5,163.7	5,390.1	5,068.9
Other liabilities		350.7	485.4	344.2
Total liabilities		5,514.4	5,875.5	5,413.1
Deferred inflows of resources		66.4	70.5	53.3
Invested in capital assets, net of related debt		8.8	12.5	12.5
Restricted by bond indentures		3,326.9	3,317.3	3,341.5
Unrestricted		449.4	417.7	364.4
Net position	$	3,785.1	3,747.5	3,718.4

June 30, 2023 Compared to June 30, 2022

Total assets decreased $330.1 million, or 3.4% from the prior year. Cash and cash equivalents and investments decreased $638.8 million, or 22.2% from the prior year, to reduce the short-term debt outstanding. Mortgage and other loans receivables, net, and mortgage loans held for sale increased by $334.3 million, or 5.0%, primarily as a result of strong mortgage lending and growth in rental housing portfolio.

Total liabilities decreased $361.1 million, or 6.1% from the prior year. Notes and bonds payable decreased $226.4 million or 4.2%, due primarily to paydown of some short-term debt and the reduction of some excess liquidity retained during the COVID pandemic. For the year ended June 30, 2023, the Authority issued a total of $262.4 million of Rental Housing bonds. Bond principal repayments and redemptions during the year totaled $93.7 million of the Commonwealth Mortgage Bond Group, $5.1 million of the Homeownership Mortgage Bond Group and $79.6 million of the Rental Housing Bond Group. Proceeds from bond issuance and from GNMA, FNMA and FHLMC mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

Total assets exceeded total liabilities by $3,785.1 million, representing an increase in net position of $37.6 million, and a 1.0% return over the preceding fiscal year. As of June 30, 2023, net position invested in capital assets, net of related debt, was $8.8 million. Net position restricted by bond resolutions totaled $3,326.9 million, an increase of $9.6 million, or 0.3% from the prior year. Unrestricted net position totaled $449.4 million, an increase of $31.7 million, or 7.6%.

June 30, 2022 Compared to June 30, 2021

Total assets increased $508.6 million, or 5.5% from the prior year. Cash and cash equivalents and investments increased $24.6 million, or 0.9% from the prior year. Mortgage and other loans receivables, net, and mortgage loans held for sale increased by $470.5 million, or 7.6%, primarily as a result of strong mortgage lending and growth in rental housing portfolio.

Total liabilities increased $462.4 million, or 8.5% from the prior year. Notes and bonds payable increased $321.2 million or 6.3%, due primarily to increased bond issuance volume to fund a growing rental housing portfolio and maintain high liquidity during the COVID pandemic. For the year ended June 30, 2022, the Authority issued a total of $704.6 million of Rental Housing bonds and $192.8 million Commonwealth Pass-through bonds. Bond principal repayments and redemptions during the year totaled $238.6 million of the Commonwealth Mortgage Bond Group, $11.6 million of the Homeownership Mortgage Bond Group and $326.1 million of the Rental Housing Bond Group. Proceeds from bond issuance and from GNMA, FNMA and FHLMC mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

Total assets exceeded total liabilities by $3,747.5 million, representing an increase in net position of $29.1 million, and a 0.8% return over the preceding fiscal year. As of June 30, 2022, net position invested in capital assets, net of related debt, was $12.5 million. Net position restricted by bond resolutions totaled $3,317.3 million, a decrease of $24.2 million, or 0.7% from the prior year. Unrestricted net position totaled $417.7 million, an increase of $53.3 million, or 14.6%.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(In millions)

		Year ended June 30		
		2023	2022 (as restated)	2021
Operating revenues:				
Interest on mortgage and other loans	$	305.1	292.8	295.2
Housing Choice Voucher program income		9.3	8.4	7.1
Other operating revenues		65.5	109.2	109.1
Total operating revenues		379.9	410.4	411.4
Operating expenses:				
Interest on notes and bonds payable		166.0	144.1	144.7
Housing Choice Voucher program expense		10.7	8.4	7.4
Other operating expenses		148.9	156.0	135.4
Grant expenses		63.7	34.0	40.6
Provision for loan losses		(28.8)	(25.5)	(4.1)
Total operating expenses		360.5	317.0	324.0
Net operating income		19.4	93.4	87.4
Non-operating revenues (expenses):				
Investment income		84.5	37.8	28.9
Gain/(loss) on investments		(66.3)	(102.1)	16.0
Pass-through grants received		230.0	238.1	216.4
Pass-through grants disbursed		(230.0)	(238.1)	(216.4)
Total non-operating revenues (expenses)		18.2	(64.3)	44.9
Change in net position	$	37.6	29.1	132.3

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

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

Fiscal Year 2023

Operating revenues decreased $30.5 million or 7.4% from the prior year. The primary factor was the decrease in other operating revenues of $43.7 million or 40.0%, caused by a reduction on the gains from the sale of single-family mortgage loans of $36.8 million or 87.8% because of rapidly increasing interest rates. Operating expenses for the year increased $43.5 million or 13.7% from the prior year. The increase was primarily the result of increased grant expenses and interest costs, which increased $29.7 million and $21.9 million respectively, from the prior year, because of increased grant activity and increasing interest rates. Non-operating revenues (expenses), net, increased by $82.5 million or 128.3% from the prior year. The primary factor was the decrease in unrealized losses on investments of $77.8 million or 76.2% due to a slower increasing interest rate environment.

Fiscal Year 2022

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

Other Economic Factors

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

The Authority's main sources of revenues include mortgage loan interest, gains on sale of mortgage loans and mortgage servicing fees. The Authority's non-mortgage loan investment portfolio generally consists of marketable securities bearing short-term maturities. The one-month Daily Treasury rates have increased to 5.24% in June 2023 from 1.28% in June 2022.

Delinquency and foreclosure rates in the homeownership loan portfolio, and to a lesser extent the rental housing loan portfolio, are influenced by unemployment and underemployment. Virginia's seasonally adjusted unemployment rate was 2.7% and 2.8% in June 2023 and 2022, respectively. Virginia underemployment rates, which include those no longer seeking employment and those employed only part-time who desire full-time work, were 5.4% and 6.3% in the fiscal year ended June 30, 2023 and 2022, respectively.

Additional Information

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

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Virginia Housing Development Authority
Richmond, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the years ended June 30, 2023 and 2022 (except for the Retiree Health Care Plan fiduciary fund, which is as of and for the years ended December 31, 2022 and 2021), and the related notes to the financial statements, which collectively comprise the Virginia Housing Development Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the Virginia Housing Development Authority, as of June 30, 2023 and 2022 (except for the Retiree Health Care Plan Fiduciary fund, which is as of December 31, 2022 and 2021), and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1(cc) to the financial statements, effective July 1, 2021, the Authority adopted Statement of Governmental Accounting Standards Board (GASB Statement) No. 96, *Subscription-Based Information Technology Arrangements* new accounting guidance for subscription-based information technology software. The guidance requires that right to use information technology software alone or in combination with tangible capital assets are recognized as an asset with a corresponding subscription liability instead of being recognized as a general operating expense. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Combining Schedule of Net Position – June 30, 2023 and 2022, Combining Schedule of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2023 and 2022, Combining Schedule of Fiduciary Net Position – Fiduciary Funds – Custodial Funds – June 30, 2023 and 2022, and the Combining Schedule of Changes in Fiduciary Net Position – Fiduciary Funds – Custodial Funds – Year ended June 30, 2023 and 2022 (collectively, the Supplementary Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Commissioners
Virginia Housing Development Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
September 14, 2023

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Statements of Net Position

June 30, 2023 and 2022

		2023	2022 (as restated)
Assets			
Current assets:			
Cash and cash equivalents (note 5)	$	1,422,993,877	1,826,063,243
Investments (note 5)		29,447,400	-
Interest receivable – investments		11,150,941	4,607,193
Derivative instruments (note 12)		677,629	5,336,502
Mortgage loans held for sale (note 1)		178,361,111	316,106,009
Mortgage and other loans receivable, net (note 4)		186,979,870	194,314,219
Interest receivable – mortgage and other loans		24,544,263	23,892,786
Other real estate owned (note 1)		5,059,108	4,618,141
Other assets		18,848,637	26,159,977
Total current assets		1,878,062,836	2,401,098,070
Noncurrent assets:			
Investments (note 5)		789,896,576	1,055,039,053
Mortgage and other loans receivable (note 4)		6,716,297,976	6,266,866,320
Less allowance for loan loss (note 1)		113,557,568	143,455,103
Mortgage and other loans receivable, net		6,602,740,408	6,123,411,217
Capital Assets, net of accumulated depreciation and amortization of $69,246,833 and $65,607,441 respectively (note 6)		35,400,371	41,934,339
Mortgage servicing rights, net (note 1)		36,834,996	44,074,557
Other assets		11,799,064	19,158,265
Total noncurrent assets		7,476,671,415	7,283,617,431
Total assets		9,354,734,251	9,684,715,501
Deferred outflows of resources			
Other postemployment benefits - change in assumptions (note 16)		1,914,127	1,911,020
Other postemployment benefits - difference between expected and actual experience (note 16)		6,130,868	6,868,575
Other postemployment benefits - difference between projected and actual earning (note 16)		3,213,143	-
Total deferred outflows of resources		11,258,138	8,779,595

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Statements of Net Position
June 30, 2023 and 2022

		2023	2022 (as restated)
Liabilities			
Current liabilities:			
Notes and bonds payable (note 9)	$	527,991,788	816,748,847
Accrued interest payable on notes and bonds		35,391,669	32,062,987
Escrows (note 11)		30,571,911	29,578,957
Federal grant awards held (note 1)		84,706,517	226,810,062
Accounts payable and other liabilities (note 17)		33,237,559	34,173,832
Total current liabilities		711,899,444	1,139,374,685
Noncurrent liabilities:			
Bonds payable, net (note 9)		4,635,722,972	4,573,350,313
Project reserves (notes 11 and 17)		113,844,901	105,053,442
Loan participation payable to Federal Financing Bank (note 10)		34,022,078	34,824,533
Other liabilities (notes 15 and 17)		18,927,773	22,925,646
Total noncurrent liabilities		4,802,517,724	4,736,153,934
Total liabilities		5,514,417,168	5,875,528,619
Deferred inflows of resources			
Deferred fees and points on multifamily loans (note 1)		64,899,545	63,934,190
Other postemployment benefits - change in assumptions (note 16)		586,871	665,047
Other postemployment benefits - difference between expected and actual experience (note 16)		941,509	124,609
Other postemployment benefits - difference between projected and actual earning (note 16)		-	5,757,970
Total deferred inflows of resources		66,427,925	70,481,816
Net position (notes 1 and 14):			
Net investment in capital assets (notes 1 and 14)		8,776,652	12,481,351
Restricted by bond indentures (notes 1 and 14)		3,326,942,345	3,317,287,007
Unrestricted (notes 1 and 14)		449,428,299	417,716,303
Total net position	$	3,785,147,296	3,747,484,661

