PENNSYLVANIA HOUSING FINANCE AGENCY

Basic Financial Statements and Supplementary Information

June 30, 2022 and 2021

(With Independent Auditors' Reports Thereon)

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Pennsylvania Housing Finance Agency
Harrisburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Pennsylvania Housing Finance Agency (the Agency), a component unit of the Commonwealth of Pennsylvania, as of and for the year ended June 30, 2022 (except for the Pennsylvania Housing Finance Agency Employees Retirement Plan, which is as of and for the year ended December 31, 2021), and the related notes to the financial statements, which collectively comprise the Pennsylvania Housing Finance Agency'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 fiduciary activities of the Pennsylvania Housing Finance Agency, as of June 30, 2022 (except for the Pennsylvania Housing Finance Agency Employees Retirement Plan which is as of and for the year ended December 31, 2021), and the changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adjustments to Prior Period Financial Statements

The 2021 financial statements of the Pennsylvania Housing Finance Agency were audited by other auditors whose report dated October 14, 2021, expressed an unmodified opinion on those statements.

As more fully described in Note 2 to the financial statements the Pennsylvania Housing Finance Agency has adjusted its 2021 financial statements to retrospectively apply the adoption of GASB

Statement No. 84, *Fiduciary Activities*. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2022 financial statements, we also audited the adjustments to the 2021 financial statements to retrospectively apply the change in the accounting as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to Pennsylvania Housing Finance Agency's 2021 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any form of assurance on the 2021 financial statements as a whole.

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 Pennsylvania Housing Finance Agency'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 Pennsylvania Housing Finance Agency'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 Pennsylvania Housing Finance Agency'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, schedules of changes in the Agency's net pension liability and related ratios, the schedules of employer contributions to Agency employees' retirement plan and government excess benefit plan, the schedules of investment returns of Agency employees' retirement plan and government excess benefit plan, and the schedules of changes in total OPEB liability and related ratios as listed in the table of contents, 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 Pennsylvania Housing Finance Agency's basic financial statements. The combining balance sheets, the combining statements of revenues, expenses, and changes in net position, and the combining statements of cash flows as of and for the year ended June 30, 2022 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 combining balance sheets, the combining statements of revenues, expenses, and changes in net position, and the combing statements of cash flows as of and for the year ended June 30, 2022 are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The 2021 combining statement balance sheet, the combining statement of revenues, expenses, and changes in net position, and the combining statement of cash flows were subjected to the auditing procedures applied in the 2021 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2021 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2022, on our consideration of the Pennsylvania Housing Finance Agency'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 Pennsylvania Housing Finance Agency'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 Pennsylvania Housing Finance Agency's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
September 26, 2022

Management's Discussion and Analysis

Introduction

The discussion and analysis provided herein is designed to furnish an objective and easily understandable review of the financial activities of the Pennsylvania Housing Finance Agency ("Agency"). Readers are encouraged to consider the information presented in conjunction with the basic financial statements as a whole, which follow this section.

Understanding the Basic Financial Statements

The basic financial statements are designed to provide a broad overview of the Agency's finances, and include three required statements: The Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Balance Sheet presents financial information respective of all of the Agency's assets, liabilities and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position reflect revenue and expenses within a given period in order to measure the success of the Agency's operations during that period and to illustrate how the Agency has funded its costs of operations.

The Statement of Cash Flows is presented using the direct method, which reports cash receipts and cash payments in four major classes of activities: Operating, Noncapital Financing, Capital Financing and Investing. Cash receipts and disbursements are presented within this statement in order to illustrate the net increase or decrease in cash and cash equivalents within a given period.

The basic financial statements are accompanied by a set of notes. The notes to the basic financial statements provide additional information necessary to acquire a full understanding of the data presented in the basic financial statements and a means to obtain a more comprehensive assessment of factors affecting the Agency's financial condition.

Condensed Summary Balance Sheets *(In thousands)*

	2022	2021	Increase/(Decrease)	
Assets:				
Mortgage loans receivable, net	$ 4,105,030	$ 3,489,228	$ 615,802	17.6%
Capital assets, net	54,605	55,734	(1,129)	(2.0%)
Other assets	1,350,674	1,087,965	262,709	24.1%
Total Assets	5,510,309	4,632,927	877,382	18.9%
Deferred Outflows of Resources	38,283	34,080	4,203	12.3%
Total Assets and Deferred Outflows of Resources	$ 5,548,592	$ 4,667,007	$ 881,585	18.9%
Liabilities:				
Current liabilities	335,339	332,117	3,222	1.0%
Noncurrent liabilities	4,420,985	3,508,286	912,699	26.0%
Total Liabilities	4,756,324	3,840,403	915,921	23.8%
Deferred Inflows of Resources	36,450	29,287	7,163	24.5%
Net Position				
Net Investment in Capital Assets	23,605	22,734	871	3.8%
Restricted	143,836	136,155	7,681	5.6%
Unrestricted	588,377	638,428	(50,051)	(7.8%)
Total Net Position	755,818	797,317	(41,499)	(5.2%)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 5,548,592	$ 4,667,007	$ 881,585	18.9%

Condensed Summary Balance Sheets *(In thousands)*

	2021	2020	Increase/(Decrease)	
Assets:				
Mortgage loans receivable, net	$ 3,489,228	$ 3,496,084	$ (6,856)	(0.2%)
Capital assets, net	55,734	55,668	66	0.1%
Other assets	1,087,965	950,712	137,253	14.4%
Total Assets	4,632,927	4,502,464	130,463	2.9%
Deferred Outflows of Resources	34,080	40,061	(5,981)	(14.9%)
Total Assets and Deferred Outflows of Resources	$ 4,667,007	$ 4,542,525	$ 124,482	2.7%
Liabilities:				
Current liabilities	332,117	301,361	30,756	10.2%
Noncurrent liabilities	3,508,286	3,422,570	85,716	2.5%
Total Liabilities	3,840,403	3,723,931	116,472	3.1%
Deferred Inflows of Resources	29,287	31,201	(1,914)	(6.1%)
Net Position				
Net Investment in Capital Assets	22,734	20,668	2,066	10.0%
Restricted	136,155	135,509	646	0.5%
Unrestricted	638,428	631,216	7,212	1.1%
Total Net Position	797,317	787,393	9,924	1.3%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 4,667,007	$ 4,542,525	$ 124,482	2.7%

Condensed Summary of Revenues, Expenses and Changes in Net Position *(In thousands)*

	2022	2021	Increase/(Decrease)	
Revenues:				
Mortgage loan interest	$ 111,325	$ 109,455	$ 1,870	1.7%
Other operating revenues	123,460	110,812	12,648	11.4%
Federal program awards	584,848	526,292	58,556	11.1%
Total Revenues	819,633	746,559	73,074	9.8%
Expenses:				
Interest and financing expenses	101,363	96,859	4,504	4.7%
Other operating expenses	174,921	113,484	61,437	54.1%
Federal program expenses	584,848	526,292	58,556	11.1%
Total Expenses	861,132	736,635	124,497	16.9%
Change in Net Position	(41,499)	9,924	(51,423)	(518.2%)
Net Position - Beginning of Year	797,317	787,393	9,924	1.3%
Net Position - End of Year	$ 755,818	$ 797,317	$ (41,499)	(5.2%)

	2021	2020	Increase/(Decrease)	
Revenues:				
Mortgage loan interest	$ 109,455	$ 111,534	$ (2,079)	(1.9%)
Other operating revenues	110,812	128,526	(17,714)	(13.8%)
Federal program awards	526,292	441,585	84,707	19.2%
Total Revenues	746,559	681,645	64,914	9.5%
Expenses:				
Interest and financing expenses	96,859	101,335	(4,476)	(4.4%)
Other operating expenses	113,484	123,913	(10,429)	(8.4%)
Federal program expenses	526,292	441,585	84,707	19.2%
Total Expenses	736,635	666,833	69,802	10.5%
Change in Net Position	9,924	14,812	(4,888)	(33.0%)
Net Position - Beginning of Year	787,393	772,581	14,812	1.9%
Net Position - End of Year	$ 797,317	$ 787,393	$ 9,924	1.3%

Analysis of Overall Financial Position and Results of Operations

Comparison of Years Ended June 30, 2022 and 2021

Assets increased by $877 million from $4.633 billion to $5.510 billion. Mortgage loans receivable increased by $616 million from $3.489 billion to $4.105 billion as a result of the Agency utilizing its mortgage revenue bond program to purchase single family mortgages to further increase its single family program loan portfolio and its balance sheet. The balance of capital assets decreased slightly when compared to prior year due to annual depreciation off-set by building improvement and normal operational purchases. The increase of $263 million in other assets was primarily attributable to the increase in cash and cash equivalents and investments of $244 million due to the receipt of federal Housing Assistance Fund program funds of which $322 million had not been disbursed as of June 30, 2022 off-set by a decrease of $78 million in other cash and investment balances and the increase in derivative investment – interest rate swap assets of $6 million due to the favorable market valuation at June 30, 2022.

Deferred outflows of resources increased by $4 million from $34 million to $38 million. The increase was due to the increase in OPEB-related deferred outflows of $11 million due to the change in assumptions and difference between expected and actual experience in the current period valuation off-set by a decrease of $7 million in pension-related deferred outflows, unamortized losses on bond refundings, and accumulated decrease in the fair value of hedging derivatives.

Total liabilities increased by $916 million from $3.840 billion to $4.756 billion. The increase was largely due to the increase in other liabilities of $335 million of which the increase of $322 million coorelates with the increase in cash and cash equivalents and investments due to the receipt of federal Housing Assistance Fund program funds which had not been disbursed as of June 30, 2022, the remaining increase of the result of other grant funds held by the Agency and not yet disbursed as of June 30, 2022. Bonds and notes payable increased by $567 million, which came as a result of the Agency's continued efforts to increase the size of its single family loan portfolio and its balance sheet by purchasing and holding mortgage loans receivable by utilizing capital provided by the single family mortgage revenue bonds. The remaining increase in total liabilities is due to the increase in the OPEB liability of $23 million off-set by a decrease in the net pension liability of $8 million.

Deferred inflows of resources increased by $7 million from $29 million to $36 million. The increase was due to the increase in pension-related deferred inflows of $4 million and the increase of $7 million in accumulated increase in the fair value of hedging derivatives off-set by the decrease of $4 million in pension-related deferred inflows due to current period valuations.

Total net position as of June 30, 2022 was $756 million, a decrease of $41 million, over the total net position of $797 million at June 30, 2021. The decrease in total net position during the fiscal year 2022 when compared to fiscal year 2021 is due to the net decrease in the fair value of investments at the valuation date of June 30, 2022.

Mortgage loan interest increased by $2 million due to the increase in the Agency's single family portfolio of mortgage loans. Other operating revenues increased by $13 million, primarily due to an increase in program income and fees, a net increase in the fair value of swaps, and an increase in the gain on early extinguishment of debt offset by a decrease in the gain on the sale of mortgage-backed securities. Program income and fees increased as a result of an increase in grant funds received and disbursed during the fiscal year and an increase program administration revenue earned. The net increase in the fair value of swaps, the increase in the gain on early extinguishment of debt, and the decrease in the gain on the sale of mortgage-backed securities are all due to the interest rate environment and market conditions during the fiscal year.

Interest and financing expenses increased by $5 million due to the increase in bonds and notes payable outstanding and bond issuance costs incurred during the fiscal year. Other operating expenses increased during the year, the increase was $61 million. Other operating expenses in total increased due to the net decrease in the fair value of investments of $42 million, the increase in program expenses of $13 million due to the increase in grant funds received and disbursed and an increase in single family mortgage loan purchase expense due to the increased mortgage purchase volume during the fiscal year, and a net increase in other operating expenses of $6 million.

Federal program awards and expenses increased by $59 million primarily resulting from federal funds received and disbursed for the American Rescue Plan and the Housing Assistance Fund.

Comparison of Years Ended June 30, 2021 and 2020

Assets increased by $130.5 million from $4.502 billion to $4.633 billion. Mortgage loans receivable decreased by $6.9 million from $3.496 billion to $3.489 billion as a result of an increase in prepayments caused by borrowers refinancing existing mortgages included in the single family loan program with lenders other than PHFA due to the current low interest rate environment. The balance of capital assets remained flat when compared to prior year, current year purchases were off-set by annual depreciation. The increase of $137.3 million in other assets was primarily attributable to increases in cash and cash equivalents and investments primarily due to the issuance of Series 2020-135A mortgage revenue bonds on June 29, 2021, leaving a sizable amount of proceeds yet to be utilized for mortgage purchases, off-set by a decrease in mortgages held for sale and real estate owned. Mortgages held for sale decreased due to timing of the purchase and sale of mortgage loans as well as the Agency's continued effort to purchase and hold mortgage loans to build its balance sheet. Real estate owned decreased due to the federal moratorium on foreclosures which has ceased foreclosures, along with the Agency's efforts to continue to dispose of aging real estate owned properties.

Deferred outflows of resources decreased by $6.0 million from $40 million to $34 million. The decrease was primarily due the decrease in net unamortized losses on bond refundings due to current year gains on bond refundings off-setting prior year unamortized losses and the decrease in the accumulated decrease in the fair value of hedging derivative instruments due to market conditions at the June 30, 2021 valuation date.

Total liabilities increased by $116.5 million from $3.724 billion to $3.840 billion. The increase is largely due to the increase in bonds and notes payable of $114.0 million, which came as a result of the Agency's vigorous efforts to increase the size of its balance sheet by purchasing and holding mortgage loans receivable by utilizing capital provided by the single family mortgage revenue bonds.

Total net position as of June 30, 2021 was $797.3 million, an increase of $9.9 million, over the total net position of $787.4 million at June 30, 2020. Mortgage loan interest decreased by $2.0 million due to the decrease in the Agency's single family and HEMAP portfolio of mortgage loans and the continued decrease in interest rates on new loan purchases during the fiscal year. Other operating revenues decreased by $17.7 million, primarily due to decrease in the fair value of investments at the valuation date of June 30, 2021 and the decrease in investment income earned during the year, off-set by the increase in program revenue and fees, which includes an increase in grant revenue recognized, and the gain on sales of mortgage-backed securities. Operating expenses decreased during the year, the decrease was $14.9 million, interest and financing expenses decreased primarily due to the lowering of interest rates paid on single family mortgage revenue bonds due to refundings and the termination of various interest rate swap agreements as the Agency has refunded a large portion of its variable rate debt. Other operating expenses in total decreased due to the decrease in the provision for loan loss and real estate owned off-set by the increase in grant expenses corresponding with the increase in grant revenue and the net decrease in the fair value of investments due to market conditions on the valuation date of June 30, 2021.

Federal program awards and expenses increased by $84.7 million primarily due to funds received and disbursed for The Federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Agency administered the mortgage and rental assistance programs in the Commonwealth of Pennsylvania.

Analysis of Capital Asset Activity *(In thousands)*

	Balances at June 30		Increase/
	2022	**2021**	**(Decrease)**
Nondepreciable Capital Assets:			
Land	$ 2,454	$ 2,454	$ -
Total nondepreciable capital assets	2,454	2,454	-
Depreciable Capital Assets:			
Building	60,631	60,219	412
Furniture, fixtures and equipment	12,506	12,369	137
Less accumulated depreciation:			
Building	(12,354)	(11,239)	(1,115)
Furniture, fixtures and equipment	(8,632)	(8,069)	(563)
Total depreciable capital assets, net	52,151	53,280	(1,129)
Total Capital Assets, net	$ 54,605	$ 55,734	$ (1,129)

	Balances at June 30		Increase/
	2021	**2020**	**(Decrease)**
Nondepreciable Capital Assets:			
Land	$ 2,454	$ 2,454	$ -
Total nondepreciable capital assets	2,454	2,454	-
Depreciable Capital Assets:			
Building	60,219	59,161	1,058
Furniture, fixtures and equipment	12,369	11,654	715
Less accumulated depreciation:			
Building	(11,239)	(10,110)	(1,129)
Furniture, fixtures and equipment	(8,069)	(7,491)	(578)
Total depreciable capital assets, net	53,280	53,214	66
Total Capital Assets, net	$ 55,734	$ 55,668	$ 66

Increases in the balances attributable to building at June 30, 2022 and 2021 resulted from building improvement costs incurred during the fiscal year 2022. The increases in the balances of furniture, fixtures and equipment for the years ended June 30, 2022 and 2021 were attributed primarily to the purchase of software, equipment, and furniture. The increases in accumulated depreciation at June 30, 3022 and 2021 are due to annual depreciation expense.

Analysis of Long-Term Debt Activity *(In thousands)*

Agency Program	Long-Term Debt at June 30 2022	Long-Term Debt at June 30 2021	Increase (Decrease)
General Activities	$ 31,000	$ 33,000	$ (2,000)
Multifamily Program	7,898	8,318	(420)
Single Family Program	3,708,121	3,138,581	569,540
Total Long-Term Debt	$ 3,747,019	$ 3,179,899	$ 567,120

Agency Program	Long-Term Debt at June 30 2021	Long-Term Debt at June 30 2020	Increase (Decrease)
General Activities	$ 33,000	$ 35,000	$ (2,000)
Multifamily Program	8,318	8,718	(400)
Single Family Program	3,138,581	3,021,721	116,860
Total Long-Term Debt	$ 3,179,899	$ 3,065,439	$ 114,460

Year Ended June 30, 2022

Additions

Additions to Agency bonds and notes payable for the year ended June 30, 2022 included the following:

Date	Single Family Program Bond Series	General Obligation Note	Original Issue Premium	Total Proceeds	New Mortgage Loan Production Proceeds	Refunding Proceeds	Single Family Program Bond Series Refunded
7/6/21	2021-135B	-	$ 7,247	$ 46,142	-	$ 46,142	2012-114
9/21/21	2021-136	-	18,956	313,706	225,006	88,700	2012-114
12/20/21	2021-137	-	12,913	266,064	266,064	-	-
3/30/22	2022-138	-	8,928	266,688	266,688	-	-
6/2/22	2022-139	-	5,283	302,313	302,313	-	-
			$ 53,327	$ 1,194,913			

Reductions

Reductions to Agency bonds and notes payable for the year ended June 30, 2022 included the following:

Date	Single Family Program Bond Series Refunded	Refunded Amount	Scheduled Debt Service	Advance Debt Service	Original Issue Premium Reduction
10/1/21	2012-114	134,842	-	-	-
Various	-	-	80,356	401,583	11,012
	Total Reductions:	$ 134,842	$ 80,356	$ 401,583	$ 11,012

Year Ended June 30, 2021

Additions

Additions to Agency bonds and notes payable for the year ended June 30, 2021 included the following:

Date	Single Family Program Bond Series	General Obligation Note	Original Issue Premium	Total Proceeds	New Mortgage Loan Production Proceeds	Refunding Proceeds	Single Family Program Bond Series Refunded
9/3/20	2020-133	-	$ 12,859	$ 224,999	$ 224,999	$ -	-
3/31/21	2021-134	-	8,388	166,313	124,993	26,710	2005-89
3/31/21	2021-134	-				14,610	2006-93B
6/29/21	2021-135A	-	2,320	138,995	138,995	-	-
			$ 23,567	$ 530,307			

Reductions

Reductions to Agency bonds and notes payable for the year ended June 30, 2021 included the following:

Date	Single Family Program Bond Series Refunded	Refunded Amount	Scheduled Debt Service	Advance Debt Service	Original Issue Premium Reduction
3/31/21	2005-89	$ 26,710	$ 4,955	$ -	$ -
3/31/21	2006-93B	14,610	-	1,205	-
Various	-	-	65,203	300,560	2,604
	Total Reductions:	$ 41,320	$ 70,158	$ 301,765	$ 2,604

Designated Net Position (In thousands)

The Agency has designated certain amounts of the unrestricted net position of the Agency's various activities and programs for purposes indicated in the following table. These designations of net position are not binding and may be changed by the Agency.

	2022	2021
General Activities:		
Disadvantaged Developers Program	$ 10,000	$ 10,000
Asset building program	2,000	-
Home4Good	1,000	-
Homebuyer Counseling for education of first-time homebuyers	2,000	1,500
Multifamily Insurance for Agency insured or coinsured developments	10,000	10,000
ReCLAIM (statewide)	1,500	1,500
Single Family Insurance to fund homeowners' special hazard losses	16,500	16,500
Total	$ 43,000	$ 39,500
Multifamily Housing Program:		
Penn HOMES Program to lower development costs for apartments	$ 10,000	$ 10,000
Preservation from physical deterioration, financial or social distress	1,500	1,500
Total	$ 11,500	$ 11,500
Single Family Mortgage Loan Program:		
Closing Cost Assistance	$ 5,000	$ 3,000
Neighboorhood Homeownership Initiative	10,000	-
Total	$ 15,000	$ 3,000
Insurance Program:		
Risk Retention to provide single family mortgage insurance	$ 38,547	$ 35,563

Additional Information

This discussion and analysis are intended to provide additional information regarding the activities of the Agency. Additional current or historical audited or unaudited financial information may be found at the Agency's website at www.phfa.org.

PENNSYLVANIA HOUSING FINANCE AGENCY
Balance Sheets
June 30, 2022 and 2021 (in thousands)

ASSETS	2022	2021
Current assets:		
Cash and cash equivalents	$ 502,660	$ 590,842
Restricted cash and cash equivalents	496,730	171,603
Restricted investments	1,002	1,003
Accrued investment interest receivable	1,041	2,611
Mortgage loans receivable, net	125,164	117,611
Accrued mortgage loan interest receivable	17,110	16,936
Mortgages held for sale	3,832	5,942
Other current assets	3,087	2,995
Total Current Assets	1,150,626	909,543
Noncurrent Assets:		
Investments	212,451	193,511
Restricted investments	99,765	97,700
Mortgage loans receivable, net	3,979,866	3,371,617
Derivative instrument - interest rate swaps	5,990	-
Real estate owned	6,513	3,979
Capital assets, net	54,605	55,734
Other noncurrent assets	493	843
Total Noncurrent Assets	4,359,683	3,723,384
TOTAL ASSETS	5,510,309	4,632,927
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-related deferred outflows	27,198	16,058
Pension-related deferred outflows	9,572	11,523
Unamortized losses on bond refundings	-	787
Accumulated decrease in fair value of hedging derivatives	1,513	5,712
TOTAL DEFERRED OUTFLOWS OF RESOURCES	38,283	34,080
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,548,592	$ 4,667,007
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$ 2,080	$ 2,285
Bonds and notes payable, net	133,502	119,735
Accrued interest payable	26,057	22,980
Escrow deposits and development reserves	76,379	75,196
Other current liabilities	97,321	111,921
Total Current Liabilities	335,339	332,117
Noncurrent Liabilities:		
Bonds and notes payable, net	3,613,517	3,060,164
Derivative instrument - interest rate swaps	3,558	13,050
Development reserves	96,099	91,020
Total OPEB liability	127,057	104,314
Net pension liability	13,012	21,314
Other noncurrent liabilities	567,742	218,424
Total Noncurrent Liabilities	4,420,985	3,508,286
TOTAL LIABILITIES	4,756,324	3,840,403
DEFERRED INFLOWS OF RESOURCES		
OPEB-related deferred inflows	16,876	21,157
Pension-related deferred inflows	11,998	8,130
Unamortized gains on bond refundings	325	-
Accumulated increase in fair value of hedging derivatives	7,251	-
TOTAL DEFERRED INFLOWS OF RESOURCES	36,450	29,287
NET POSITION		
Net investment in capital assets	23,605	22,734
Restricted	143,836	136,155
Unrestricted	588,377	638,428
TOTAL NET POSITION	755,818	797,317
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 5,548,592	$ 4,667,007

See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2022 and 2021 (in thousands)

	2022	2021
Operating Revenues:		
Interest income on mortgage loans	$ 111,325	$ 109,455
Program income and fees	105,737	91,606
Gain on sales of mortgage-backed securities	1,740	7,956
Investment income	6,383	6,064
Net increase in fair value of swaps	3,726	823
Increase in fair value of mortgage service rights	-	764
Gain on early extinguishment of debt	5,874	3,599
Total Operating Revenues	234,785	220,267
Operating Expenses:		
Interest expense on bonds and notes	93,463	92,157
Financing expenses	7,900	4,702
Program expenses	63,733	50,600
Salaries and related benefits	41,166	42,703
General and administrative	23,103	19,583
Net decrease in fair value of investments	51,532	9,670
(Recoveries) provision for loan loss and real estate owned	(4,613)	(9,072)
Total Operating Expenses	276,284	210,343
Operating Income	(41,499)	9,924
Non-operating Revenue		
Federal program awards	584,848	526,292
Non-operating Expense		
Federal program expense	584,848	526,292
Change in Net Position	(41,499)	9,924
Net Position - beginning of year	797,317	787,393
Net Position - end of year	$ 755,818	$ 797,317