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, 2023 and 2022

		2023	2022 (as restated)
Operating revenues:			
Interest on mortgage and other loans receivable	$	305,126,433	292,785,878
Housing Choice Voucher program administrative income (note 1)		9,269,212	8,379,512
Gains and recoveries on sale of other real estate owned		853,177	450,340
Gains on sale of single family mortgage loans		5,101,991	41,899,002
Mortgage servicing fees net of guaranty fees		41,884,948	38,191,108
Tax credit program fees earned		8,141,690	4,784,281
Other		9,478,751	23,907,689
Total operating revenues		379,856,202	410,397,810
Operating expenses:			
Interest on notes and bonds payable		165,978,939	144,108,923
Salaries and related employee benefits (notes 15 and 16)		79,500,734	72,856,377
General operating expenses		36,198,890	42,439,760
Note and bond expenses		1,437,986	1,428,411
Bond issuance expenses		2,125,360	6,063,171
Grant expenses		63,696,630	34,021,786
Housing Choice Voucher program expenses (note 1)		10,726,712	8,447,467
Mortgage servicing rights amortization and other servicing costs		27,531,011	32,043,826
Losses on other real estate owned (note 1)		2,029,594	1,137,532
Provision for loan losses (note 1)		(28,765,158)	(25,535,946)
Total operating expenses		360,460,698	317,011,307
Operating income		19,395,504	93,386,503
Nonoperating revenues (losses):			
Pass-through grant awards (note 1)		229,995,448	238,148,054
Pass-through grants expenses (note 1)		(229,995,448)	(238,148,054)
Investment income (note 13)		84,491,782	37,780,594
Realized loss on investments (note 1)		(41,939,742)	(20,678)
Unrealized loss on investments (note 1)		(24,299,505)	(102,106,956)
Other, net		14,596	12,999
Total nonoperating revenues (expenses), net		18,267,131	(64,334,041)
Change in net position		37,662,635	29,052,462
Total net position, beginning of year		3,747,484,661	3,718,432,199
Total net position, end of year	$	3,785,147,296	3,747,484,661

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, 2023 and 2022

	2023	2022 (as restated)
Cash flows from operating activities:		
Cash payments for mortgage and other loans	$ (1,533,990,515)	(2,595,509,171)
Principal repayments on mortgage and other loans	307,130,301	699,267,211
Sale of mortgage loans	844,996,215	1,223,336,578
Interest received on mortgage and other loans	305,378,018	298,272,187
Pass-through grant awards received	87,891,902	405,561,789
Pass-through grant awards disbursed	(229,654,488)	(244,922,299)
Grant administrative fees received	3,515,520	13,198,742
Housing Choice Voucher payments received	7,271,790	7,756,894
Housing Choice Voucher payments disbursed	(8,430,620)	(11,224,308)
Escrow and project reserve payments received	265,863,439	202,877,933
Escrow and project reserve payments disbursed	(256,079,026)	(212,081,748)
Other operating revenues	67,129,614	107,640,915
Cash received for loan origination fees and loan discounts	4,833,837	11,517,940
Cash paid for loan origination fees and loan premiums	(4,681,911)	(13,719,643)
Cash payments for salaries and related benefits	(79,244,127)	(72,634,337)
Cash payments on grants	(63,696,631)	(34,021,786)
Cash payments for general operating expenses	(29,195,815)	(31,604,984)
Cash payments for servicing release premiums and guaranty fees	(30,002,408)	(39,314,169)
Proceeds from sale of other real estate owned	16,251,426	2,232,825
Net cash used in operating activities	(324,713,479)	(283,369,431)
Cash flows from noncapital financing activities:		
Proceeds from issuance of notes and bonds	417,410,000	1,002,348,474
Principal payments on notes and bonds	(643,936,237)	(681,290,340)
Principal payments on loan participation - FFB	(802,455)	(770,794)
Interest payments on notes and bonds	(162,508,413)	(145,670,134)
Cash payments for bond issuance expenses	(2,125,359)	(6,063,171)
Net cash (used in)/provided by noncapital financing activities	(391,962,464)	168,554,035
Cash flows from capital and related financing activities:		
Purchases of property, furniture, and equipment	(858,409)	(1,926,822)
Lease payments	(714,824)	(797,302)
Subscription-based information technology payments	(7,370,838)	(6,695,424)
Net cash used in capital and related financing activities	(8,944,071)	(9,419,548)
Cash flows from investing activities:		
Purchases of investments	(28,933,600)	(18,230,324)
Proceeds from sales or maturities of investments	272,625,230	162,654,660
Interest received on investments	78,859,018	36,382,093
Net cash provided by investing activities	322,550,648	180,806,429
Net (decrease)/increase in cash and cash equivalents	(403,069,366)	56,571,485
Cash and cash equivalents, at beginning of year	1,826,063,243	1,769,491,758
Cash and cash equivalents, at end of year	$ 1,422,993,877	1,826,063,243

(Continued)

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

Statements of Cash Flows

Years ended June 30, 2023 and 2022

		2023	2022 (as restated)
Reconciliation of operating income to net cash used in operating activities:			
Operating income	$	19,395,504	93,386,503
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation of property, furniture, and equipment		4,399,565	4,354,950
Amortization of right to use asset		6,497,427	6,112,770
Bond issuance costs		2,125,360	6,063,171
Interest on notes and bonds payable		165,978,939	144,108,923
Decrease/(increase) in mortgage loans held for sale		137,744,898	(153,927,240)
Increase in mortgage and other loans receivable		(512,285,989)	(511,974,692)
Decrease in allowance for loan loss		(29,897,535)	(26,127,496)
(Increase)/decrease in interest receivable – mortgage and other loans		(651,477)	1,973,520
Increase in other real estate owned		(440,967)	(1,595,649)
Decrease in mortgage servicing rights		7,239,561	338,026
Decrease/(increase) in other assets		14,670,542	(15,569,648)
Increase deferred outflows of resources		(2,478,543)	(76,715)
(Decrease)/increase in deferred inflows of resources		(4,053,891)	17,179,582
(Decrease)/increase in Federal funds held		(142,103,545)	167,413,735
Decrease in accounts payable and other liabilities		(1,544,009)	(6,139,061)
Increase/(decrease) in escrows and project reserves		10,690,681	(8,890,110)
Net cash used in operating activities	$	(324,713,479)	(283,369,431)
Supplemental disclosure of noncash activity:			
Increase in other real estate owned as a result of loan foreclosures	$	12,695,971	3,064,481
Decrease in mortgage and other loans receivable from transferring loans to MBS securities retained as investments	$	70,188,682	221,442,205

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, 2023 and 2022

		2023		2022	
		Retiree Health Care Plan*	**Custodial Funds**	**Retiree Health Care Plan***	**Custodial Funds**
ASSETS					
Current assets:					
Cash and cash equivalents	$	1,954	81,748,715	729,572	98,949,760
Interest receivable - investments		-	42,945	-	4,864
Interest receivable - mortgage and other loans		-	137,246	-	62,108
Other assets		-	1,046	-	65,149
Total current assets		1,954	81,929,952	729,572	99,081,881
Noncurrent assets:					
Mortgage and other loans receivable		-	2,702,870	-	35,996,852
Investments		50,069,991	-	54,296,057	-
Total noncurrent assets		50,069,991	2,702,870	54,296,057	35,996,852
Total assets		50,071,945	84,632,822	55,025,629	135,078,732
LIABILITIES					
Accounts payable		900,052	-	1,525,477	-
Other liabilities		-	3,704,909	-	2,713,304
Total liabilities		900,052	3,704,909	1,525,477	2,713,304
NET POSITION					
Restricted for:					
Other postemployment benefit plan other than pension		49,171,893	-	53,500,152	-
Funds held in escrow		-	75,335,481	-	93,736,163
Other governmental agency		-	5,592,432	-	38,629,266
Total Net Position	$	49,171,893	80,927,913	53,500,152	132,365,429

* December 31, 2022 and 2021 year-end, see note 16
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, 2023 and 2022

	2023		2022	
	Retiree Health Care Plan*	**Custodial Funds**	**Retiree Health Care Plan***	**Custodial Funds**
ADDITIONS				
Contribution:				
Borrower payments	$ -	1,656,192,678	-	2,716,640,483
Employers	2,958,503	131,777	2,279,584	141,569
Other governmental agency	-	-	-	9,456,152
Total Contributions	2,958,503	1,656,324,455	2,279,584	2,726,238,204
Investment earnings:				
Net increase/(decrease) in fair value of investments	(9,646,755)	-	3,532,779	-
Interest, dividends, and other	1,000,524	1,764,985	741,089	24,051
Securities lending income gain on sales	2,437,719	-	2,879,334	-
Total investment earnings (losses)	(6,208,512)	1,764,985	7,153,202	24,051
Total additions	(3,250,009)	1,658,089,440	9,432,786	2,726,262,255
DEDUCTIONS				
Benefits paid to participants or beneficiaries	900,052	-	797,549	-
Other governmental agency	-	34,791,461	-	166,303
Disbursement of escrow funds	-	1,674,593,360	-	2,763,517,863
Administrative expense	178,198	142,135	97,663	131,777
Total deductions	1,078,250	1,709,526,956	895,212	2,763,815,943
Net increase/(decrease) in fiduciary net position	(4,328,259)	(51,437,516)	8,537,574	(37,553,688)
Net position - beginning of year	53,500,152	132,365,429	44,962,578	169,919,117
Net position - end of year	$ 49,171,893	80,927,913	53,500,152	132,365,429

* December 31, 2022 and 2021 year-end, see note 16
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 separately as unrealized gains or losses on investments 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. If investments are sold then the resulting realized gains or losses are reported separately in the Statements of Revenues, Expenses, and Changes in Net Position.

(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, 2023, the Authority had outstanding 56 forward sales transactions with a $266.2 million notional amount with seven counterparties with concentrations and ratings (Standard & Poor's, Moody's Investors Service) as shown in Note 12. At June 30, 2022, the Authority had outstanding 78 forward sales transactions with a $478.3 million notional amount with five counterparties with concentrations and ratings (Standard & Poor's, Moody's Investors Service). The 2023 forward sales contacts will settle by August 21, 2023. 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 investments.

(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 $29,897,535 for the year ended June 30, 2023 and decreased by $26,127,496 for the year ended June 30, 2022.