See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY
Statements of Cash Flows
Years Ended June 30, 2022 and 2021 (in thousands)

	2022	2021
Cash Flows From Operating Activities		
Receipts of mortgage loan payments	$ 462,844	$ 759,971
Receipts of mortgage-backed security premiums	1,740	7,956
Receipts of fees and other income	105,738	91,606
Receipts of interest on mortgages	111,181	110,319
Receipts of escrow and reserves	339,409	2,603
Payments for mortgages and purchases	(1,077,116)	(727,369)
Payments for salaries and related benefits	(31,679)	(33,954)
Payments for goods, services and other	(92,298)	(69,379)
Net Cash (Used In) Provided By Operating Activities	(180,181)	141,753
Cash Flows From Noncapital Financing Activities		
Proceeds from the issuance of bonds and notes	1,194,913	530,307
Payments for retirement of bonds and notes	(479,939)	(369,923)
Payments for refundings of bonds	(134,842)	(41,320)
Payments of bonds and notes interest	(86,920)	(87,223)
Payments of financing costs	(7,900)	(4,702)
Receipts (repayments) of program advances	-	628
Receipts of federal program awards	584,848	526,292
Payments of federal program awards	(584,848)	(526,292)
Net Cash Provided By Noncapital Financing Activities	485,312	27,767
Cash Flows From Capital Financing Activities		
Purchases of capital assets	(549)	(1,773)
Payments for retirement of capital financing bond	(2,000)	(2,000)
Interest paid on capital debt	(1,028)	(1,090)
Net Cash Used In Capital Financing Activities	(3,577)	(4,863)
Cash Flows From Investing Activities		
Proceeds from the sale or maturity of investments	51,861	72,818
Investment interest receipts	7,927	4,933
Purchases of investments	(124,397)	(159,152)
Net Cash Used In Investing Activities	(64,609)	(81,401)
Net Increase In Cash and Cash Equivalents	236,945	83,256
Cash and cash equivalents, beginning of year	762,445	679,189
Cash and cash equivalents, end of year	$ 999,390	$ 762,445

See accompanying notes to financial statements.

Years Ended June 30, 2022 and 2021 (in thousands)

	2022	2021
Reconciliation of Operating (Loss) Income to Net Cash (Used In) Provided By Operating Activities:		
Operating (Loss) Income	$ (41,499)	$ 9,924
Investment income recognized	(6,383)	(5,771)
Net change in fair value of investments	51,532	9,670
Net change in fair value of swaps	3,726	(823)
Interest expense on bonds and notes	93,463	92,157
Financing expenses	7,900	4,702
(Recoveries) provision for loan loss and real estate owned	(4,613)	(9,072)
Depreciation	1,677	1,707
Gain on early extinguishment of debt	(5,874)	(3,599)
Net change in fair value of mortgage servicing rights	-	(764)
Changes in Assets and Liabilities:		
Mortgage loans receivable, net	(609,211)	29,996
Mortgage loans interest receivable	(174)	571
Real estate owned, net	(2,534)	8,039
Other assets	(9,162)	245
Accounts payable and accrued expenses	(204)	(517)
Escrow deposits and development reserves	6,262	11
Other liabilities	334,913	5,277
Net Cash (Used In) Provided By Operating Activities	$ (180,181)	$ 141,753

See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY
Statements of Fiduciary Net Position
Years Ended December 31, 2021 and 2020 (in thousands)

	2021		2020	
	Pennsylvania Housing Finance Agency Employees' Retirement Plan *		**Pennsylvania Housing Finance Agency Employees' Retirement Plan ***	
ASSETS				
Current assets:				
Cash and cash equivalents	$	3,623	$	4,363
Total Current Assets		3,623		4,363
Noncurrent Assets:				
Investments		115,720		102,540
Total Noncurrent Assets		115,720		102,540
TOTAL ASSETS		119,343		106,903
NET POSITION				
Restricted for: PHFA Employee's Retirement Plan		119,343		106,903
TOTAL NET POSITION	$	119,343	$	106,903

* December 31, 2021 and 2020 year-end, see note 12
See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2021 and 2020 (in thousands)

	2021	2020
	Pennsylvania Housing Finance Agency Employees' Retirement Plan *	**Pennsylvania Housing Finance Agency Employees' Retirement Plan ***
ADDITIONS		
Contributions:		
Employers	$ 4,050	$ 4,046
Employees	283	273
Total Contributions	4,333	4,319
Investment earnings:		
Net increase in fair value of investments	12,479	9,043
Interest, dividends, and other	3,063	2,504
Total Investment Earnings	15,542	11,547
Total additions:	19,875	15,866
DEDUCTIONS		
Benefit payments, including refunds of member contributions	7,435	6,818
Total Deductions	7,435	6,818
Net Increase in fiduciary net position	12,440	9,048
Net position - beginning	106,903	97,855
Net position - ending	$ 119,343	$ 106,903

* December 31, 2021 and 2020 year-end, see note 12
See accompanying notes to financial statements.

1. Organization

The Pennsylvania Housing Finance Agency ("Agency") was created by the General Assembly of the Commonwealth of Pennsylvania ("Commonwealth") in 1972 to provide affordable housing for older adults, persons and families of modest means and persons with disabilities. Pursuant to the Housing Finance Agency Law, Act of 1959, P. L. 1688, No. 620 ("Act"), as amended, the Agency is authorized and empowered, among other things, to finance the construction and rehabilitation of housing units for persons and families of low and moderate income, persons with special needs or the elderly, including those who receive assistance from federal government programs.

The Act was amended to authorize the Agency to make or purchase mortgage loans used to finance the purchase, construction, improvement or rehabilitation of owner-occupied single-family residences and to finance the construction and rehabilitation of housing units without requiring the housing units to be subsidized or assisted by a federal government program. The initial legislation and subsequent amendments grant the Agency the power to issue debt in order to finance its programs and operations. Debt obligations issued under the provisions of the Act are not a debt or liability of the Commonwealth or any of its political subdivisions or a pledge of the faith and credit of the Commonwealth or of any of its political subdivisions. Additional powers have been provided by the General Assembly over the years to expand the Agency's authority and to encourage related community activities.

The Board of the Agency sets policy and oversees the organization's operations. The Board has 14 members. The Secretary of Banking and Securities (chair), the Secretary of Community and Economic Development, the Secretary of Human Services and the State Treasurer serve by virtue of their offices. Four members of the Board serve at the pleasure of the majority and minority leaders of the State Senate and House of Representatives. Six private citizen members are appointed by the Governor, confirmed by the State Senate, and serve for staggered six-year terms or until their successors are appointed.

The Agency is a component unit of the Commonwealth, as defined by the Governmental Accounting Standards Board ("GASB") – the source of generally accepted accounting principles used by State and Local governments in the United States. The Agency's financial information is discretely presented in the Commonwealth's financial statements, but the Agency is not considered part of the Commonwealth's primary government.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Agency presents its financial statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), as established by GASB. For financial reporting purposes, the Agency is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-Agency transactions have been eliminated.

Fiduciary Statements

In accordance with GASB Statement No. 84, *Fiduciary Activities,* Pennsylvania Housing Finance Agency Employees' Retirement Plan is now accounted for as a fiduciary activity and disclosed on the Agency's statements of fiduciary net position and statements of changes in fiduciary net position.

The statements of fiduciary net position provide information about the Agency's fiduciary activity: Pennsylvania Housing Finance Agency Employees' Retirement Plan at the end of its fiscal year.

The statements of changes in fiduciary net position provide information about the additions and deductions of the Agency's fiduciary activity: Pennsylvania Housing Finance Agency Employees' Retirement Plan in order to measure the results of the fiduciary activity's operations at the end of its fiscal year.

The fiduciary activity and its results are not presented within the Agency's financial statements.

Description of Programs

The Agency accounts for its lending and operating activities in various programs based upon management designations and for ease of accountability, summarized as follows:

General Activities – Consists of a group of accounts used to record income and expenses that are not directly pledged to or associated with the programs described below, and includes activity related to various Agency programs and initiatives, including loan servicing and the payment of expenses related to the Agency's administrative functions.

Multifamily Housing Program ("Multifamily Program") – Records the activity related to financing the construction, rehabilitation or operational expenses of multifamily rental housing developments generally designed for persons or families of low and moderate income or the elderly.

Single Family Mortgage Loan Program ("Single Family Program") – Records the activity related to providing capital for the purchase and servicing of mortgage loans for owner-occupied single-family residences for persons or families of low and moderate income.

Insurance Program – The Agency provides primary mortgage insurance coverage through this program to cover the risk of mortgage default for certain single-family borrowers.

Homeowners' Emergency Mortgage Assistance Program ("HEMAP") – Created by Act 91 of 1982 (as later amended) by the Pennsylvania General Assembly to provide emergency mortgage assistance loans to mortgagors facing foreclosure due to circumstances beyond their control. HEMAP's primary operating revenues are derived from funding received from the Commonwealth and from program repayments and income from investments, and are reported as a component of Program Income and Fees within the Agency's financial statements.

Fair Value Application and Measurement
Fair value is applied to assets and liabilities that the Agency holds primarily for the purpose of income or profit and that have a present service capacity based solely on their ability to generate cash or to be sold to generate cash. The Agency categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based upon valuation inputs used to measure the fair value of the respective asset or liability. Level 1 inputs include quoted prices in active markets for identical assets; Level 2 inputs include observable inputs other than quoted prices included in Level 1 inputs; Level 3 inputs include unobservable inputs.

Cash and Cash Equivalents
Cash includes currency on hand and currency equivalents that may be accessed immediately or near-immediately. Cash equivalents are defined as short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash. Agency cash and cash equivalents consist of demand deposit checking and savings accounts, cash held in trust and money market funds.

Investments
Investments are reported at fair value, determined by reference to published market prices and quotations. Changes in fair values are recognized separately within the Statement of Revenues, Expenses and Changes in Net Position.

Restricted Cash, Cash Equivalents and Investments
Restricted cash, cash equivalents and investments consist of cash, cash equivalents and investments restricted primarily by escrow agreements, bond resolutions, debt servicing agreements, creditor agreements or other contractual agreements. The Agency collects mortgage payments on behalf of mortgagees for whom the Agency acts as a servicer. The Agency holds monies from multifamily property owners and single-family homeowners for payments of real estate taxes, property insurance and operating reserves, and has recorded a corresponding

liability related to these balances. The Agency maintains certain balances of cash, cash equivalents and investments, restricted as to their use, in order to comply with bond debt capital reserve and self-insurance requirements and certain investor or creditor covenants.

Mortgage Loans Receivable, Net
Mortgage loans receivable consist primarily of single family and multifamily loans. The current portion of mortgage loans receivable represents the contractual amount due within the forthcoming year.

Mortgage loans that the Agency has the ability and intent to hold for the foreseeable future are deemed to be held for investment and are valued at amortized cost. Amortized cost includes the balances of principal outstanding, unamortized premiums and discounts and capitalized origination costs and fees. Mortgage loans held-for-investment also have an allowance for loan loss applied as needed.

Mortgage loans that the Agency has the ability and intent to sell within the foreseeable future are deemed to be held for sale and are reported at the lower of cost or fair value, determined on an individual basis by loan type as of the date of the financial statements. Mortgage loans held for sale include loans subject to investor purchase commitments (committed loans) and loans held on a speculative basis (uncommitted loans). Fair value of committed loans is based upon commitment prices; fair value of uncommitted loans is based upon the market in which the mortgage banking activity operates. Amounts, if any, by which cost exceeds fair value are included within an allowance for loan loss.

The allowance for loan loss represents an adjustment applied to the balances of mortgage loans receivable in order to reflect amounts deemed collectible, using management's best estimate of probable losses inherent in the portfolio and evaluation of the underlying loans and their likelihood of becoming real estate owned. The allowance for loan loss is based upon the Agency's best information available under the circumstances, including the estimated market values of the properties representing collateral, mortgage insurance coverage on the collateral, the financial condition of the respective borrower, government guarantees and the economy as a whole.

Mortgage servicing rights/servicing release premiums are amortized over the life of the related loans using the effective interest method, and include servicing rights associated with both mortgages owned by the Agency and mortgages sold by the Agency for which servicing rights were retained. Mortgage servicing rights retained for underlying loans sold by the Agency are reported at the lower of amortized cost or fair value.

Troubled Debt Restructuring
A troubled debt restructuring occurs when a creditor, for economic or legal reasons related to a debtor's financial difficulties, grants a concession to a debtor experiencing financial difficulties that the creditor would not otherwise consider. Regardless of the form of concession granted by the creditor to the debtor in a troubled debt restructuring, the creditor's objective is to assist the

debtor in a difficult situation – the creditor expects to receive a return on investment or increase the probability of receipt of payment by granting the concessions than by not granting them. When conducted in a prudent manner, modifications of problem loans can serve the interests of both the creditor and the debtor and can lead to improved loan performance and reduced credit risk. In some instances, loan modifications are mandated by federal insurance programs. The Agency engages in troubled debt restructuring activities by affording modifications to the terms and interest rates of certain mortgage loans.

Real Estate Owned
Real estate owned represents single-family real estate acquired as a result of foreclosure, acceptance of a deed in lieu of foreclosure or other defaults of nonperforming mortgage loans. Balances of real estate owned approximate net realizable value, based upon actual recoveries for similar asset disposals resulting from anticipated mortgage insurance settlement proceeds or estimated sales prices less costs to sell. Net realizable values of real estate owned also include an allowance for losses attributable to potentially foregone interest and corporate and escrow advances.

Capital Assets
Capital assets are valued at historical cost. The Agency capitalizes assets with an initial cost of $1 (one-thousand dollars) or more. Depreciation is calculated using the straight-line method over the estimated useful lives, which are 5 years for furniture, fixtures and equipment and 45 years for the Agency's building. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded.

Other Assets
Other assets include federal and Pennsylvania grant and program funding receivable and prepaid expenses.

Deferred Outflows of Resources
Deferred outflows of resources include net unamortized losses (gains) on bond refundings, which are amortized over the shorter of the remaining life of the old debt or the life of the new debt; OPEB-related deferred outflows, which result from the Agency's post-employment healthcare benefits plan ("OPEB Plan"); and pension-related deferred outflows, which result from the Agency's Employees' Retirement Plan ("Pension Plan") and Governmental Excess Benefit Plan ("Excess Plan") (collectively "Pensions" or "Pension Plans"). OPEB-related and Pension-related deferred outflows of resources represent differences between expected and actual experience, changes in assumptions and amounts resulting from contributions made during the Agency's fiscal year subsequent to the OPEB Plan's or Pension Plan's measurement dates. Deferred outflows of resources are recognized over a closed period, and are amortized over the remaining average service life of all active and inactive employees who are provided OPEB or Pensions through the aforementioned plans.

Bonds and Notes Payable, Net
The Agency issues bonds and notes to provide capital for its mortgage programs and other uses consistent with its mission. The resultant debt is a general obligation of the Agency, and is secured and payable by the respective mortgage loans, investments, other assets and revenues within the respective programs or accounts established by the associated bond indentures. Bonds and notes payable are stated at their outstanding balances less any unamortized discounts or premiums. The current portion of bonds and notes payable represents the scheduled principal payable within the forthcoming year.

Escrow Deposits and Development Reserves
Escrow deposits represent balances of receipts from Single Family Program homeowners and Multifamily Program developments for anticipated payments of real estate taxes, property insurance and mortgage insurance. Development reserves represent cash held on behalf of owners of multifamily properties for repairs and replacement, property improvements, supportive services and potential operating deficits experienced by Multifamily Program developments.

Derivative Instruments – Interest Rate Swaps
The Agency enters into interest rate swap agreements ("swaps") with various counterparties to hedge the interest rate exposure associated with variable rate debt and to reduce overall borrowing costs. Swaps are structured whereby the Agency pays a fixed interest rate to a counterparty in exchange for the same counterparty paying to the Agency a variable interest rate, which is established based upon a common market index.

Swaps are reported at fair value and are classified as either hedging derivatives, amended hedging derivatives or investment derivatives. Hedging derivatives include swaps with critical terms that have not changed since their inception. Amended hedging derivatives include swaps with critical terms that have since been amended. The changes in fair values of hedging derivatives and amended hedging derivatives are reported as accumulated decrease in fair values of hedging derivatives on the Balance Sheet, which equal the values of the corresponding swaps. Investment derivatives include swaps that are not considered to be effective hedges; the changes in fair values of investment derivatives are reported as a net increase or decrease in the fair value of swaps and recognized as a revenue or expense.

Total OPEB Liability
The Agency is required to measure and disclose amounts relating to total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense and the fiduciary net position of the Agency's OPEB Plan. The Agency does not fund its OPEB liability; rather, the Agency provides health insurance for its retirees on a pay-as-you-go basis, therefore, the OPEB Plan has no fiduciary net position.

Net Pension Liability
Net pension liability represents the portion of the present value of projected benefit payments attributed to past periods of service to be provided through the Agency's Pensions to current active and inactive employees less the fiduciary net position of the Pensions. It represents the Agency's total pension liability less the fiduciary net position available to pay that liability. Investments included within fiduciary net position are reported at fair value.

Other Liabilities
Other liabilities consist mainly of unearned revenues, unearned federal funding, amounts due to Pennsylvania State Employees Retirement System ("SERS") and accrued expenses.

Deferred Inflows of Resources
Deferred inflows of resources include net unamortized gains (losses) on bond refundings, which are amortized over the shorter of the remaining life of the old debt or the life of the new debt; OPEB Plan-related and Pension Plan-related deferred Inflows, which represent the difference between projected and actual earnings on investments within the Agency's Pensions, are recognized over a closed period and are amortized over a 5-year period, and the accumulated increase in fair value of hedging derivatives, which represents the anticipated future utilization of the value of interest rate swap agreements deemed to be effective hedging derivatives.

Net Position
Net position is classified in the following three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt attributable to the acquisition, construction or improvement of those assets.

Restricted – Consists of assets with constraints placed on their use by laws, regulations, Agency bond resolutions or external groups, such as creditors or grantors.

Unrestricted – Consists of assets that do not meet the definition of Net Investment in Capital Assets or Restricted. This component includes assets designated for specific purposes by the actions of the Board.

When both restricted and unrestricted resources are available, it is the Agency's policy to use restricted resources to the extent allowed and only use unrestricted resources when needed.

Classification of Revenues and Expenses
Operating revenues include all revenue from mortgage and loan activity, mortgage servicing, investment income and gains on the sale of pooled loans via the Government National Mortgage Association ("GNMA") and the Federal National Mortgage Association ("FNMA"). Operating revenues also include amounts received for the grant programs, which includes administrative fees for the oversight of award distribution, monitoring of subrecipients and reporting to federal and Commonwealth agencies and allocations for the costs of required independent annual audits of federal awards expended. The costs of mortgage loan servicing, investment and grant programs are reported as operating expenses.

Non-operating revenues and expenses include federal program awards and the corresponding direct program costs for which those awards are received and recognized, and consist primarily of pass-through amounts related to the Agency's role as contract administrator of the U.S. Department of Housing and Urban Development's ("HUD") Section 8 subsidy program.

Interest Income on Mortgage Loans
Interest received for mortgage loans is based upon the constant yield method. Interest accrues on performing and nonperforming loans for up to 150 days or until the underlying obligation is satisfied or the associated property is sold, foreclosed-upon or transferred to another entity.

Gain on Sales of Mortgage-Backed Securities
The Agency participates in the GNMA and FNMA mortgage backed securities programs, whereby GNMA or FNMA guarantees securities that are issued by the Agency and backed by pools of mortgage loans. Gains on sales of MBSs are recorded at the time of settlement and represent the difference between the sale price of the MBSs and the carrying value of the underlying pool of mortgages backing them.

Investment Income
Investment income includes net receipts and payments associated with swaps deemed to be investment derivatives, gains or losses on sales of investments and investment interest income.

Pension and Other Postemployment Benefits Expense
Pension expense and other postemployment benefit expense are reported as salaries and related benefits and represent the estimated cost of the benefits earned by employees during the period, with the addition or subtraction of amounts that are deferred and amortized into expense over time as required by GAAP.

Compensated Absences
Employees earn vacation and illness leave benefits. Upon separation of service, employees are compensated for accumulated leave balances, limited by Agency policy. Compensated absence leave is recorded as an accrued expense in the period earned.

Debt Issuance Costs, Discounts and Other Related Costs

Costs related to bond and note issuance are expensed when incurred. Bond discounts and premiums are amortized over the lives of the corresponding bonds using the effective interest method. Net swap agreement payments are recorded as a component of interest expense on bonds and notes.

Change in Accounting Principle

During the year ending June 30, 2022, the Agency adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement resulted in the correction of an error in the June 30, 2021 financial statements as this statement was required to be implemented for the year ended June 30, 2021. The statements of fiduciary net position for the Agency's fiduciary activity: Pennsylvania Housing Finance Agency Employees' Retirement Plan at June 30, 2021 was $106,903.

Adopted Accounting Standards

Adoption of the following statements that became effective during the current fiscal year did not have an impact on the Agency's basic financial statements.

- GASB Statement No. 87, *Leases*, issued June 2017, effective for the Agency's fiscal year ending June 30, 2022.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued June 2018, effective for the Agency's fiscal year ending June 30, 2022.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Sectiion 457 Deferred Compensation Plans,* issued June 2020, effective for the Agency's fiscal year ending June 30, 2022.

Accounting Standards Issued But Not Yet Adopted

GASB issued the following Statements that will become effective in future reporting periods. Management is currently evaluating the potential impact on the Agency's financial statements.

- GASB Statement No. 91, *Conduit Debt Obligations,* issued May 2019, effective for the Agency's fiscal year ending June 30, 2023.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* issued March 2020, effective for the Agency's fiscal year ending June 30, 2023.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* issued May 2020, effective for the Agency's fiscal year ending June 30, 2023.

June 30, 2022 and 2021 (in thousands)

3. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

Cash and cash equivalents are reported at fair value, measured by Level 1 inputs based upon quoted prices in active markets. The Agency maintains a policy whereby cash and cash equivalents must be held in insured depositories satisfactory to the Agency. Balances of cash and equivalents at June 30, 2022 and 2021 were as follows:

	2022	2021
Cash	$ 660,531	$ 342,710
Money market accounts	338,859	419,735
Total carrying amount of cash and cash equivalents	$ 999,390	$ 762,445
Bank balance of cash and cash equivalents	$ 1,019,949	$ 768,632

Custodial Credit Risk

The Agency assumes levels of custodial credit risk for its cash and cash equivalents with financial institutions. Custodial credit risk is the risk that, in the event of a bank failure, the Agency's cash and cash equivalents may not be returned. The Agency has not established a formal custodial credit risk policy for its cash and cash equivalents.

At June 30, 2022 and 2021, the fair value of the Agency's cash deposits equaled $660,531 and $342,710, respectively, with corresponding bank balances equal to $580,493 and $346,029, respectively, of which $578,743 and $344,279, respectively, was uninsured but collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania by securities held by the pledging financial institution, its trust department or agent, but not in the Agency's name.

At June 30, 2022 and 2021, the fair value of the Agency's money market accounts, reported as cash equivalents, equaled $338,859 and $419,735, respectively, with corresponding bank balances equal to $439,456 and $422,603, respectively. These do not expose the Agency to custodial credit risk because they represent investments in open-end mutual funds and are held in the name of the Agency by a party other than the issuer of the security.

Investments

Commonwealth of Pennsylvania statutes and contractual provisions contained within the Agency's bond trust indentures govern the investment policies of the Agency. The Housing Finance Agency Law, 1959, Dec. 3, P.L. 1688 as amended Dec. 5, 1972, P.L.1259, No. 282 and bond indentures provide the authority to invest all Agency funds. In compliance with the Act and bond indentures, it is the policy of the Agency to invest in securities that provide suitable returns, preserve principal, meet liquidity needs and further the mission of the Agency.

June 30, 2022 and 2021 (in thousands)

Fair Value

Fair value of the Agency's investments are measured by Level 2 inputs based upon quoted prices for identical or similar assets in markets that are not active or other observable inputs such as interest rates and yield curves observable at commonly quoted intervals. Balances of the Agency's investments at June 30, 2022 and 2021 were as follows:

Investment	2022 Level 2	2021 Level 2
Federal Agricultural corporate bonds	21,699	9,657
Federal Farm Credit Bank bonds	70,637	57,025
Federal Home Loan Bank bonds	47,452	11,921
Federal Home Loan Mortgage Corp corporate bonds	16,720	15,945
FNMA corporate bonds	16,048	18,774
FNMA mortgage-backed securities	10,023	10,840
FNMA multifamily pools	16,824	21,213
GNMA IO strips	3,068	3,214
GNMA mortgage-backed securities	39,531	55,503
Refco strips	19	30
Tennessee Valley Authority bonds	71,197	88,092
	$ 313,218	$ 292,214

In addition to the amounts listed above, the Agency held money market accounts with a fair value of $338,859 and $419,735 at June 30, 2022 and 2021, respectively, reported as cash equivalents.