		Year ended June 30	
		2023	**2022**
Beginning balance, July 1	$	143,455,103	169,582,599
Provision:			
Homeownership		(17,223,095)	(16,952,204)
Rental Housing		(11,542,063)	(8,583,742)
Provision		(28,765,158)	(25,535,946)
Net (charge-offs)/recoveries:			
Homeownership		(1,132,377)	(591,550)
Rental Housing		-	-
Net charge-offs		(1,132,377)	(591,550)
Net change		(29,897,535)	(26,127,496)
Ending balance, June 30	$	113,557,568	143,455,103

(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 and Subscription-Based Information Technology Arrangements

On July 1, 2018 the Authority entered into an agreement to lease an office building. In June of 2022, the Authority reassessed the lease terms and decided to exercise the option to extend the lease agreement which will result in an increase to the lease liability. The lease asset is reported as a capital asset, net of accumulated amortization, and as a current and non-current lease liability. Both the lease asset and lease liability are reported in the Statement of Net Position. Leasehold improvements are capitalized and amortized over the remaining life of the lease term. Further disclosure for the building lease is discussed in Note 8.

As of July 1, 2022, the Authority adopted GASB 96 – Subscription-Based Information Technology Arrangements (SBITA), which provides new accounting guidance for contracts that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets for a specified period of time. The new guidance requires that these contracted arrangements be treated as a right to use asset with a corresponding subscription liability. The right to use asset is included with capital assets and may include implementation costs to be amortized over the term of the contract once placed into service. The liability is initially measured at the present value of the subscription payments expected to be made during the subscription term. The liability is included with Accounts Payable and other liabilities for the discounted payments expected to be made in the next year, the remainder is included with the other liabilities as a noncurrent liability. Further disclosures of the Authority's SBITA is available in Note 7. This change in accounting will be retroactively applied to fiscal year 2022 as discussed in Note 1 (cc).

(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 $88,173,776 and $77,568,089 during the years ended June 30, 2023 and 2022, 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 deficit of HAP funds totaled $1,797,846 as of June 30, 2023, and cumulative excess of HAP funds totaled $482,944 as of June 30, 2022. Cumulative excess administrative funds totaled $1,779,695 and $956,405 as of June 30, 2023 and 2022, 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 $247,485 and $2,759,072 during the years ended June 30, 2023 and 2022, 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 $1,233,227 and $643,458 during the years ended June 30, 2023 and 2022, respectively.

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

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

During the year ended June 30, 2022, the Coronavirus Relief Fund and Emergency Rental Assistance Programs were concluded. During the year ended June 30, 2022, the Authority received and disbursed pass-through grants totaling $134,436,582.

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

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

During the year ended June 30, 2023, the Authority disbursed Homeowner Assistance Fund grants of $140,340,960. For its support of the program, the Authority earned $3,515,520 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 accounted for as fiduciary activities and disclosed on the Authority's Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position.

(u) Cash Equivalents

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

(v) Rebatable Arbitrage

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

(w) Statements of Net Position

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

(x) Operating and Nonoperating Revenues and Expenses

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

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

The Authority reports deferred outflows of resources and deferred inflows of resources on its Statements of Net Position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period. See Note 16 for further discussion regarding deferred outflows of resources and deferred inflows of resources associated with the Authority's other postemployment benefits plan.

(z) Deferred Fees and Points on Multifamily Loans

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

(aa) Federal Grant Awards Held

There are three specific Federal programs that Virginia Housing received award funds from, Emergency Rental Assistance program, Coronavirus Relief Fund program and Homeowner Assistance Fund. As of June 30, 2023, the Emergency Rental Assistance and Coronavirus Relief Fund programs have ended and were fully disbursed. The remaining funds are from the Homeowner Assistance Fund and are received but not yet disbursed.

(bb) REACH and Grant Expenses

The Authority developed the Resources Enabling Affordable Community Housing (REACH) Virginia program to use internally generated funds to provide grants and subsidize mortgage loans to assist the elderly, disabled, homeless, and other low-income persons and increase affordable housing opportunities in the Commonwealth. The amount of REACH Virginia the Authority commits is based on the average of the Authority's change in net position, as unadjusted for the effect of Governmental Accounting Standards Board (GASB) No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, for the preceding three fiscal years then the amount disbursed as grants is added back with the result then being 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 2023, the Authority had grant expenses of $63.7 million. In fiscal year 2022, the Authority had grant expenses of $34.0 million.

(cc) New Accounting Standards and Restatement of Net Position

The authority adopted GASB Statement No. 96, Subscription Based Information Technology Arrangements, effective July 1 2022; and has applied it to the financial statements for all periods presented. GASB 96 requires that right to use information technology software alone or in combination with tangible capital assets are recognized as an asset with a corresponding subscription liability instead of being recognized as a general operating expense.

The application of GASB 96 has resulted in the cumulative adjustment to the opening balance of net position as of July 1, 2021. The cumulative effect of the implementation of GASB 96 related to subscription based information technology arrangement assets and their corresponding liability and their effect on select financial statement line items after the application at June 30, 2022 is as follows:

Statement of Net Position - June 30, 2022	As Previously Reported	Restatement/ Adjustment	As Restated
Noncurrent assets:			
Capital Assets, net of accumulated depreciation and amortization of $52,429,250	$ 21,052,033	20,882,306	41,934,339
Current Liabilities :			
Accounts payable and other liabilities	28,617,970	5,555,862	34,173,832
Noncurrent Liabilities:			
Other liabilities	8,181,856	14,743,790	22,925,646
Net Position:	$ 3,746,902,007	582,654	3,747,484,661

The following table illustrates the cumulative effect of all components due to the change in accounting principle as of June 30, 2022:

June 30, 2022, net position, as originally reported	$ 3,746,902,007
Cumulative effect of changes in accounting principle at June 30, 2022	582,654
June 30, 2022, net position, as restated	$ 3,747,484,661

The effect of implementation of GASB 96 on select statement line items of the statement of revenues, expenses, and changes in net position before and after application for the year ended June 30, 2022:

Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2022	As Previously Reported	Restatement/ Adjustment	As Restated
Operating expenses:			
General operating expenses	$ 43,022,414	(582,654)	42,439,760
Change in net position	28,469,808	582,654	29,052,462

The effect of implementation of GASB 96 on select statement line items of the statements of cash flows before and after application for the year ended June 30, 2022:

Statements of Cash Flows Year ended June 30, 2022	As Previously Reported	Restatement/ Adjustment	As Restated
Cash flows from operating activities:			
Cash payments for general operating expenses	$ (39,097,710)	7,492,726	(31,604,984)
Cash flows from capital and related financing activities:			
Lease payments	-	(797,302)	(797,302)
Subscription-based information technology payments	-	(6,695,424)	(6,695,424)
Reconciliation of operating income to net cash provided by/(used in) operating activities:			
Operating income	92,803,849	582,654	93,386,503
Amortization of right to use asset	-	6,112,770	6,112,770
Decrease in accounts payable and other liabilities	(6,936,363)	797,302	(6,139,061)
Net cash used in operating activities	$ (290,862,157)	7,492,726	(283,369,431)

(dd) Reclassifications

Certain reclassifications have been made to the investments portion of the nonoperating revenues (losses) section of the Statements of Revenues, Expenses, and Changes in Net Position June 30, 2022, financial statements to conform to the June 30, 2023, presentation, see Note 1(e).

(2) Basis of Presentation

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

(a) General Operating Accounts

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

(b) Rental Housing Bond Group

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

(c) Commonwealth Mortgage Bond Group

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

(d) Homeownership Mortgage Bond Group

The Homeownership Mortgage Bond group was established to encompass the Authority's participation in the U.S. Department of the Treasury's New Issue Bond Program, which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. The proceeds of

Homeownership Mortgage Bonds are used to purchase or make long-term mortgage loans to owner occupants of homeownership dwellings.

(3) Restricted Assets

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

Restricted assets as of June 30, 2023 and 2022 were as follows:

		June 30	
		2023	**2022**
Restricted current assets:			
Cash and cash equivalents	$	1,292,264,948	1,685,234,301
Interest receivable – investments		8,700,118	2,252,628
Derivative instruments		677,629	5,336,502
Mortgage loans held for sale		178,361,111	316,106,010
Mortgage and other loans receivable		177,437,428	185,957,091
Interest receivable – mortgage and other loans		23,719,632	23,254,858
Other real estate owned		1,823,116	1,429,581
Other assets		250,489	478,588
Total restricted current assets		1,683,234,471	2,220,049,559
Restricted noncurrent assets:			
Investments		788,528,217	1,053,615,558
Mortgage and other loans receivable		6,390,371,423	5,998,930,534
Less allowance for loan loss		74,634,846	96,143,116
Mortgage and other loans receivable, net		6,315,736,577	5,902,787,418
Net OPEB asset		503,303	7,791,339
Capital assets, net accumulated depreciation and amortization of $22,637,204 and $21,940,770 respectively		6,923,226	7,619,660
Total restricted noncurrent assets		7,111,691,323	6,971,813,975
Total restricted assets	$	8,794,925,794	9,191,863,534

(4) Mortgage and Other Loans Receivable

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

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

Commitments to fund new loans were as follows at June 30, 2023:

		Committed
Rental Housing Bond Group	$	782,252,916
Commonwealth Mortgage Bond Group		183,608,927
Total	$	965,861,843

(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, 2023 and 2022, the carrying amount of the Authority's deposits was $64,791,614 and $292,542,601, respectively. The associated bank balance of the Authority's deposits was $60,412,245 and $281,215,552 at June 30, 2023 and 2022, 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, 2023 and 2022, total cash equivalents were $1,358,202,263 and $1,533,520,642, 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, 2023, 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	$	516,582,169	-	-	-	516,582,169
Repurchase agreements		625,000,000	-	-	-	625,000,000
Asset-backed securities		-	-	170,628	1,197,732	1,368,360
Collateralized mortgage obligations		-	-	-	22,651,771	22,651,771
Agency-mortgage backed securities		-	-	325,940	765,550,505	765,876,445
Money market securities		246,067,494	-	-	-	246,067,494
Total investments	$	1,387,649,663	-	496,568	789,400,008	2,177,546,239

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

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

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

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparties to an investment will not fulfill its obligations. The Authority places emphasis on securities of high credit quality and marketability. The following table presents investment (including cash equivalents) exposure to credit risk by investment type as of June 30, 2023:

	Amount	S & P/ Moody's rating	Percentage of total investments
Agency-Mortgage Backed Securities	$ 765,876,445	Aaa	35.18 %
Repurchase Agreements	625,000,000	BBB-	28.71
US Government & Agency	516,245,969	P-1	23.71
Money Market Securities	241,701,208	P-1	11.10
Collateralized Mortgage Obligation	22,651,771	Aaa	1.04
Money Market Securities	4,000,000	NR	0.18
Asset-Backed Securities	1,053,589	Ca	0.04
Money Market Securities	366,286	Aaa-mf	0.01
Asset-Backed Securities	241,467	WR	0.01
Asset-Backed Securities	46,663	Aa2	0.01
Asset-Backed Securities	26,641	A1	0.01
Total investments	$ 2,177,210,039		100.00 %

The following table presents investment (including cash equivalents but excludes equity investments) exposure to credit risk by investment type as of June 30, 2022:

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

(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, 2023 and 2022:

		June 30, 2023	
Investment	**S&P/Moody's rating**	**Amount**	**Percentage of total investments**
Agency-Mortgage Backed Securities			
GNMA	Aaa	$ 654,724,672	30.1%
FNMA	Aaa	111,151,773	5.1%
Repurchase Agreements			
Cantor Fitzgerald	BBB-	425,000,000	19.5%
Jefferies	Baa2	200,000,000	9.2%
Money Market Securities			
US Bank Commercial Paper	P-1	143,968,623	6.6%
		$ 1,534,845,068	70.5%

Investment	S&P/Moody's rating		June 30, 2022 Amount	June 30, 2022 Percentage of total investments
Agency-Mortgage Backed Securities				
GNMA	Aaa	$	827,103,061	32.2%
FNMA			200,232,204	7.5%
Repurchase Agreements				
Cantor Fitzgerald	BBB-		625,000,000	24.2%
Money Market Securities				
US Bank Commercial Paper	P-1		220,850,895	8.5%
		$	1,873,186,160	64.9%

(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, 2023 and 2022:

Investment		Amount as of June 30, 2023	Amount as of June 30, 2022
Asset Backed Securities - Held by US Bank	$	1,368,360	1,799,158
Money Market Securities - Held by Broker-Dealer		246,067,494	324,937,181
	$	247,435,854	326,736,339

(e) Fair Value Hierarchy

As of June 30, 2023, 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, 2023**	**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	$ 765,876,445	-	765,876,445	-
Asset-backed securities	1,368,360	-	1,368,360	-
Collateralized mortgage obligations	22,651,771	-	22,651,771	-
Total investments	$ 789,896,576	-	789,896,576	-

As of June 30, 2022, the Authority had the following investments (excluding cash equivalents but excludes equity investments) measured using the following fair value hierarchy categories:

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

(f) Equity Investment

On January 31, 2021, the Authority made an equity investment in IndieDwell Virginia Inc. for $1.5 million, which equated to a 37.5 percent interest in the company. As of June 30, 2022, the equity investment had a fair market value of $1.1 million. As of June 30, 2023, the equity investment has been fully dissolved.

(6) Capital Assets

Activity in the capital assets' accounts for the year ended June 30, 2023 was as follows:

		Balance June 30, 2022 (as restated)	Additions	Disposals	Transfers	Balance June 30, 2023
Land	$	2,935,815	-	-	-	2,935,815
Construction in process		1,254,746	473,519	-	(1,718,345)	9,920
Building		38,336,738	91,983	-	-	38,428,721
Leased Building		5,108,970	-	-	-	5,108,970
Right-to-Use assets		34,060,497	4,690,333	(2,314,670)	-	36,436,160
Furniture and equipment		25,191,033	203,401	(4,942,930)	532,627	20,984,131
Motor vehicles		653,981	89,506	-	-	743,487
	$	107,541,780	5,548,742	(7,257,600)	(1,185,718)	104,647,204

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2023 was as follows:

		Balance June 30, 2022 (as restated)	Additions	Disposals	Transfers	Balance June 30, 2023
Building	$	(26,778,287)	(1,319,569)	-	-	(28,097,856)
Leased Building		(2,773,844)	(755,605)	-	-	(3,529,449)
Right-to-Use assets		(13,178,191)	(6,497,427)	2,314,670	-	(17,360,948)
Furniture and equipment		(22,323,142)	(2,262,310)	4,942,930	-	(19,642,522)
Motor vehicles		(553,977)	(62,081)	-	-	(616,058)
	$	(65,607,441)	(10,896,992)	7,257,600	-	(69,246,833)

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

		Balance June 30, 2021	Additions	Disposals	Transfers	Balance June 30, 2022 (as restated)
Land	$	2,935,815	-	-	-	2,935,815
Construction in process		1,399,746	69,029	-	(214,029)	1,254,746
Building		38,261,618	75,120	-	-	38,336,738
Leased Building		3,587,582	1,521,388	-	-	5,108,970
Right-to-Use assets		33,432,199	628,298	-	-	34,060,497
Furniture and equipment		24,717,037	261,285	(1,318)	214,029	25,191,033
Motor vehicles		769,323	-	(115,342)	-	653,981
	$	105,103,320	2,555,120	(116,660)	-	107,541,780

(Continued)

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

		Balance June 30, 2021	Additions	Disposals	Transfers	Balance June 30, 2022 (as restated)
Building	$	(25,472,598)	(1,305,689)	-	-	(26,778,287)
Leased Building		(2,078,504)	(695,340)	-	-	(2,773,844)
Right-to-Use assets		(7,065,421)	(6,112,770)	-	-	(13,178,191)
Furniture and equipment		(20,023,959)	(2,300,501)	1,318	-	(22,323,142)
Motor vehicles		(615,899)	(53,420)	115,342	-	(553,977)
	$	(55,256,381)	(10,467,720)	116,660	-	(65,607,441)

(7) Subscription Based Information Technology Arrangements (SBITA)

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Implementation of this standard requires that these arrangements be treated as capital assets instead of expensed.

The Authority reviewed all active contracts and subscription arrangements to verify the ones that meet the criteria for being a SBITA. During the evaluation the Authority determined a materiality threshold of $15,000 was appropriate to use as a cutoff for arrangements that would create a financial impact. The contracts and arrangements identified as SBITA's for the Authority ranged from software based systems used in the processing of mortgage loans, mortgage payments, internal learning applications, construction management and human resources software. The liability was calculated using the present value of future payments using a discount rate based on the incremental borrowing rate of the debt.

As of June 30, 2023 the Authority had right to use assets of $36,436,160 with accumulated amortization of $17,360,948. At June 30, 2022 the Authority had right to use assets of $34,060,497 with accumulated amortization of $13,178,191, as restated. The associated liabilities of the right to use assets were broken out into two categories current and noncurrent. As of June 30, 2023 the current and noncurrent SBITA liability was $6,273,455 and $11,350,884, respectively. At June 30, 2022 the current and noncurrent SBITA liability was $5,555,863 and $14,743,790, respectively.

The principal payments by division as of July 1, 2023 and thereafter is as follows:

Division		6/30/2024	6/30/2025	6/30/2026	6/30/2027	6/30/2028	6/30/2033
Homeownership	$	2,956,478	2,048,717	2,068,618	2,103,009	2,137,973	901,280
Operations		2,251,231	1,214,497	51,831	13,269	-	-
Rental Housing		1,065,746	704,245	107,445	-	-	-
Total	$	6,273,455	3,967,459	2,227,894	2,116,278	2,137,973	901,280

The associated interest by vendor as of July 1, 2023 and thereafter is as follows:

Division		6/30/2024	6/30/2025	6/30/2026	6/30/2027	6/30/2028	6/30/2033
Homeownership	$	180,787	137,282	103,382	68,991	34,027	3,721
Operations		99,388	38,333	1,581	84	-	-
Rental Housing		37,823	12,484	955	-	-	-
Total	$	317,998	188,099	105,918	69,075	34,027	3,721

(8) Leases

On July 1, 2018 the Authority entered into an agreement to lease an office building. The lease term is 5 years, with two options to renew at one year each. In June of 2022, the Authority reassessed the terms of the lease and decided to exercise the option to extend the lease agreement which will resulted in an increase to the lease liability. In February of 2023, the Authority exercised its right to renew the lease for an additional year. Annual rent expense for year ended June 30, 2023, is $800,479. As of June 30, 2023, the book value of the leased asset is $1,572,003 net of accumulated amortization of $3,386,641 and excludes the effects of leasehold improvements. The carrying amount of leasehold improvements as of June 30, 2023 are $7,516.

The principal payment obligations and associated interest related to the building lease commencing July 1, 2023 and thereafter are as follows:

Year ending June 30		Principal	Interest	Total
2024	$	760,802	48,686	809,488
2025		808,970	20,756	829,726
2026		141,115	630	141,745
Total	$	1,710,887	70,072	1,780,959

(9) Notes and Bonds Payable

Notes and bonds payable at June 30, 2022 and June 30, 2023 and changes for the year ended June 30, 2023 were as follows:

Description		Balance at June 30, 2022	Issued	Retired	Balance at June 30, 2023
			(Amounts shown in thousands)		
General operating accounts:					
Revolving line of credit:					
Bank of America					
floating daily rate (rate of 5.17% at June 30, 2023) termination date of December 1, 2026	$	—	155,000	155,000	—
Federal Home Loan Bank					
varying fixed rate notes with 14 to 180-day maturities (average of 5.23% as of June 30, 2023 and 1.28% at June 30, 2022), maturities range from July 05, 2023 to July 27, 2023		710,300	—	310,300	400,000
Total general operating accounts	$	710,300	155,000	465,300	400,000

Description		Balance at June 30, 2022	Issued	Retired	Balance at June 30, 2023
			(Amounts shown in thousands)		
Rental housing bond group:					
2012 Series D dated October 30, 2012, 4.15% effective interest rate, final due date October 1, 2042	$	121,810	—	5,760	116,050
2012 Series E dated November 2, 2013, 3.16% effective interest rate, final due date November 1, 2042		8,590	—	290	8,300
2013 Series A/B dated April 11, 2013, 3.95% effective interest rate, final due date April 1, 2043		27,575	—	935	26,640
2013 Series C dated May 2, 2013, 3.82% effective interest rate, final due date February 1, 2043		131,440	—	4,525	126,915
2013 Series D dated May 30, 2013, 4.06% effective interest rate, final due date June 1, 2043		91,810	—	2,890	88,920
2013 Series E dated July 11, 2013, 4.15% effective interest rate, final due date July 1, 2043		17,405	—	550	16,855
2013 Series F dated October 10, 2013, 4.98% effective interest rate, final due date October 1, 2043		50,490	—	1,360	49,130
2013 Series G dated December 3, 2013, 4.39% effective interest rate, final due date December 1, 2043		8,920	—	250	8,670
2014 Series A dated August 19, 2014, 3.75% effective interest rate, final due date August 1, 2049		11,390	—	240	11,150
2014 Series B dated October 28, 2014, 3.30% effective interest rate, final due date October 1, 2044		7,695	—	230	7,465
2014 Series C dated November 20, 2014, 4.29% effective interest rate, final due date November 1, 2044		114,420	—	3,265	111,155
2015 Series A dated March 18, 2015, 3.50% effective interest rate, final due date March 1, 2045		33,865	—	1,010	32,855
2015 Series B dated May 12, 2015, 3.44% effective interest rate, final due date May 1, 2045		10,065	—	305	9,760
2015 Series C dated August 5, 2015, 3.68% effective interest rate, final due date August 1, 2045		20,055	—	580	19,475
2015 Series D dated November 10, 2015, 3.55% effective interest rate, final due date November 1, 2045		30,935	—	900	30,035
2015 Series E/F dated December 8, 2015, 3.94% effective interest rate, final due date December 1, 2045		73,530	—	1,960	71,570