Credit Risk

The Agency mitigates its credit risk by limiting investments to those permitted in its deposit and investment policies, diversifying the investment portfolio and prequalifying firms with which the Agency conducts its investment activities.

The credit quality ratings of the Agency's investments for the years ended June 30, 2022 and 2021, as determined by Moody's Investors Service, are shown below. Amounts reported therein are comprised of securities implicitly guaranteed by the U.S. Government. At June 30, 2022 and 2021, $42,618 and $58,747, respectively, of U.S. Government Agency Mortgage-Backed Securities, U.S. Government Agency Securities and U.S. Treasury securities, which are explicitly guaranteed by the U.S. Government, were not considered to have credit risk and, therefore, are not included in the summary.

June 30, 2022 and 2021 (in thousands)

Investment	Fair Value at June 30 2022	2021	Credit Rating
Federal Agricultural corporate bonds	21,699	9,657	N/A
Federal Farm Credit Bank bonds	70,637	57,025	Aaa
Federal Home Loan Bank bonds	47,452	11,921	Aaa
Federal Home Loan Mortgage Corp corporate bonds	16,720	15,945	Aaa
FNMA corporate bonds	16,048	18,774	Aaa
FNMA mortgage-backed securities	10,023	10,840	Aaa
FNMA multifamily pools	16,824	21,213	Aaa
Tennessee Valley Authority bonds	71,197	88,092	Aaa
Total	$ 270,600	$ 233,467	

Money market accounts with fair values of $338,859 and $419,735 at June 30, 2022 and 2021 respectively, that were held by the Agency and reported as cash equivalents were rated as follows by Moody's or Standard and Poor's (S&P) Investors Service:

Moody's / S&P's Rating	Fair Value 2022	2021
AAA	$ 343	$ 1,756
Aaa	320,988	404,578
Not Rated	17,528	13,401
Total	$ 338,859	$ 419,735

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the custodian or counterparty holding the investment, the Agency will not be able to recover the value of the investment. The Agency has not established a formal custodial credit risk policy for its investments. All of the Agency's investment balances are in book-entry form in the Agency's name and are held by bank trust departments, acting as the counterparty; accordingly, these investments are not subject to custodial credit risk.

Concentration of Credit Risk

Concentration risk is the risk of loss attributed to the magnitude of the Agency's investment in a single investment issuer. The Agency has various maximum investment limits both by the type of investment and by issuer to prevent inappropriate concentration of credit risk. At June 30, 2022 and 2021, the Agency had the following concentrations of credit risk:

June 30, 2022 and 2021 (in thousands)

	2022		2021	
Investment Issuer	**Fair Value**	**% of Total Investments**	**Fair Value**	**% of Total Investments**
GNMA	$ 42,599	13.60%	$ 58,717	20.09%
Federal Farm Credit Bank	70,637	22.55%	57,025	19.51%
Federal Home Loan Mortgage Corp	16,720	5.34%	15,945	5.46%
Federal Home Loan Bank	47,452	15.15%	11,921	1.08%
FNMA	42,895	13.69%	50,827	17.39%
Federal Agricultural	21,699	6.93%	9,657	3.30%
Tennessee Valley Authority	71,197	22.73%	88,092	30.15%
	$ 313,199	99.99%	$ 292,184	96.98%

Interest Rate Risk

The Agency's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Investments in mortgage-backed securities are sensitive to interest rate changes. For the years ended June 30, 2022 and 2021, the Agency had investments with the following maturities:

	2022				
		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
U.S. Government Agency Mortgage-backed Securities	$ 49,553	$ -	$ 9,996	$ -	$ 39,557
U.S. Government Agency Securities	263,665	10	41,672	53,124	168,859
	$ 313,218	$ 10	$ 51,668	$ 53,124	$ 208,416

	2021				
		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
U.S. Government Agency Mortgage-backed Securities	$ 87,555	$ -	$ 3,074	$ 22,855	$ 61,626
U.S. Government Agency Securities	204,659	10	9,345	40,045	155,259
	$ 292,214	$ 10	$ 12,419	$ 62,900	$ 216,885

June 30, 2022 and 2021 (in thousands)

4. Mortgage Loans

Amounts reported as mortgage loans receivable at June 30, 2022 and 2021 consisted of the following:

	2022				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Mortgage loans	$ 8,450	$ 409,270	$ 3,781,554	$ 57,019	$ 4,256,293
Add:					
Loan premiums	-	-	-	-	-
Less:					
Loan discounts	-	2,738	-	-	2,738
Allowance for loan losses	4,867	97,117	15,060	31,481	148,525
Mortgage loans receivable	3,583	309,415	3,766,494	25,538	4,105,030
Current portion	-	2,157	118,522	4,485	125,164
Noncurrent portion	$ 3,583	$ 307,258	$ 3,647,972	$ 21,053	$ 3,979,866

	2021				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Mortgage loans	$ 8,119	$ 425,207	$ 3,149,037	$ 62,493	$ 3,644,856
Add:					
Loan premiums	-	-	-	-	-
Less:					
Loan discounts	-	2,738	-	-	2,738
Allowance for loan losses	4,867	100,879	13,816	33,328	152,890
Mortgage loans receivable	3,252	321,590	3,135,221	29,165	3,489,228
Current portion	-	3,140	109,433	5,038	117,611
Noncurrent portion	$ 3,252	$ 318,450	$ 3,025,788	$ 24,127	$ 3,371,617

Securitizations, Gains on the Sale of Mortgage-Backed Securities and Mortgages Held for Sale
During the years ended June 30, 2022 and 2021, the Agency securitized mortgage loans with a principal balance of $44,646 and $151,889, respectively, into MBSs through GNMA and FNMA. MBSs are either sold to private investors or purchased by the Agency. Ongoing revenue for the Agency is generated from servicing the loans pooled into MBSs, which is reported as program income and fees, and by gains derived from the sale price less the value of the underlying mortgages of the MBSs at the time of settlement. Total gains on the sale of MBSs for the years ended June 30, 2022 and 2021 equaled $1,740 and $7,956, respectively. Mortgages held for sale are reported at fair value measured by Level 2 inputs based upon observable quoted prices of similar assets. Mortgages held for sale totaled $3,832 and $5,942 at June 30, 2022 and 2021, respectively.

Mortgage Loan Collateral and Insurance Coverage
General Activity mortgage loans receivable represent amounts disbursed through the Agency's Mixed-Use Facility Financing Initiative ("MUFFI"), Homeownership Choice Program ("HCP") and Revised Community Leveraging Assistance Initiative Mortgage ("ReCLAIM"). The loans are not insured, but they are secured by promissory notes and mortgages on the associated properties.

Multifamily Program mortgage loans receivable are not insured, but are collateralized by mortgages on the related projects. The federal government subsidizes certain projects included in the Multifamily Program mortgage loan portfolio.

At June 30, 2022 and 2021, the Agency's Single Family Program mortgage loan servicing portfolio equaled $5.1 billion and $4.7 billion, respectively; this included the balances of mortgage loans reported as assets by the Agency and insured loans that have been sold through MBSs, which are not reported as Agency assets but represent loans for which the Agency purchased and retained servicing rights, see note 6. Single Family Program mortgage loans are secured by liens on the related real property, and private mortgage insurance is generally required on all mortgage loans where the loan principal amount exceeds 80% of the lesser of the purchase price or the initial appraised value of the property. Private mortgage insurance for Single Family Program mortgage loans is provided by commercial companies, the Agency's Insurance Program, certain federal programs through the Federal Housing Administration ("FHA"), United States Department of Veterans Affairs ("VA") and United States Department of Agriculture – Rural Development ("RD"), FNMA and varying other sources. At June 30, 2022 and 2021, insurance coverage associated with Single Family Program mortgage loan servicing portfolio included the following:

June 30, 2022 and 2021 (in thousands)

	2022		2021	
Commercial Insurance	$ 206,104	4.06%	$ 252,790	4.97%
PHFA Insurance Program	1,008,511	19.84%	514,722	10.13%
FHA	2,369,944	46.63%	2,404,035	47.30%
VA	140,414	2.76%	142,810	2.81%
RD	511,110	10.06%	520,844	10.25%
FNMA	269,698	5.31%	340,861	6.71%
Uninsured	576,769	11.35%	567,054	11.16%
Total Single Family Program Servicing Portfolio:	$ 5,082,550	100.00%	$ 4,743,116	93.32%

HEMAP loans are emergency loans provided to mortgagors facing foreclosure, are not insured and are unsecured, being in a second or third lien position; hence, HEMAP loans are not included in the above listing.

Loan Delinquency and Foreclosure

At June 30, 2022 and 2021, no mortgage loans reported within General Activities were either delinquent or in pending foreclosure actions.

At June 30, 2022 and 2021, the principal balance of Multifamily Program primary mortgage loans delinquent 91 days or greater for which the Agency was exposed to some level of loss equaled $667 and $481, respectively, and no Multifamily Program mortgage loans were in pending foreclosure actions.

At June 30, 2022 and 2021, the principal balances of Single Family Program mortgage loans delinquent 91 days or greater for which the Agency was exposed to some level of loss equaled $161,663 and $214,518, respectively. Included within these June 30, 2022 and 2021 balances of loans delinquent 91 days or greater were loans with pending foreclosure actions with aggregate principal balances of $51,407 and $36,019, respectively.

At June 30, 2022 and 2021, the principal balance of HEMAP mortgage loans delinquent 91 days or greater equaled $21,493 and $22,052, respectively.

June 30, 2022 and 2021 (in thousands)

Troubled Debt Restructurings

The Agency engages in troubled debt restructuring activities by affording modifications to the terms and interest rates of its Single Family Program mortgage loans. Such modifications are granted in order to assist qualified and distressed mortgagors facing foreclosure, to reduce the number of mortgage insurance claims the Agency would otherwise file and to meet federal insurance program requirements.

Details associated with Single Family Program cumulative loan modifications as of June 30, 2022 and 2021 were as follows:

	2022	2021
Aggregate recorded loan balance	$ 196,779	$ 200,384
Gross interest revenue, if the mortgage loan had been current	$ 10,798	$ 11,084
Actual amount of interest received and included in net position	$ 7,556	$ 6,786

The number of mortgage loans deemed troubled debt restructurings as of June 30, 2022 and 2021 totaled 2,771 (two-thousand seven-hundred seventy-one) and 2,776 (two-thousand seven-hundred seventy-six), respectively. These totals exclude mortgage loans whose terms have been modified where, subsequent to restructuring, their effective interest rate has been equal to or greater than the rate the Agency was willing to accept for a new mortgage loan with comparable risk.

Allowance for Loan Loss

The allowances for loan losses at June 30, 2022 and 2021 consisted of the following:

	2022				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Beginning balance	$ 4,867	$ 100,879	$ 13,816	$ 33,328	$ 152,890
Loss provision (recoveries)	-	(3,090)	2,400	(1,139)	(1,829)
Net losses	-	(672)	(1,156)	(708)	(2,536)
Ending balance	$ 4,867	$ 97,117	$ 15,060	$ 31,481	$ 148,525

June 30, 2022 and 2021 (in thousands)

	2021				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Beginning balance	$ 4,867	$ 109,753	$ 13,348	$ 33,383	$ 161,351
Loss provision (recoveries)	-	(6,448)	2,301	-	(4,147)
Net losses	-	(2,426)	(1,833)	(55)	(4,314)
Ending balance	$ 4,867	$ 100,879	$ 13,816	$ 33,328	$ 152,890

Amounts reported as provision for loan loss and real estate owned on the statement of revenues, expenses and changes in net position for the years ended June 30, 2022 and 2021 consisted of the following:

	2022					
	General Activities	Multifamily Program	Single Family Program	Insurance Program	HEMAP	Total
Loss (recoveries) provision	$ -	$ (3,090)	$ 2,400	$ -	$ (1,139)	$ (1,829)
Self-insured losses	-	-	-	(132)	-	(132)
Change in value of REOs	-	-	(342)	-	-	(342)
Accrued interest losses	-	509	-	-	-	509
Change in repurchase reserve	-	-	(2,819)	-	-	(2,819)
Recoveries for loan loss and real estate owned	$ -	$ (2,581)	$ (761)	$ (132)	$ (1,139)	$ (4,613)

	2021					
	General Activities	Multifamily Program	Single Family Program	Insurance Program	HEMAP	Total
Loss (recoveries) provision	$ -	$ (6,448)	$ 2,301	$ -	$ -	$ (4,147)
Self-insured losses	-	-	-	226	-	226
Change in value of REOs	-	-	(2,980)	-	-	(2,980)
Accrued interest losses	-	17	-	-	-	17
Change in repurchase reserve	-	-	(2,188)	-	-	(2,188)
(Recoveries) provision for loan loss and real estate owned	$ -	$ (6,431)	$ (2,867)	$ 226	$ -	$ (9,072)

Mortgage-Backed Security Repurchase Reserve

Mortgage loans securitized into MBSs through either GNMA or FNMA ("securitized loans") are not included in the Agency's financial statements. If a borrower fails to make a timely payment on a mortgage loan, the Agency must use its own funds to ensure that holders of Agency-issued MBSs receive timely payment. In circumstances of significant borrower delinquency, the Agency will repurchase a securitized loan from its respective MBS. Repurchased mortgage loans are included in the Agency's financial statements; as a result, the risk of loss, net of mortgage insurance, associated with these loans is considered in management's routine evaluation of the allowances for loan losses and the Agency has, therefore, established a repurchase reserve for these securitized loans. Securitized loans repurchased by the Agency totaled $9,990 and $12,195 for the years ended June 30, 2022 and 2021, respectively, and the Agency's repurchase reserve for securitized loans equaled $2,886 and $5,436 at June 30, 2022 and 2021, respectively.