Description	Balance at June 30, 2022	Issued	Retired	Balance at June 30, 2023
		(Amounts shown in thousands)		
2016 Series A dated March 8, 2016, 2.99% effective interest rate, final due date March 1, 2046	$ 4,250	—	125	4,125
2016 Series B dated May 17, 2016, 3.35% effective interest rate, final due date May 1, 2046	62,065	—	1,835	60,230
2016 Series C dated July 19, 2016, 2.72% effective interest rate, final due date July 1, 2046	4,215	—	120	4,095
2016 Series D dated October 18, 2016, 2.89% effective interest rate, final due date October 1, 2046	7,160	—	210	6,950
2017 Series A dated March 14, 2017, 3.66% effective interest rate, final due date March 1, 2049	26,170	—	615	25,555
2017 Series B dated June 13, 2017, 3.35% effective interest rate, final due date June 1, 2047	6,375	—	175	6,200
2017 Series C dated September 13, 2017, 3.24% effective interest rate, final due date September 1, 2047	2,685	—	75	2,610
2017 Series D dated October 19, 2017, 3.21% effective interest rate, final due date October 1, 2047	5,250	—	145	5,105
2017 Series E dated December 5, 2017, 3.28% effective interest rate, final due date December 1, 2050	45,875	—	1,070	44,805
2018 Series A dated March 27, 2018, 3.62% effective interest rate, final due date March 1, 2053	32,340	—	690	31,650
2018 Series B dated June 5, 2018, 3.76% effective interest rate, final due date June 1, 2053	26,270	—	525	25,745
2018 Series C dated August 28, 2018, 3.63% effective interest rate, final due date August 1, 2053	18,405	—	340	18,065
2018 Series D dated October 2, 2018, 3.79% effective interest rate, final due date October 1, 2053	71,105	—	1,325	69,780
2018 Series E dated December 4, 2018, 3.90% effective interest rate, final due date December 1, 2049	42,090	—	7,610	34,480
2019 Series A dated March 26, 2019, 3.70% effective interest rate, final due date March 1, 2054	62,405	—	2,135	60,270
2019 Series B dated May 22, 2019, 3.10% effective interest rate, final due date May 1, 2054	16,620	—	330	16,290

Description	Balance at June 30, 2022	Issued	Retired	Balance at June 30, 2023
		(Amounts shown in thousands)		
2019 Series C dated August 21, 2019 3.13% effective interest rate, final due date August 1, 2054	$ 49,575	—	875	48,700
2019 Series D dated October 16, 2019 3.12% effective interest rate, final due date October 1, 2054	49,570	—	890	48,680
2019 Series E dated December 12, 2019 3.00% effective interest rate, final due date December 1, 2054	63,700	—	6,810	56,890
2020 Series A dated March 25, 2020 2.74% effective interest rate, final due date March 1, 2055	74,300	—	1,430	72,870
2020 Series B dated March 25, 2020 2.38% effective interest rate, final due date March 1, 2055	75,905	—	8,620	67,285
2020 Series C dated April 28, 2020 3.57% effective interest rate, final due date April 1, 2055	200,000	—	8,360	191,640
2020 Series D dated May 27, 2020 3.58% effective interest rate, final due date June 1, 2055	425,000	—	1,410	423,590
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 2.29% effective interest rate, final due date September 1, 2055	23,050	—	1,630	21,420
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 2.23% effective interest rate, final due date March 1, 2056	49,975	—	3,900	46,075
2021 Series C dated April 22, 2021 2.85% effective interest rate, final due date April 1, 2056	101,620	—	1,370	100,250
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	—	1,900	78,100

Description		Balance at June 30, 2022	Issued	Retired	Balance at June 30, 2023
			(Amounts shown in thousands)		
2021 Series F dated July 27, 2021 2.17% effective interest rate, final due date July 1, 2056	$	50,000	—	—	50,000
2021 Series G dated July 27, 2021 2.56% effective interest rate, final due date August 1, 2056		30,000	—	—	30,000
2021 Series H dated September 2, 2021 2.58% effective interest rate, final due date September 1, 2056		30,000	—	—	30,000
2021 Series I dated October 12, 2021 2.23% effective interest rate, final due date October 1, 2056		5,925	—	—	5,925
2021 Series J dated November 9, 2021 2.98% effective interest rate, final due date November 1, 2056		226,630	—	—	226,630
2021 Series K dated December 7, 2021 2.39% effective interest rate, final due date December 1, 2056		149,080	—	—	149,080
2022 Series A dated February 2, 2022 2.95% effective interest rate, final due date February 1, 2057		40,000	—	—	40,000
2022 Series B dated March 8, 2022 3.12% effective interest rate, final due date March 1, 2057		57,755	—	—	57,755
2022 Series C dated March 29, 2022 3.91% effective interest rate, final due date April 1, 2057		50,000	—	—	50,000
2022 Series D dated May 3, 2022 3.91% effective interest rate, final due date May 1, 2057		23,425	—	—	23,425
2022 Series E dated June 30, 2022 4.12% effective interest rate, final due date June 1, 2057		41,750	—	—	41,750
2022 Series F dated October 5, 2022 4.81% effective interest rate, final due date October 1, 2057		—	59,210	—	59,210
2022 Series G dated November 30, 2022 5.03% effective interest rate, final due date November 1, 2064		—	95,100	—	95,100
2023 Series A dated February 9, 2023 5.28% effective interest rate, final due date February 1, 2066		—	60,000	—	60,000
2023 Series B dated March 8, 2023 4.65% effective interest rate, final due date March 1, 2065		—	40,250	—	40,250
2023 Series C dated June 1, 2023 4.21% effective interest rate, final due date May 1, 2060		—	7,850	—	7,850
		3,719,060	262,410	79,570	3,901,900
Unamortized premium		(493)	-	(287)	(780)
Total rental housing bonds	$	3,718,567			3,901,120

Description	Balance at June 30, 2022	Issued	Retired	Balance at June 30, 2023
		(Amounts shown in thousands)		
Commonwealth mortgage bonds group:				
2006 Series C, dated June 8, 2006, 6.38% effective interest rate, final due date June 25, 2034	$ 5,259	—	689	4,570
2008 Series A, dated March 25, 2008, 6.13% effective interest rate, final due March 25, 2038	6,266	—	6,266	—
2008 Series B, dated April 10, 2008, 6.22% effective interest rate, final due date March 25, 2038	9,757	—	1,470	8,287
2008 Series C, dated November 18, 2008, 6.58% effective interest rate, final due date June 25, 2038	4,065	—	579	3,486
2012 Series A, dated December 20, 2012, 2.10% effective interest rate, final due date July 1, 2026	36,400	—	8,000	28,400
2012 Series B/C, dated December 20, 2012, 3.09% effective interest rate, final due date July 1, 2039.	215,370	—	11,200	204,170
2013 Series B, dated May 21, 2013, 2.75% effective interest rate, final due date April 25, 2042	18,781	—	2,225	16,556
2013 Series C, dated October 24, 2013, 4.25% effective interest rate, final due date October 25, 2043	22,367	—	3,638	18,729
2013 Series D, dated December 19, 2013, 4.30% effective interest rate, final due date December 25, 2043	20,931	—	3,048	17,883
2014 Series A, dated December 11, 2014, 3.50% effective interest rate, final due date October 25, 2037	32,296	—	4,425	27,871

Description		Balance at June 30, 2022	Issued	Retired	Balance at June 30, 2023
			(Amounts shown in thousands)		
2015 Series A, dated November 10, 2015, 3.25% effective interest rate, final due date June 25, 2042	$	51,276	—	7,081	44,195
2016 Series A, dated June 9, 2016, 3.10% effective interest rate, final due date June 25, 2041		48,571	—	5,481	43,090
2017 Series A, dated June 13, 2017, 3.13% effective interest rate, final due date November 25, 2039		58,212	—	7,284	50,928
2019 Series A, dated November 5, 2019, 2.95% effective interest rate, final due date October 25, 2049		51,158	—	4,652	46,506
2020 Series A, dated February 12, 2020, 2.85% effective interest rate, final due date December 25, 2049		67,937	—	6,616	61,321
2020 Series B, dated April 21, 2020, 2.75% effective interest rate, final due date October 25, 2046		85,389	—	9,415	75,974
2021 Series A, dated August 17, 2021, 2.13% effective interest rate, final due date July 25, 2051		143,911	—	9,728	134,183
2022 Series A, dated February 1, 2022, 2.88% effective interest rate, final due date February 25, 2052		41,048	—	1,896	39,152
		918,994	—	93,693	825,301
Unamortized premium		(396)	-	107	(289)
Total commonwealth mortgage bonds group	$	918,598			825,012

Description		Balance at June 30, 2022	Issued	Retired	Balance at June 30, 2023
			(Amounts shown in thousands)		
Homeownership mortgage bonds group:					
2013 Series A, dated March 27, 2013, 3.25% effective interest rate, final due date August 25, 2042	$	42,634	—	5,051	37,583
Total homeownership mortgage bonds group		42,634	—	5,051	37,583
Total	$	5,390,099			5,163,715

Notes and bonds payable at June 30, 2022 and June 30, 2023 and changes for the year ended June 30, 2023 were summarized as follows (amounts in thousands):

Description		Balance at June 30, 2022	Increases	Decreases	Balance at June 30, 2023	Due within one year
Notes from direct borrowings	$	710,300	155,000	465,300	400,000	400,000
Rental housing bonds group		3,718,567	262,410	79,857	3,901,120	85,750
Commonwealth mortgage bonds group		918,598	-	93,586	825,012	40,770
Homeownership mortgage bonds group		42,634	-	5,051	37,583	1,471
Total	$	5,390,099	417,410	643,794	5,163,715	527,991

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

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

Current and noncurrent amounts of notes and bonds payable at June 30, 2023 and 2022 were as follows:

		June 30	
		2023	**2022**
Notes and bonds payable - current	$	527,991,788	816,748,847
Bonds payable - noncurrent		4,635,722,972	4,573,350,313
Total	$	5,163,714,760	5,390,099,160

From time to time, the Authority has participated in refunding, 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, 2023 and 2022. The Authority had redemptions of $16,190,000 and $337,420,000 during the years ended June 30, 2023 and 2022, 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, 2023 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**
2024	$	120,321,788	141,935,347	407,670,000	29,316,227	699,243,362
2025		124,370,000	139,263,549	7,930,000	8,083,470	279,647,019
2026		104,470,000	137,039,762	8,210,000	7,770,205	257,489,967
2027		121,935,000	134,301,378	8,490,000	7,445,936	272,172,314
2028		105,685,000	131,479,886	8,780,000	7,110,661	253,055,547
2029-2033		547,690,000	613,929,496	48,670,000	30,102,429	1,240,391,925
2034-2038		629,707,587	525,511,469	57,680,000	19,794,889	1,232,693,945
2039-2043		789,735,009	409,169,040	68,405,000	7,568,934	1,274,877,983
2044-2048		743,605,540	266,531,093	-	-	1,010,136,633
2049-2053		879,679,641	142,035,299	-	-	1,021,714,940
2054-2058		328,325,000	29,579,991	-	-	357,904,991
2059-2063		33,850,000	6,268,755	-	-	40,118,755
2064-2068		19,575,000	1,173,434	-	-	20,748,434
Total	$	4,548,949,565	2,678,218,499	615,835,000	117,192,751	7,960,195,815

The principal payment obligations related to all note and bond indebtedness (excluding the effect of unamortized discounts and premium) commencing July 1, 2023 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
2024	$ 400,000,000	78,080,000	7,670,000	40,770,451	1,471,337	527,991,788
2025	-	104,970,000	7,930,000	19,400,000	-	132,300,000
2026	-	88,370,000	8,210,000	16,100,000	-	112,680,000
2027	-	105,665,000	8,490,000	16,270,000	-	130,425,000
2028	-	89,485,000	8,780,000	16,200,000	-	114,465,000
2029-2033	-	477,690,000	48,670,000	70,000,000	-	596,360,000
2034-2038	-	552,135,000	57,680,000	77,572,587	-	687,387,587
2039-2043	-	594,215,000	68,405,000	159,407,979	36,112,030	858,140,009
2044-2048	-	609,320,000	-	134,285,540	-	743,605,540
2049-2053	-	604,385,000	-	275,294,641	-	879,679,641
2054-2058	-	328,325,000	-	-	-	328,325,000
2059-2063	-	33,850,000	-	-	-	33,850,000
2064-2068	-	19,575,000	-	-	-	19,575,000
Total	$ 400,000,000	3,686,065,000	215,835,000	825,301,198	37,583,367	5,164,784,565

The associated interest related to all note and bond indebtedness commencing July 1, 2023 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
2024	$ 20,930,000	115,362,997	8,386,227	25,347,039	1,225,311	171,251,574
2025	-	114,088,408	8,083,470	24,001,500	1,173,641	147,347,019
2026	-	112,367,558	7,770,205	23,498,563	1,173,641	144,809,967
2027	-	110,136,134	7,445,935	22,991,604	1,173,641	141,747,314
2028	-	107,722,202	7,110,661	22,584,043	1,173,641	138,590,547
2029-2033	-	502,047,452	30,102,429	106,013,839	5,868,205	644,031,925
2034-2038	-	424,617,054	19,794,889	95,026,210	5,868,205	545,306,358
2039-2043	-	329,146,202	7,568,935	75,054,423	4,968,414	416,737,974
2044-2048	-	223,259,858	-	43,271,235	-	266,531,093
2049-2053	-	122,560,615	-	19,474,684	-	142,035,299
2054-2058	-	29,579,991	-	-	-	29,579,991
2059-2063	-	6,268,755	-	-	-	6,268,755
2064-2068	-	1,173,434	-	-	-	1,173,434
Total	$ 20,930,000	2,198,330,660	96,262,751	457,263,140	22,624,699	2,795,411,250

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 BSBY rate for deposits with one month maturity plus a margin ranging from 30 to 105 basis points per annum based upon the Authority’s long-term credit ratings. On October 28, 2021 the agreement was amended to update the applicable margin, facility fee rate and define a new expiration date. Under the terms of this agreement, applicable margin and facility fee will range from 75 to 110 basis points and 22.5 to 27.5 respectively, per annum based upon the Authority’s long term credit ratings. As of June 30, 2022, the borrowing rate was 1.60%; however, there was no outstanding balance as of June 30, 2023. 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, 2023, there was $452.9 million in mortgage backed securities pledged to FHLB Atlanta. As of June 30, 2022, there was $787.9 million in mortgage backed securities pledged to FHLB Atlanta. Interest on any advance can be charged either under a floating daily rate or a fixed rate with a stated maturity not to exceed either one year for daily rate or twenty years for fixed rate loans. As of June 30, 2023 there were four 30 day fixed rate borrowings: one for a total of $100.0 million at 5.19%, one for a total of $100.0 million at 5.21%, one for a total of $100.0 million at 5.24% and one for a total of $100.0 million at 5.29%. The Authority is in compliance with all debt covenant requirements. At June 30, 2023 and 2022, there was $400.0 million outstanding.

(10) 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, 2022	Issued	Retired	Balance at June 30, 2023
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	$ 2,744,589	—	59,595	2,684,994
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	7,119,941	—	157,531	6,962,410
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	5,231,730	—	90,998	5,140,732
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	6,489,274	—	207,894	6,281,380
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	3,505,695	—	73,799	3,431,896
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	2,305,525	—	48,534	2,256,991
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	4,210,652	—	93,027	4,117,625
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	3,217,127	—	71,077	3,146,050
Total participation certificates payable	$ 34,824,533	—	802,455	34,022,078

(11) 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 17). The Authority invests these funds and, for project reserves, allows earnings to accrue to the benefit of the mortgagor.

At June 30, 2023 and 2022, these escrows and project reserves were presented in the Authority's Statements of Net Position as follows:

		June 30 2023	June 30 2022
Escrow - current	$	30,571,911	29,578,957
Project reserves - noncurrent		113,844,901	105,053,442
Total	$	144,416,812	134,632,399

(12) 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, 2023 were as follows:

Counterparty rating	Count		Par	Concentration		Notional amount		Fair value		Fair value asset (liability)
A-1+/AA+	3	$	29,000,000	11.0%	$	29,460,313	$	29,345,625	$	114,688
A-1/A+	18		66,700,000	25.4%		67,307,703		67,200,234		107,469
A-1/A+	15		60,600,000	23.0%		61,276,418		61,086,625		189,793
A-1/A+	8		56,000,000	21.3%		56,674,844		56,477,188		197,656
A-1/A+	9		37,500,000	14.3%		38,070,000		38,042,266		27,734
A-2/BBB+	2		9,000,000	3.4%		9,142,344		9,108,125		34,219
A-2/BBB+	1		4,200,000	1.6%		4,240,851		4,234,781		6,070
	56	$	263,000,000	100.0%	$	266,172,473	$	265,494,844	$	677,629

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

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

(13) 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, 2023 and 2022.

(14) 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, 2023 and 2022, 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.

(15) 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, 2023 and 2022 was $5,864,356 and $5,205,447, 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, 2023 and 2022, included in other liabilities is an employee compensated absences accrual of $6,665,265 and $6,340,847, respectively (Note 17).

(16) 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, 2023, participants in the Plan consisted of the following:

Active employees	484
Inactive plan members (retirees) receiving benefits	58
Total Participants	542

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 5.0% to 6.0% of covered payroll. For the years ended December 31, 2022 and December 31, 2021, the Authority's contributions to the Plan were $2,958,503 and $2,279,584, respectively. At June 30, 2023 and June 30, 2022, the Authority reported no outstanding amount of contributions to the Plan required for the years ended December 31, 2022 and December 31, 2021.

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

For the years ended June 30, 2023 and June 30, 2022, the Authority recognized OPEB expense of $2,748,750 and $420,865, respectively. At June 30, 2023, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

Year ending June 30, 2023		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	6,130,868	941,509
Net difference between projected and actual earnings on OPEB Plan investments		3,213,143	-
Change in assumptions		1,914,127	586,871
Total	$	11,258,138	1,528,380

At June 30, 2022, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2023 will be recognized in OPEB expense as follows:

Year ended June 30, 2023		
2024	$	656,913
2025		1,559,718
2026		1,835,025
2027		2,751,231
2028		897,436
Thereafter		2,029,435
	$	9,729,758

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

(d) Actuarial Assumptions

The Authority's net OPEB liability (asset) was measured as of December 31, 2022 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2023.

The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	January 1, 2023
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 2023 grading down to 5.20 percent over 2 years and following the Getzen model thereafter to an ultimate rate of 3.94 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:	$23,169	$21,107

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

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

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

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

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

The assumptions were updated in the January 1, 2023 valuation to reflect the following changes:

The medical trend was updated to 6.25% in 2023 grading down to 5.20% over 2 years and following the Getzen model thereafter to an ultimate trend of 3.94% in 2075.

(e) Net OPEB Liability (Asset) at June 30, 2023 and June 30, 2022

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

As of June 30, 2023, the NOA amounts are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balances at December 31, 2021	$ 45,708,813	53,500,152	(7,791,339)
Changes for the year:			
Service cost	1,868,469	-	1,868,469
Interest	2,567,248	-	2,567,248
Differences between expected and actual experience	(907,474)	-	(907,474)
Change of assumptions	331,586	-	331,586
Contributions - employer	-	2,958,503	(2,958,503)
Net investment income	-	(6,208,512)	6,208,512
Benefit (payments)/refunds	(900,052)	(900,052)	-
Administrative expenses	-	(178,198)	178,198
Net Changes	2,959,777	(4,328,259)	7,288,036
Balances at December 31, 2022	$ 48,668,590	49,171,893	(503,303)

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

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

(f) Long-Term Expected Rate of Return

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

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

(g) Discount Rate

The discount rate used to measure the total OPEB liability was 5.5% as of December 31, 2022 and 2021. 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, 2023, 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, 2022		1% Decrease	Current	1% Increase
		4.50%	5.50%	6.50%
Net OPEB liability (asset)	$	7,382,088	(503,303)	(6,877,378)

As of June 30, 2022, the net OPEB liability (asset) of the Authority is as follows:

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

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

The following represents the June 30, 2023 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, 2022		1% Decrease	Current	1% Increase
		5.25% decreasing to 4.20% over 2 years	6.25% decreasing to 5.20% over 2 years	7.25% decreasing to 6.20% over 2 years
Net OPEB liability (asset)	$	(7,371,804)	(503,303)	8,117,985

As of June 30, 2022, sensitivity of the Authority's Net OPEB liability (asset) to changes in health care trends are as follows:

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

(17) Other Long-Term Liabilities

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2023 was as follows:

		Balance at June 30, 2022 (as restated)	**Additions**	**Decreases**	**Balance at June 30, 2023**
Project reserves	$	105,053,442	57,934,203	49,142,744	113,844,901
Other liabilities		16,584,799	584,579	4,906,870	12,262,508
Compensated absences payable		6,340,847	5,416,133	5,091,715	6,665,265
	$	127,979,088	63,934,915	59,141,329	132,772,674

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

		Balance at June 30, 2021	**Additions**	**Decreases**	**Balance at June 30, 2022 (as restated)**
Project reserves	$	112,923,300	23,323,580	31,193,438	105,053,442
Other liabilities		20,140,171	4,075,057	7,630,429	16,584,799
Compensated absences payable		5,906,027	4,827,745	4,392,925	6,340,847
	$	138,969,498	32,226,382	43,216,792	127,979,088

(18) 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, 2023 and 2022, 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.