5. Real Estate Owned by the Agency

Real estate owned by the Agency included 79 properties with a net realizable value of $6,513 at June 30, 2022 and 79 properties with a net realizable value of $3,979 at June 30, 2021.

6. Mortgage Servicing Rights/Service Release Premiums

The Agency pays a fee to its participating lenders for the release of mortgage servicing rights associated with each mortgage loan it purchases for its Single Family Mortgage Loan Program. During the years ended June 30, 2022 and 2021, the Agency capitalized mortgage servicing rights/service release premiums totaling $19,411 and $5,890, respectively. Amortization and disposition of mortgage servicing rights/servicing release premiums totaled $15,156 and $7,649 for the years ended June 30, 2022 and 2021, respectively.

Unamortized mortgage servicing rights, relating to loans sold by the Agency for which the Agency retained the servicing rights, totaling $10,554 and $12,937 were outstanding at June 30, 2022 and 2021, respectively. Mortgage servicing rights are included within mortgage loans receivable, net on the balance sheets. The Agency recorded a fair value adjustment of $0 and $764 on mortgage servicing rights for the years ended June 30, 2022 and 2021, respectively.

Service release premiums, relating to loans purchased by the Agency, totaling $28,271 and $21,633 were outstanding at June 30, 2022 and 2021, respectively. Service release premiums are included within mortgage loans receivable, net on the balance sheets.

June 30, 2022 and 2021 (in thousands)

7. Capital Assets

Capital assets activity for the years ended June 30, 2022 and 2021 and a summary of balances were as follows:

	July 1, 2021	Additions	Disposals	June 30, 2022
Nondepreciable Capital Assets:				
Land	$ 2,454	$ -	$ -	$ 2,454
Total nondepreciable capital assets	2,454	-	-	2,454
Depreciable Capital Assets:				
Building	60,219	412	-	60,631
Furniture, fixtures and equipment	12,369	137	-	12,506
Less accumulated depreciation:				
Building	(11,239)	(1,115)	-	(12,354)
Furniture, fixtures and equipment	(8,069)	(563)	-	(8,632)
Total depreciable capital assets, net	53,280	(1,129)	-	52,151
Total Capital Assets, net	$ 55,734	$ (1,129)	$ -	$ 54,605

	July 1, 2020	Additions	Disposals	June 30, 2021
Nondepreciable Capital Assets:				
Land	$ 2,454	$ -	$ -	$ 2,454
Total nondepreciable capital assets	2,454	-	-	2,454
Depreciable Capital Assets:				
Building	59,161	1,058	-	60,219
Furniture, fixtures and equipment	11,654	715	-	12,369
Less accumulated depreciation:				
Building	(10,110)	(1,129)	-	(11,239)
Furniture, fixtures and equipment	(7,491)	(578)	-	(8,069)
Total depreciable capital assets, net	53,214	66	-	53,280
Total Capital Assets, net	$ 55,668	$ 66	$ -	$ 55,734

Depreciation expense for the years ended June 30, 2022 and 2021 totaled $1,678 and $1,707, respectively.

8. Bonds and Notes Payable

The Agency issues bonds and notes payable to finance its lending programs. Proceeds from long-term debt of the Multifamily Program and Single Family Program are used to fund Multifamily and Single Family mortgage loans. General Activities long-term debt is used to finance the Agency's headquarters in Harrisburg, Pennsylvania.

Interest on bonds and notes payable is payable semi-annually. Interest rates on variable rate debt reset on a quarterly, monthly or weekly basis. Interest paid on indexed floating-rate tax-exempt bonds is closely correlated with the Securities Industry and Financial Markets Association Municipal Swap ("SIFMA") rate. Interest paid on indexed floating-rate taxable bonds is closely correlated with the London Interbank Offered Rate ("LIBOR"), which is scheduled to be retired in 2021 for some maturies and 2023 for the remaining maturities, an alternative index may be substituted for the LIBOR at the time of retirement. At June 30, 2022, variable interest rates payable ranged from 0.90% to 1.31 %. At June 30, 2021, variable interest rates payable ranged from 0.05% to 0.67%

June 30, 2022 and 2021 (in thousands)

The aggregate principal amounts of bonds and notes payable outstanding at June 30, 2022 and 2021, maturity dates and corresponding interest rates at June 30, 2022 are illustrated in the following table.

	Interest Rates at June 30, 2022		Maturity	Amounts Outstanding at June 30,	
Bond Series	**Variable**	**Fixed**	**Date**	**2022**	**2021**
General Activities:					
Headquarters Bonds	128 bps	-	2037	$ 31,000	$ 33,000
Multifamily Program:					
Development Issue 2005K	1312 bps	-	2036	7,898	8,318
Single Family Program:					
Bonds Payable					
Series 2004 - 83 *	94 bps	-	2026	1,455	4,440
Series 2004 - 86 *	94 bps	-	2027	14,270	16,215
Series 2007 - 98 *	97 bps	-	2034	3,795	7,165
Series 2007 - 100 *	97 bps	-	2036	3,815	7,985
Series 2007 - 101	-	3.23-3.28%	2023	2,205	4,370
Series 2011 - 112	-	-	-	-	10
Series 2011 - 113	-	3.50%	2022	670	2,875
Series 2012 - 114	-	-	-	-	140,135
Series 2013 - 115	-	3.15-3.35%	2023	8,035	15,180
Series 2013 - 116	-	2.80-3.45%	2026	10,605	42,535
Series 2015 - 117	-	2.90-3.90%	2040	35,775	43,545
Series 2015 - 118	-	2.60-3.80%	2040	52,500	73,605
Series 2016 - 119	-	2.00-3.50%	2041	95,135	107,980
Series 2016 - 120	-	1.65-3.50%	2046	151,440	167,430
Series 2016 - 121	-	1.60-3.50%	2046	187,190	203,605
Series 2017 - 122	-	2.30-4.00%	2046	125,520	146,640
Series 2017 - 123	-	2.25-4.00%	2039	74,960	87,980
Series 2017 - 124	-	1.95-4.00%	2042	149,745	163,785
Series 2017 - 125	-	2.375-3.70%	2047	157,765	264,760
Series 2018 - 126	176 bps	2.40-4.00%	2048	75,195	96,185
Series 2018 - 127	173 bps	2.55-3.55%	2047	112,435	148,050
Series 2019 - 128	-	2.55-4.75%	2034	76,415	149,710
Series 2019 - 129	-	2.10-3.40%	2049	125,000	125,000
Series 2019 - 130	-	1.25-4.00%	2049	151,665	162,925
Series 2019 - 131	-	1.625-3.50%	2049	123,835	131,255
Series 2020 -132*	90 bps	0.55-3.50%	2051	219,075	235,980

June 30, 2022 and 2021 (in thousands)

	Interest Rates at June 30, 2022			Amounts Outstanding at June 30,	
Bond Series	**Variable**	**Fixed**	**Maturity Date**	**2022**	**2021**
Series 2020 - 133	-	1.75-5.00%	2050	204,410	211,265
Series 2021 - 134	-	0.80-5.00%	2049	150,775	157,925
Series 2021 - 135	-	1.57-5.00%	2051	173,390	136,675
Series 2021 - 136	-	0.10-5.00%	2051	292,215	-
Series 2021 - 137	-	0.20-5.00%	2051	252,600	-
Series 2022 - 138	-	2.50-5.00%	2052	257,760	-
Series 2022 - 139	-	1.80-5.00%	2052	297,030	-
Total Single Family Program Bonds Payable				3,586,680	3,055,210
Notes Payable from Direct Borrowings					
General Obligation Note	-	2.60%	2024	6,491	9,904
General Obligation Note	-	2.75%	2034	22,917	23,750
2009 Purchase Agreement	-	2.50%	2024	2,500	2,500
Total Single Family Program Notes Payable from Direct Borrowings				31,908	36,154
Unamortized bond premiums				89,533	47,217
Total bonds and notes payable				3,747,019	3,179,899
Current portion				133,502	119,735
Noncurrent portion				$ 3,613,517	$ 3,060,164

bps - basis points

* – All or a portion of the balances of these bonds payable include variable rate demand obligations, discussed in detail in the following section of this note.

June 30, 2022 and 2021 (in thousands)

Variable Rate Demand Obligations

The balances of certain Single Family Program bonds payable include variable rate demand obligations ("VRDO"). Interest rates on these VRDO's reset on a weekly basis, and VRDO's may be redeemed at the holder's option. Standby purchase agreements are utilized in the event these VRDO's are unable to be successfully remarketed and/or become held by the standby purchase agreement provider as a term loan to the Agency. Details of certain Agency VRDO standby purchase agreements at June 30, 2022 were as follows:

Bond Issue	Liquidity Provider at June 30, 2022	Effective Date	Expiration Date	Bond Balance Outstanding at June 30 2022	2021
2004-83C	TD Bank	8/16/2017	8/16/2022	1,455	4,440
2004-86B	TD Bank	8/16/2017	12/31/2022	14,270	16,215
2007-98C	Wells Fargo Bank	7/8/2014	11/20/2023	3,795	7,165
2007-100C	Wells Fargo Bank	7/8/2014	11/20/2023	3,815	7,985
2020-132B	TD Bank	9/29/2020	6/20/2025	30,000	30,000
			Total	$ 53,335	$ 65,805

June 30, 2022 and 2021 (in thousands)

There were no failed remarketings or resultant liquidity draws during the years ended June 30, 2022 and 2021. Upon the occurrence of a failed remarketing, the liquidity providers would be afforded the opportunity to exercise term-out provisions embedded within the standby purchase agreements, which call for payment of debt service on an accelerated basis at a rate of interest higher than the existing weekly mode. The provisions of each term-out agreement and potential debt service requirements at June 30, 2022, if the term-out agreements were exercised and assuming a term-out commencement date of July 1, 2021, respectively, were as follows:

Liquidity Provider	Term-Out Provisions	Payment Date	Interest Rate	Principal	Interest	Total Payment
Wells Fargo	Day 1 through 180:	4/1/2022	4.25% & 5.25%	$ 761	$ 265	$ 1,026
	"Base Rate" equal	10/1/2022	5.25%	761	180	941
	to the greater of	4/1/2023	5.25%	761	160	921
	the bank's Prime	10/1/2023	5.25%	761	140	901
	Rate + 1%, Fed	4/1/2024	5.25%	761	120	881
	Funds Rate + 2%	10/1/2024	5.25%	761	100	861
	and 7%. Day 181	4/1/2025	5.25%	761	80	841
	and after: Base	10/1/2025	5.25%	761	60	821
	Rate + 1%	4/1/2026	5.25%	761	40	801
		10/1/2026	5.25%	761	20	781
				$ 7,610	$ 1,164	$ 8,774
TD Bank	LIBOR + 2%	4/1/2022	3.00%	$ 4,573	$ 686	$ 5,258
		10/1/2022	3.00%	4,573	617	5,190
		4/1/2023	3.00%	4,573	549	5,121
		10/1/2023	3.00%	4,573	480	5,053
		4/1/2024	3.00%	4,573	412	4,984
		10/1/2024	3.00%	4,573	343	4,915
		4/1/2025	3.00%	4,573	274	4,847
		10/1/2025	3.00%	4,573	206	4,778
		4/1/2026	3.00%	4,573	137	4,710
		10/1/2026	3.00%	4,573	69	4,641
				$ 45,725	$ 3,772	$ 49,497

June 30, 2022 and 2021 (in thousands)

Debt Service Requirements

The approximate principal and interest payments required on all outstanding bonds and notes over the next five years and thereafter at June 30, 2022 were as follows:

June 30, 2022

Fiscal Year	General Activities Principal	General Activities Interest	Multifamily Program Principal	Multifamily Program Interest	Single Family Program - Bonds Principal	Single Family Program - Bonds Interest	Single Family Program - Notes Payable from Direct Borrowings Principal	Single Family Program - Notes Payable from Direct Borrowings Interest	Total Principal	Total Interest
2023	$ 2,000	$ 702	$ 442	$ 46	$ 126,724	$ 105,469	$ 4,336	$ 817	$ 133,502	$ 107,034
2024	2,000	671	467	18	129,420	104,343	3,822	704	135,709	105,736
2025	2,000	621	495	17	129,155	100,598	3,333	641	134,983	101,877
2026	2,000	573	508	16	147,065	96,419	833	558	150,406	97,566
2027	2,000	526	509	14	150,545	91,596	833	534	153,887	92,670
2028-2032	10,000	1,913	2,997	49	710,055	387,670	4,167	2,326	727,219	391,958
2033-2037	10,000	717	2,480	9	644,505	281,614	14,584	858	671,569	283,198
2038-2042	1,000	6	-	-	577,440	193,595	-	-	578,440	193,601
2043-2047	-	-	-	-	513,875	112,920	-	-	513,875	112,920
2048-2052	-	-	-	-	433,715	36,937	-	-	433,715	36,937
2053-2057	-	-	-	-	24,181	462	-	-	24,181	462
	$ 31,000	$ 5,729	$ 7,898	$ 169	$ 3,586,680	$ 1,511,623	$ 31,908	$ 6,438	$ 3,657,486	$ 1,523,959

Early Extinguishment of Debt

During the years ended June 30, 2022 and 2021, the Agency redeemed principal amounts of certain bonds and notes totaling $536,425 and $339,775, respectively, prior to their scheduled maturity. The early extinguishments were enabled by the refunding proceeds resulting from the issuance of certain single family mortgage revenue bonds and through the use of mortgage prepayments received from borrowers. The early extinguishments of debt resulted in net gains for the years ended June 30, 2022 and 2021 totaling $5,874 and $3,599, respectively. Gains or losses on early extinguishments of debt arise because of the immediate recognition of original issuance discounts or premiums that would have otherwise been amortized over the life of the related bond issues had they not been retired prior to scheduled maturity.

Current Refunding

Year Ended June 30, 2022

On July 6, 2021 the Agency issued Series 2021-135B single family mortgage revenue bonds in the amount of $38,895. A portion of the proceeds of this issuance and an Agency contribution were used to refund $46,142 of Series 2012-114A bonds. This refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to $2,590 and a reduction of future debt service payments equal to $1,497.

On September 21, 2021 the Agency issued Series 2021-136 single family mortgage revenue bonds in the amount of $294,750. A portion of the proceeds of this issuance and an Agency contribution were used to refund $88,700 of Series 2012-114C bonds. This refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to $20,699 and a reduction of future debt service payments equal to $28,633.

Year Ended June 30, 2021

On April 1, 2021 the Agency issued Series 2021-134 single family mortgage revenue bonds in the amount of $157,925. A portion of the proceeds of this issuance and an Agency contribution were used to refund $26,710 of Series 2005-89 bonds and $14,610 of Series 2006-93B bonds. This refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to $4,077 and a reduction of future debt service payments equal to $4,553.

Advance Refunding

In prior years, the Agency effected an advance refunding of Multifamily Residential Development Bonds, Issue H, where the proceeds of refunding bonds issued were used to defease the outstanding bonds attributable to Issue H. The result was an in-substance defeasance, whereby the Agency purchased securities, which were deposited into an irrevocable trust with an escrow agent, to provide for future debt service payments on the refunded bonds. The defeased principal outstanding attributable to Issue H equaled $2,725 at June 30, 2022 and 2021; no defeased principal is scheduled to be retired until May 2023, at which time all defeased principal outstanding will be retired.

June 30, 2022 and 2021 (in thousands)

Hedging Derivative Instrument Payments and Hedged Debt

Debt service requirements of the Agency's outstanding variable rate debt and net swap payments of the associated derivative instruments at June 30, 2022 are displayed in the following schedule. The following incorporates variable rate values at June 30, 2022, which are subject to change in future periods. The net swap payment equals the difference between the fixed rate of interest paid to the counterparties and the variable rate of interest received by the Agency. See note 9 Derivatives for further information relative to derivative instruments.

June 30, 2022				
Fiscal Year Ending June 30	Hedged Variable Rate Bond Principal	Hedged Variable Rate Bond Interest	Net Swap Payments	Total
2023	$ 2,442	$ 976	$ 1,326	$ 4,744
2024	2,467	917	1,251	4,635
2025	2,495	866	1,177	4,538
2026	2,706	816	1,105	4,627
2027	2,509	766	1,033	4,308
2028-2032	12,997	3,094	3,941	20,032
2033-2037	20,090	1,722	2,059	23,871
2038-2042	1,000	768	1,228	2,996
2043-2047	16,930	430	863	18,223
2048-2052	13,070	59	213	13,342
	$ 76,706	$ 10,414	$ 14,196	$ 101,316

Conduit Debt Obligations

During the year ended June 30, 2022, the Agency issued Chester County Preservation Initiative, Reviewview Manor, Grandview Manor, Harrison Senior Tower, Keystone Terrace Associates, Methodist Towers, Monument Village, Northside Residences III, Rafael Porrata-Doria Place, Redeemer Village, School of Nursing and Sherman Hills special limited obligation multifamily housing development bonds in order to provide financing for the construction or preservation of affordable multifamily housing. The bonds are secured by the properties financed and are payable from income generated by the properties.

Conduit debt issued in prior years with balances outstanding at June 30, 2022 and 2021 include:

- Awbury View Apartments, Series Belmont Specialty, Berkshire Gardens, Breslyn House Apartments, Brinton Manor/Towers Apartments, Carson Towers Apartments, Central Pennsylvania Development, Country Commons Apartments, Donora Towers, Episcopal House Apartments, Four Freedoms House and Philip Murray House, Foxwood Manor Apartments, Glen Hazel RAD, Greenview Garden Apartments, Hershey Plaza Apartments, John Fox Towers, Karen Donally/Iris Nydia Brown Townhomes, Kinder Park Phase IV, Lehigh Park Apartments, Maple Mount Vernon, Multifamily Issue 2005-K, Norris Homes Phase V, North Central CNI, Parkview Knoll Apartments, Pleasant Valley Apartments, Presbyterian Portfolio, Rowan Judson Diamond, Sandy Hill, Sharpsburg Towers, Susquehanna Square, Urban Allied Portfolio, Wister Townhouses, and York Towne House Apartments special limited obligation multifamily housing development bonds in order to provide financing for the construction or preservation of affordable multifamily housing. The bonds are secured by the properties financed and are payable from income generated by the properties.

June 30, 2022 and 2021 (in thousands)

- Series 2005A Capital Fund Securitization Revenue Bonds in order to provide for financial assistance to various local public housing authorities. The bonds are secured by the properties financed and are payable solely from appropriations to be paid by the United States Department of Housing and Urban Development.

The bonds discussed above represent conduit debt obligations and do not constitute a debt, guarantee or pledge of the faith and credit of the Agency. Accordingly, they have not been reported in the accompanying basic financial statements. At June 30, 2022 and 2021, conduit debt outstanding aggregated $659,806 and $486,739, respectively.

Bond Covenants

Significant bond covenants of the Agency include a capital reserve requirement and a self-insurance requirement for the Single Family Program bonds. The capital reserve requirement for the Single Family Program bonds obliges the Agency to maintain a balance of funds equal to at least 3% of the aggregate principal amount of all Single Family Program bonds outstanding plus one million dollars, which is required to be invested in securities having a maturity of a year or less. The self-insurance requirement for the Single Family Program bonds obliges the Agency to maintain a balance of funds equal to the following percentages of outstanding principal amounts of mortgage loans funded from the following respective series:

Series I and J:	2.00%
Series K:	1.10%
Series L through Series 2006-96:	2.00%

The Agency is not expected to fund or maintain the self-insurance requirement under the Single Family Program bond indenture in any amount with respect to any series of bonds issued after November 2006.

The Agency was in compliance with its bond covenant requirements at June 30, 2022 and 2021.

Bonds Authorized But Not Yet Issued

On January 13, 2022, the Agency Board authorized the issuance of Single Family Mortgage Revenue bonds Series 140 in an amount not to exceed $350,000. Proceeds are expected to include a portion for refunding certain Single Family Mortgage Revenue Bonds of the Agency issued previously and a portion for purchasing new single family mortgage loans.

On July 14, 2022, the Agency Board authorized the issuance of Single Family Mortgage Revenue bonds Series 141 and 142 in an amount not to exceed $400,000 for each series. Proceeds are expected to include a portion for refunding certain Single Family Mortgage Revenue Bonds of the Agency issued previously and a portion for purchasing new single family mortgage loans.

9. Derivatives

In order to both reduce the Agency's overall cost of borrowing long-term capital and protect against the potential of rising interest rates, the Agency entered into pay-fixed receive-variable interest rate swap agreements. The objective of the swaps is to hedge against changes in the cash flows of the associated variable rate bonds series.

Swaps are deemed either hedging derivative instruments or investment derivative instruments based upon the effectiveness of the agreements to hedge against interest rate exposure associated with variable rate debt. The regression analysis method is used to determine whether the swaps are an effective hedge.

The fair values of both hedging derivative instruments and investment derivative instruments are reported as Derivative Instruments – Interest Rate Swaps. The changes in fair values of hedging derivative instruments are reported within Deferred Outflows of Resources; the changes in fair values of investment derivative instruments are reported as either an investment revenue or expense. Fair values are obtained from mark-to-market calculations prepared by a valuation provider and approximate the current economic value using market indexes, interest rates and cash flow models.

Interest rates have generally decreased since the swaps became effective, therefore, most of the Agency's portfolio of swaps had a negative fair value at June 30, 2022 and 2021. Changes in fair values are countered by reductions or increases in total interest payments required under variable rate bonds. Given that payments on the Agency's variable rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value.

Each of the Agency's swaps requires the Agency to post collateral in the event the Agency's rating falls below a certain rating threshold. As of and for the years ended June 30, 2022 and 2021, the Agency was not required to post collateral for any of its swaps.

The Agency's swaps utilize a mixture of LIBOR, which is scheduled to be retired in 2021 for some maturities and 2023 for the remaining maturities, and SIFMA reference rates.

Fair Value

Interest rate swaps are reported at fair value, reflecting the nonperformance risk of the Agency relating to the liability and the nonperformance risk of the bank counterparty relating to the asset, measured by Level 2 inputs based on observable values other than quoted prices, including interest rates and yield curves observable at commonly quoted intervals, implied volatilities and other market-corroborated inputs.

June 30, 2022 and 2021 (in thousands)

Balances of the fair values of the Agency's interest rate swaps at June 30, 2022 and 2021 were as follows:

2022

Interest Rate Swap Type	General Activities	Multifamily Program	Single Family Program	Total
Hedging Derivatives	$ (95)	$ (1,418)	$ 7,251	$ 5,737
Hedging Derivatives - Amended	-	-	(2,873)	(2,873)
Investment Derivatives	-	-	(432)	(432)
Total Interest Rate Swaps	$ (95)	$ (1,418)	$ 3,946	$ 2,432

2021

Interest Rate Swap Type	General Activities	Multifamily Program	Single Family Program	Total
Hedging Derivatives	$ (3,180)	$ (3,177)	$ 645	$ (5,712)
Hedging Derivatives - Amended	-	-	(3,180)	(3,180)
Investment Derivatives	-	-	(4,158)	(4,158)
Total Interest Rate Swaps	$ (3,180)	$ (3,177)	$ (6,693)	$ (13,050)

Total interest rate swaps include $5,990 and $0 of derivative instrument – interest rate swap assets and $(3,558) and $(13,050) of derivative instrument – interest rate swap liabilities at June 30, 2022, and 2021, respectively.