Homeownership loans		Year ended June 30, 2023	2022
Aggregated recorded balance	$	246,161,375	149,357,828
Number of loans		1,789	1,168
Gross interest revenue if loans had been current		8,677,821	5,002,136
Interest revenue included in changes in net position		7,543,275	4,241,494

Rental housing loans		Year ended June 30, 2023	2022
Aggregated recorded balance	$	10,381,051	10,401,504
Number of loans		11	10
Gross interest revenue if loans had been current		879,675	882,118
Interest revenue included in changes in net position		339,969	348,655

(19) 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.

(20) Subsequent Events

In addition to scheduled issuances and redemptions, the Authority made issuances and redemptions of notes and bonds payable subsequent to June 30, 2023, as follows:

	Settlement/ Redemption date		Amount
Issues:			
Rental Housing Bond 2023 Series D Non-AMT	7/11/2023	$	110,895,000
Redemptions:			
Rental Housing Bond 2020 Series B Non-AMT	10/2/2023	$	1,700,000

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 6 Calendar Years

		2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service Cost	$	1,868,469	1,617,167	1,554,370	1,045,841	984,232	675,928
Interest		2,567,248	2,324,671	2,160,751	1,753,636	1,608,746	1,419,341
Differences between expected and actual experience		(907,474)	974,668	5,059,834	1,262,503	1,320,653	(228,449)
Changes of assumptions		331,586	142,726	(237,815)	(641,942)	370,909	2,830,950
Benefit payments		(900,052)	(797,549)	(727,928)	(640,795)	(630,078)	(519,345)
Net change in Total OPEB Liability		2,959,777	4,261,683	7,809,212	2,779,243	3,654,462	4,178,425
Total OPEB Liability - beginning		45,708,813	41,447,130	33,637,918	30,858,675	27,204,213	23,025,788
Total OPEB Liability - ending	$	48,668,590	45,708,813	41,447,130	33,637,918	30,858,675	27,204,213
Plan Fiduciary Net Position							
Contributions - employer	$	2,958,503	2,279,584	2,168,014	2,111,960	1,952,210	1,758,037
Net investment income		(6,208,512)	7,153,202	3,649,755	6,362,793	(865,732)	3,717,204
Benefit payments		(900,052)	(797,549)	(727,928)	(640,795)	(630,078)	(519,345)
Administrative expenses		(178,198)	(97,663)	(127,067)	(172,177)	(186,925)	(117,278)
Net change in Plan Fiduciary Net Position		(4,328,259)	8,537,574	4,962,774	7,661,781	269,475	4,838,618
Plan Fiduciary Net Position - beginning		53,500,152	44,962,578	39,999,804	32,338,023	32,068,548	27,229,930
Plan Fiduciary Net Position - ending	$	49,171,893	53,500,152	44,962,578	39,999,804	32,338,023	32,068,548
Net OPEB Liability (Asset) - ending		(503,303)	(7,791,339)	(3,515,448)	(6,361,886)	(1,479,348)	(4,864,335)
Plan Fiduciary Net Position as a % of the Total OPEB Liability		101.0%	117.0%	108.5%	118.9%	104.8%	117.9%
Covered-employee payroll	$	52,161,378	46,693,627	42,735,350	41,987,414	37,467,939	33,966,194
Net OPEB Liability as a % of covered-employee payroll		-1.0%	-16.7%	-8.2%	-15.2%	-3.9%	-14.3%

See accompanying independent auditors' report.

(1) This schedule should present 10 years of data; however, the information prior to 2017 is not readily available.
(2) There were no changes in benefit terms for years ended 2022 through 2017.
(3) Assumptions for year ended 2022 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 6 Calendar Years

		2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$	1,415,861	-	1,310,144	555,921	890,416	297,975
Contributions in relation to the actuarially determined contribution		2,958,503	2,279,584	2,168,014	2,111,960	1,952,210	1,758,037
Contribution deficiency (excess)	$	(1,542,642)	(2,279,584)	(857,870)	(1,556,039)	(1,061,794)	(1,460,062)
Covered-employee payroll	$	52,161,378	46,693,627	42,735,350	41,987,414	37,467,939	33,966,194
Contributions as a % of covered-employee payroll		5.7%	4.9%	5.1%	5.0%	5.2%	5.2%

See accompanying independent auditors' report.

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

(2) Contributions made to the Plan in 2022 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, 2023 using the following actuarial assumptions as discussed in Note 15:

Valuation Date	January 1, 2023
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 2023 grading down to 5.20 percent over 2 years and following the Getzen model thereafter to an ultimate rate of 3.94 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:	$23,169	$21,107

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, 2023

Assets		**General Operating Accounts**	**Rental Housing Bond Group**	**Commonwealth Mortgage Bond Group**	**Home-ownership Bond Group**	**Total**
Current assets:						
Cash and cash equivalents	$	227,575,473	885,465,398	277,207,159	32,745,847	1,422,993,877
Investments		29,447,400	-	-	-	29,447,400
Interest receivable – investments		2,459,646	5,633,458	2,869,342	188,495	11,150,941
Derivative instruments		-	-	677,629	-	677,629
Mortgage loans held for sale		-	-	178,361,111	-	178,361,111
Mortgage and other loans receivable, net		9,542,442	105,327,034	67,986,470	4,123,924	186,979,870
Interest receivable – mortgage and other loans		939,434	18,173,810	5,145,185	285,834	24,544,263
Other real estate owned		3,235,992	427,000	1,313,116	83,000	5,059,108
Other assets		18,832,970	-	15,667	-	18,848,637
Total current assets		292,033,357	1,015,026,700	533,575,679	37,427,100	1,878,062,836
Noncurrent assets:						
Investments		475,011,074	-	314,885,502	-	789,896,576
Mortgage and other loans receivable		359,948,629	4,683,226,018	1,572,330,145	100,793,184	6,716,297,976
Less allowance for loan loss		38,922,714	44,257,735	29,554,141	822,978	113,557,568
Mortgage and other loans receivable, net		321,025,915	4,638,968,283	1,542,776,004	99,970,206	6,602,740,408
Capital Assets, net of accumulated depreciation and amortization of $69,246,833		28,477,145	6,923,226	-	-	35,400,371
Mortgage servicing rights, net		36,834,996	-	-	-	36,834,996
Other Assets		11,799,064	-	-	-	11,799,064
Total noncurrent assets		873,148,194	4,645,891,509	1,857,661,506	99,970,206	7,476,671,415
Total assets		1,165,181,551	5,660,918,209	2,391,237,185	137,397,306	9,354,734,251
Deferred outflows of resources						
Other postemployment benefits - change in assumptions		1,914,127	-	-	-	1,914,127
Other postemployment benefits - difference between expected and actual experience		6,130,868	-	-	-	6,130,868
Other postemployment benefits - difference between projected and actual earning		3,213,143	-	-	-	3,213,143
Total Deferred outflows of resources		11,258,138	-	-	-	11,258,138

(Continued)

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

Combining Schedule of Net Position

June 30, 2023

Liabilities	**General Operating Accounts**	**Rental Housing Bond Group**	**Commonwealth Mortgage Bond Group**	**Home-ownership Bond Group**	**Total**
Current liabilities:					
Notes and bonds payable	400,000,000	85,750,000	40,770,451	1,471,337	527,991,788
Accrued interest payable on notes and bonds	990,885	30,107,593	4,191,403	101,788	35,391,669
Escrows	30,571,911	-	-	-	30,571,911
Federal grand awards held	84,706,517	-	-	-	84,706,517
Accounts payable and other liabilities	33,237,559	-	-	-	33,237,559
Total current liabilities	549,506,872	115,857,593	44,961,854	1,573,125	711,899,444
Noncurrent liabilities:					
Bonds payable, net	-	3,815,369,598	784,241,343	36,112,031	4,635,722,972
Project reserves	113,844,901	-	-	-	113,844,901
Loan participation payable to Federal Financing Bank	34,022,078	-	-	-	34,022,078
Other (assets) liabilities	18,927,773	-	-	-	18,927,773
Total noncurrent liabilities	166,794,752	3,815,369,598	784,241,343	36,112,031	4,802,517,724
Total liabilities	716,301,624	3,931,227,191	829,203,197	37,685,156	5,514,417,168
Deferred inflows of resources					
Deferred fees and points on multifamily loans	459,456	64,440,089	-	-	64,899,545
Other postemployment benefits - change in assumptions	586,871	-	-	-	586,871
Other postemployment benefits - difference between expected and actual experience	941,509	-	-	-	941,509
Total deferred inflows of resources	1,987,836	64,440,089	-	-	66,427,925
Net position:					
Net investment in capital assets	8,721,930	54,722	-	-	8,776,652
Restricted by bond indentures	-	1,665,196,207	1,562,033,988	99,712,150	3,326,942,345
Unrestricted	449,428,299	-	-	-	449,428,299
Total net position	$ 458,150,229	1,665,250,929	1,562,033,988	99,712,150	3,785,147,296

See accompanying independent auditors' report.

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

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

Year ended June 30, 2023

		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	$	16,762,080	202,850,482	80,749,026	4,764,845	305,126,433
Housing Choice Voucher program administrative income		9,269,212	-	-	-	9,269,212
Gains and recoveries on sale of other real estate owned		501,223	-	349,765	2,189	853,177
Gains on sale of single family mortgage loans		-	-	5,101,991	-	5,101,991
Mortgage servicing fees net of guaranty fees		41,884,948	-	-	-	41,884,948
Tax credit program fees earned		8,141,690	-	-	-	8,141,690
Other		3,972,232	5,478,377	28,142	-	9,478,751
Total operating revenues		80,531,385	208,328,859	86,228,924	4,767,034	379,856,202
Operating expenses:						
Interest on notes and bonds payable		17,536,970	121,289,061	25,861,285	1,291,623	165,978,939
Salaries and related employee benefits		79,500,734	-	-	-	79,500,734
General operating expenses		36,197,874	-	1,016	-	36,198,890
Note and bond expenses		1,437,986	-	-	-	1,437,986
Bond issuance expenses		80,282	2,045,078	-	-	2,125,360
Grant expenses		63,696,630	-	-	-	63,696,630
Housing Choice Voucher program expenses		10,726,712	-	-	-	10,726,712
Mortgage servicing rights amortization and other servicing costs		25,171,554	-	2,359,457	-	27,531,011
Losses on other real estate owned		1,453,630	-	558,979	16,985	2,029,594
Provision for loan losses		(8,040,340)	(11,637,116)	(8,817,979)	(269,723)	(28,765,158)
Total operating expenses		227,762,032	111,697,023	19,962,758	1,038,885	360,460,698
Operating income (expense)		(147,230,647)	96,631,836	66,266,166	3,728,149	19,395,504
Nonoperating revenues (expenses):						
Pass-through grant awards		229,995,448	-	-	-	229,995,448
Pass-through grants expenses		(229,995,448)	-	-	-	(229,995,448)
Investment income		23,633,536	36,405,897	24,339,521	112,828	84,491,782
Realized loss on investments		(6,573)	-	(41,933,169)	-	(41,939,742)
Unrealized loss on investments		4,448,122	-	(28,747,627)	-	(24,299,505)
Other, net		14,596	-	-	-	14,596
Total nonoperating revenues, net		28,089,681	36,405,897	(46,341,275)	112,828	18,267,131
Income (loss) before transfers		(119,140,966)	133,037,733	19,924,891	3,840,977	37,662,635
Transfers between funds		147,548,061	(152,693,901)	5,092,351	53,489	-
Change in net position		28,407,095	(19,656,168)	25,017,242	3,894,466	37,662,635
Total net position, beginning of year (as restated)		429,743,134	1,684,907,097	1,537,016,746	95,817,684	3,747,484,661
Total net position, end of year	$	458,150,229	1,665,250,929	1,562,033,988	99,712,150	3,785,147,296

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, 2023

	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	$ 75,335,481	3,754,317	989,307	1,669,610	81,748,715
Interest receivable - investments	-	23,775	9,124	10,046	42,945
Interest receivable - mortgage and other loans	-	63,399	65,222	8,625	137,246
Other assets	-	1,046	-	-	1,046
Total current assets	75,335,481	3,842,537	1,063,653	1,688,281	81,929,952
Noncurrent assets:					
Mortgage and other loans receivable	-	2,702,870	-	-	2,702,870
Total noncurrent assets	-	2,702,870	-	-	2,702,870
Total assets	75,335,481	6,545,407	1,063,653	1,688,281	84,632,822
LIABILITIES					
Other liabilities	-	1,062,831	990,389	1,651,689	3,704,909
Total liabilities	-	1,062,831	990,389	1,651,689	3,704,909
NET POSITION					
Restricted for:					
Other postemployment benefit plan other than pension					
Funds held in escrow	75,335,481	-	-	-	75,335,481
Other governmental agency	-	5,482,576	73,264	36,592	5,592,432
Total Net Position	$ 75,335,481	5,482,576	73,264	36,592	80,927,913

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

Year Ended June 30, 2023

		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	$	1,656,192,678	-	-	-	1,656,192,678
Employers		-	24,882	76,208	30,687	131,777
Total Contributions		1,656,192,678	24,882	76,208	30,687	1,656,324,455
Investment earnings:						
Interest, dividends, and other		-	1,210,742	391,766	162,477	1,764,985
Total investment earnings		-	1,210,742	391,766	162,477	1,764,985
Total additions		1,656,192,678	1,235,624	467,974	193,164	1,658,089,440
DEDUCTIONS						
Other governmental agency		-	1,062,645	24,626,158	9,102,658	34,791,461
Disbursement of escrow funds		1,674,593,360	-	-	-	1,674,593,360
Administrative expense		-	26,268	81,427	34,440	142,135
Total deductions		1,674,593,360	1,088,913	24,707,585	9,137,098	1,709,526,956
Net (decrease)/increase in fiduciary net position		(18,400,682)	146,711	(24,239,611)	(8,943,934)	(51,437,516)
Net position - beginning of year		93,736,163	5,335,865	24,312,875	8,980,526	132,365,429
Net position - end of year	$	75,335,481	5,482,576	73,264	36,592	80,927,913

See accompanying independent auditors' report.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Combining Schedule of Net Position (as restated)
June 30, 2022

Assets	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Current assets:					
Cash and cash equivalents	$ 378,949,888	1,150,161,461	275,208,488	21,743,406	1,826,063,243
Interest receivable – investments	2,354,898	1,036,689	1,197,961	17,645	4,607,193
Derivative instruments	-	-	5,336,502	-	5,336,502
Mortgage loans held for sale	-	-	316,106,009	-	316,106,009
Mortgage and other loans receivable, net	8,357,128	103,058,101	78,674,342	4,224,648	194,314,219
Interest receivable – mortgage and other loans	755,425	17,571,248	5,249,417	316,696	23,892,786
Other real estate owned	3,188,560	427,000	741,991	260,590	4,618,141
Other assets	26,152,384	-	7,593	-	26,159,977
Total current assets	419,758,283	1,272,254,499	682,522,303	26,562,985	2,401,098,070
Noncurrent assets:					
Investments	819,206,816	-	234,707,900	1,124,337	1,055,039,053
Mortgage and other loans receivable	302,760,316	4,270,008,327	1,582,103,629	111,994,048	6,266,866,320
Less allowance for loan loss	47,311,987	55,894,850	39,134,462	1,113,804	143,455,103
Mortgage and other loans receivable, net	255,448,329	4,214,113,477	1,542,969,167	110,880,244	6,123,411,217
Capital Assets, net of accumulated depreciation and amortization of $65,607,441	34,314,679	7,619,660	-	-	41,934,339
Mortgage servicing rights, net	44,074,557	-	-	-	44,074,557
Other Assets	19,158,265	-	-	-	19,158,265
Total noncurrent assets	1,172,202,646	4,221,733,137	1,777,677,067	112,004,581	7,283,617,431
Total assets	1,591,960,929	5,493,987,636	2,460,199,370	138,567,566	9,684,715,501
Deferred outflows of resources					
Other postemployment benefits - change in assumptions	1,911,020	-	-	-	1,911,020
Other postemployment benefits - difference between expected and actual experience	6,868,575	-	-	-	6,868,575
Total Deferred outflows of resources	8,779,595	-	-	-	8,779,595

(Continued)

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

Combining Schedule of Net Position (as restated)
June 30, 2022

Liabilities	**General Operating Accounts**	**Rental Housing Bond Group**	**Commonwealth Mortgage Bond Group**	**Home-ownership Bond Group**	**Total**
Current liabilities:					
Notes and bonds payable	710,300,000	63,380,000	41,502,902	1,565,945	816,748,847
Accrued interest payable on notes and bonds	306,916	27,056,179	4,584,424	115,468	32,062,987
Escrows	29,578,957	-	-	-	29,578,957
Federal grand awards held	226,810,062	-	-	-	226,810,062
Accounts payable and other liabilities	34,173,634	-	198	-	34,173,832
Total current liabilities	1,001,169,569	90,436,179	46,087,524	1,681,413	1,139,374,685
Noncurrent liabilities:					
Bonds payable, net	-	3,655,186,744	877,095,100	41,068,469	4,573,350,313
Project reserves	105,053,442	-	-	-	105,053,442
Loan participation payable to Federal Financing Bank	34,824,533	-	-	-	34,824,533
Other (assets) liabilities	22,925,646	-	-	-	22,925,646
Total noncurrent liabilities	162,803,621	3,655,186,744	877,095,100	41,068,469	4,736,153,934
Total liabilities	1,163,973,190	3,745,622,923	923,182,624	42,749,882	5,875,528,619
Deferred inflows of resources					
Deferred fees and points on multifamily loans	476,574	63,457,616	-	-	63,934,190
Other postemployment benefits - change in assumptions	665,047	-	-	-	665,047
Other postemployment benefits - difference between expected and actual experience	124,609	-	-	-	124,609
Other postemployment benefits - difference between projected and actual earning	5,757,970	-	-	-	5,757,970
Total deferred inflows of resources	7,024,200	63,457,616	-	-	70,481,816
Net position:					
Net investment in capital assets	12,026,831	454,520	-	-	12,481,351
Restricted by bond indentures	-	1,684,452,577	1,537,016,746	95,817,684	3,317,287,007
Unrestricted	417,716,303	-	-	-	417,716,303
Total net position	$ 429,743,134	1,684,907,097	1,537,016,746	95,817,684	3,747,484,661

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

Combining Schedule of Revenues, Expenses, and Changes in Net Position (as restated)
Year ended June 30, 2022

	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Operating revenues:					
Interest on mortgage and other loans receivable	$ 11,717,487	201,031,941	74,459,708	5,576,742	292,785,878
Housing Choice Voucher program administrative income	8,379,512	-	-	-	8,379,512
Gains and recoveries on sale of other real estate owned	309,856	-	95,494	44,990	450,340
Gains on sale of single family mortgage loans	-	-	41,899,002	-	41,899,002
Mortgage servicing fees net of guaranty fees	38,191,108	-	-	-	38,191,108
Tax credit program fees earned	4,784,281	-	-	-	4,784,281
Other	15,714,869	8,192,702	118	-	23,907,689
Total operating revenues	79,097,113	209,224,643	116,454,322	5,621,732	410,397,810
Operating expenses:					
Interest on notes and bonds payable	2,599,287	110,754,204	29,229,242	1,526,190	144,108,923
Salaries and related employee benefits	72,856,377	-	-	-	72,856,377
General operating expenses	42,435,825	-	3,935	-	42,439,760
Note and bond expenses	1,428,411	-	-	-	1,428,411
Bond issuance expenses	325,585	4,723,281	1,014,305	-	6,063,171
Grant expenses	34,021,786	-	-	-	34,021,786
Housing Choice Voucher program expenses	8,447,467	-	-	-	8,447,467
Mortgage servicing rights amortization and other servicing costs	25,969,788	-	6,074,038	-	32,043,826
Losses on other real estate owned	820,084	-	262,858	54,590	1,137,532
Provision for loan losses	(5,972,236)	(8,301,383)	(10,861,092)	(401,235)	(25,535,946)
Total operating expenses	182,932,374	107,176,102	25,723,286	1,179,545	317,011,307
Operating income (expense)	(103,835,261)	102,048,541	90,731,036	4,442,187	93,386,503
Nonoperating revenues (expenses):					
Pass-through grant awards	238,148,054	-	-	-	238,148,054
Pass-through grants expenses	(238,148,054)	-	-	-	(238,148,054)
Investment income	25,922,619	2,274,313	9,923,958	(340,296)	37,780,594
Realized loss on investments	(30,199)	-	9,521	-	(20,678)
Unrealized loss on investments	(80,928,050)	-	(21,178,906)	-	(102,106,956)
Other, net	12,999	-	-	-	12,999
Total nonoperating revenues, net	(55,022,631)	2,274,313	(11,245,427)	(340,296)	(64,334,041)
Income (loss) before transfers	(158,857,892)	104,322,854	79,485,609	4,101,891	29,052,462
Transfers between funds	210,493,856	(130,771,596)	(79,894,586)	172,326	-
Change in net position	51,635,964	(26,448,742)	(408,977)	4,274,217	29,052,462
Total net position, beginning of year	378,107,170	1,711,355,839	1,537,425,723	91,543,467	3,718,432,199
Total net position, end of year	$ 429,743,134	1,684,907,097	1,537,016,746	95,817,684	3,747,484,661

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

Combining Schedule of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
June 30, 2022

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

Schedule 10

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

Combining Schedule of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
Year Ended June 30, 2022

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

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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*

Board of Commissioners
Virginia Housing Development Authority
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the of the business-type activities and the fiduciary activities of the Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2023 (except for the Retiree Health Care Plan fiduciary fund, which is as of and for the year ended December 31, 2022), and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 14, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
September 14, 2023