Hedging Derivative Instruments

The change in fair value of the Agency's hedging derivative instruments for the years ended June 30, 2022 and 2021 equaled $11,756 and $3,379, respectively, and is accounted-for within the accumulated decrease in fair value of hedging derivatives on the Balance Sheet. The terms and other information respective of the Agency's hedging derivative instruments outstanding at June 30, 2022 and 2021 are detailed in the following schedule:

June 30, 2022 and 2021 (in thousands)

Bond Series	Effective Date	Maturity Date	Fixed Rate Paid	Variable Rate Received	Current Notional Amount	2021 Fair Value	Change In Fair Value	2022 Fair Value
2018-BLDG	3/2018	10/2037	3.150%	82% of USD-LIBOR + 41 bps	$ 31,000	$ (3,180)	$ 3,085	$ (95)
2004-83C[1]	10/2020	4/2027	3.730	SIFMA Swap Index	10,715	(491)	430	(61)
2007-98C[1]	10/2020	10/2037	3.935	SIFMA Swap Index	7,945	(1,136)	730	(406)
2007-100C[1]	10/2020	10/2031	4.115	SIFMA Swap Index	4,085	(959)	552	(407)
2020-132B	10/2020	10/2050	1.704	SIFMA Swap Index	30,000	51	5,200	5,251
MF2005-K	3/2005	1/2036	5.183	100% of USD-LIBOR	12,125	(3,177)	1,759	(1,418)
				Total:	$ 95,870	$ (8,892)	$ 11,756	$ 2,864

1 = Indicates Agency has embedded options to partially terminate, exercisable without payment to the counterparty

USD-LIBOR = one-month London Interbank Offered Rate in American Dollars

Enhanced LIBOR = 67% of one-month USD-LIBOR

SIFMA Swap Index = the Securities Industry and Financial Markets Association Municipal Swap Index is a 7 day high-grade market index comprised of tax-exempt VRDOs with certain characteristics.

Credit Risk

At June 30, 2022 and 2021, the Agency was exposed to $184 and $10, respectively, of credit risk with respect to its hedging derivatives. The Agency's swaps rely upon the performance of counterparties. If interest rates rise and the total fair value of swaps with any counterparty becomes positive, the Agency may be exposed to credit risk on those agreements – the risk that the counterparty fails to perform according to contractual obligations.

Basis Risk and Interest Rate Risks

The Agency is exposed to basis risk to the extent the changes in the rates associated with the Agency's variable rate bonds do not exactly offset the changes in the index rates associated with the corresponding swaps. The Agency is exposed to interest rate risk on all of its swaps. As the LIBOR or SIFMA Swap indexes decrease, the Agency's net payments on the swaps increase.

Rollover Risk

Rollover risk is the risk that a swap associated with a bond issue does not extend to the maturity of that debt, thereby creating unhedged variable rate debt. The following swaps exposed the Agency to rollover risk at June 30, 2022 and 2021:

Associated Bond Issue	Debt Maturity Dates	Swap Termination Dates	Exposure to Rollover Risk at 2022	2021
2004-83C	10/1/2035	4/1/2027	Yes	Yes
2007-100C	4/1/2038	10/1/2031	Yes	Yes

Termination Risk
The Agency maintains the option to terminate its swaps at any time, while the Agency or the counterparty may terminate a swap if either party fails to perform under the terms of the agreement. If a swap has a negative fair value at the time of termination, the Agency would be liable to the counterparty for an amount equal to that negative fair value. In certain instances, the Agency has embedded par termination rights within its swaps; these termination rights enable the Agency to trigger partial or whole termination of the associated swaps without liability for negative fair value.

Amended Hedging Derivative Instruments
At various times during the years ended June 30, 2022 and 2021 the Agency exchanged exercisable options, which had been embedded within effective hedging derivative instruments, in efforts to take advantage of the economic benefits associated with reducing the semiannual fixed rate payments to counterparties for certain swaps.

The aforementioned options were embedded within the respective swaps at the time the swap agreements were initiated and were reflected in the fixed rate payable by the Agency to the respective counterparties. Exchanging the exercisable options amended the respective swap agreements by reducing the fixed rate paid to the counterparty, thereby changing the critical terms of the associated swaps. GAAP dictates that such changes trigger a termination of hedge accounting. In the instance of a termination event, amounts representing the accumulated decrease in the fair value of hedging derivatives and reported as a deferred outflow are to be recognized immediately as an item of income or expense, depending on the fair value of the swap at the time of termination. The balances recognized as an item of income or expense, respective of the amended swaps, are then amortized and recognized as a component of interest expense over the lives of the underlying hedgable items in order to recoup the effects of termination events over time. Amortization of the effects of termination events for the years ended June 30, 2022 and 2021 equaled $307 and $480, respectively.

June 30, 2022 and 2021 (in thousands)

Amended hedging derivative activity for the years ended June 30, 2022 and 2021 reflected the following:

2022

	Single Family Program
Amended hedging derivative balance at July 1, 2021	$ (3,180)
Gain on 2021/2022 swap terminations	-
Amortization	307
Amended hedging derivative balance at June 30, 2022	$ (2,873)

2021

	Single Family Program
Amended hedging derivative balance at July 1, 2020	$ (6,231)
Gain on 2020/2021 swap terminations	2,571
Amortization	480
Amended hedging derivative balance at June 30, 2021	$ (3,180)

The effects of the termination events described above and the ultimate effects on the Agency's net position represent non-cash transactions. At no time did the Agency either receive, relinquish or exchange cash or any other monetary assets as a result of termination events.

June 30, 2022 and 2021 (in thousands)

Investment Derivative Instruments

Certain balances of variable rate bonds associated with certain swaps were either redeemed in total or refunded by fixed-rate bonds; therefore, the associated swaps are no longer a hedge against variable rate debt. As a result, these swaps are deemed investment derivative instruments. The terms and other relevant information respective of the aforementioned investment derivative instruments outstanding at June 30, 2022 and 2021 were as follows:

Bond Series	Investment Notional at June 30 2022	Investment Notional at June 30 2021	Effective Date	Maturity Date	Fixed Rate Paid	Variable Rate Received
2003-79B	15,600	18,250	10/2020	10/2027	3.155%	SIFMA Swap Index
2004-83C	9,260	7,925	10/2020	4/2027	3.730%	SIFMA Swap Index
2004-85C	11,840	13,570	10/2020	4/2027	2.810%	SIFMA Swap Index
2005-87C	9,875	11,745	10/2020	4/2027	2.835%	SIFMA Swap Index
2005-89	15,000	23,000	7/2020	4/2046	1.675%	Enhanced LIBOR
2007-98C	-	780	10/2020	10/2037	3.935%	SIFMA Swap Index
Total:	$ 61,575	$ 75,270				

Enhanced LIBOR = 67% of one-month USD-LIBOR

SIFMA Swap Index = the Securities Industry and Financial Markets Association Municipal Swap Index is a 7 day high-grade market index comprised of tax-exempt VRDOs with certain characteristics.

June 30, 2022 and 2021 (in thousands)

Because of early redemptions of portions of the variable rate debt associated with certain swaps, the particular swaps had outstanding notional amounts in excess of the related hedged variable rate bond balances at June 30, 2022 and 2021. The portion of the swaps' notional amount in excess of the outstanding variable rate debt is deemed an investment derivative instrument for financial reporting purposes. The terms and other information of hedging derivative instruments that have notional amounts exceeding their related outstanding debt at June 30, 2022 and 2021 are detailed in the following schedule.

2022

Bond Series	Investment Notional Amount	Effective Date	Maturity Date	Fixed Rate Paid	Variable Rate Received
2003-79B	$ 15,600	10/2020	10/2027	3.155%	SIFMA Swap Index
2004-83C	9,260	10/2020	4/2027	3.730%	SIFMA Swap Index
2004-85C	11,840	10/2020	4/2027	2.810%	SIFMA Swap Index
2005-87C	9,875	10/2020	4/2027	2.835%	SIFMA Swap Index
2005-89	15,000	7/2020	4/2046	1.675%	Enhanced LIBOR
Total:	$ 61,575				

SIFMA Swap Index = the Securities Industry and Financial Markets Association Municipal Swap Index is a 7 day high-grade market index comprised of tax-exempt VRDOs with certain characteristics.

Enhanced LIBOR = 67% of one-month USD-LIBOR

2021

Bond Series	Investment Notional Amount	Effective Date	Maturity Date	Fixed Rate Paid	Variable Rate Received
2004-83C	$ 7,925	10/2020	4/2027	3.730%	SIFMA Swap Index
2005-89	780	10/2020	10/2037	3.935%	SIFMA Swap Index
Total:	$ 8,705				

SIFMA Swap Index = the Securities Industry and Financial Markets Association Municipal Swap Index is a 7 day high-grade market index comprised of tax-exempt VRDOs with certain characteristics.

June 30, 2022 and 2021 (in thousands)

The fair values of the investment derivatives for the years ended June 30, 2022 and 2021 are shown in the table below, and the changes in fair value equal to $3,726 and $823, respectively, are presented as a net increase in fair value of swaps on the Statements of Revenues, Expenses and Changes in Net Position.

	2022		2021	
Bond Series	**Investment Notional**	**Fair Value**	**Investment Notional**	**Fair Value**
2003-79B	15,600	(409)	18,250	(1,639)
2004-83C	9,260	(452)	7,925	(876)
2004-85C	11,840	(204)	13,570	(1,096)
2005-87C	9,875	(167)	11,745	(884)
2005-89	15,000	740	23,000	461
2007-98C	-	-	780	(124)
Total:	$ 61,575	$ (492)	$ 75,270	$ (4,158)

Credit Risk
At June 30, 2022 and 2021, the Agency was exposed to $0 and $59, respectively, of credit risk with respect to its investment derivative instruments.

Interest rate risk
The Agency is exposed to interest rate risk on all of its swaps. As the LIBOR or SIFMA Swap indexes decrease, the Agency's net payments on the swaps increase.

June 30, 2022 and 2021 (in thousands)

10. Liabilities

Liability activity for the years ended June 30, 2022 and 2021 was as follows:

2022	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, net	$3,143,744	$1,194,913	$ 623,546	$3,715,111	$129,167
Notes payable from direct borrowing	36,154	-	4,246	31,908	4,335
Derivative instrument – interest rate swaps	13,050	2,589	12,081	3,558	-
Escrow deposits and Development Reserves	166,216	288,642	282,380	172,478	76,379
Total OPEB Liability	104,314	24,534	1,791	127,057	-
Net Pension Liability	21,314	11,574	19,876	13,012	-
Other liabilities					
Accrued vacation and sick leave	3,722	-	212	3,510	150
Bond rebate	280	-	-	280	-
Borrower suspense accounts	2,853	17,158	16,520	3,491	3,491
Commonwealth grants	71,070	99,353	97,512	72,911	30,540
Federal grants	196,890	952,235	608,517	540,608	44,615
Other grants	2,249	8,287	4,999	5,537	-
GNMA/FNMA payables	34,271	75,417	91,163	18,525	18,525
Pennsylvania SERS	4,086	-	774	3,312	-
PHFA Insurance Program Claims	1,414	5,032	5,075	1,371	-
Project receipts	6,982	3,116	-	10,098	-
Unearned revenue	533	83	358	258	-
Other	5,996	2,123	2,957	5,162	-
Total Other Liabilities	330,346	1,162,804	828,087	665,063	97,321
Total	$3,815,138	$2,685,056	$1,772,007	$4,728,187	$307,202

June 30, 2022 and 2021 (in thousands)

2021	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, net	$3,025,127	$ 530,307	$ 411,690	$3,143,744	$115,489
Notes payable from direct borrowing	40,312	-	4,158	36,154	4,246
Derivative instrument – interest rate swaps	21,186	11,282	19,418	13,050	-
Escrow deposits and Development Reserves	166,205	278,828	278,817	166,216	75,196
Total OPEB Liability	95,358	10,527	1,571	104,314	-
Net Pension Liability	22,670	14,510	15,866	21,314	-
Other liabilities					
Accrued vacation and sick leave	3,406	316	-	3,722	158
Bond rebate	280	-	-	280	-
Borrower suspense accounts	2,757	19,030	18,934	2,853	2,853
Commonwealth grants	69,342	46,934	45,206	71,070	61,531
Federal grants	193,894	460,890	457,894	196,890	7,113
Other grants	1,087	2,590	1,428	2,249	-
GNMA/FNMA payables	28,493	102,231	96,453	34,271	34,270
Pennsylvania SERS	2,442	2,005	361	4,086	-
PHFA Insurance Program Claims	1,210	380	176	1,414	-
Project receipts	12,485	2,330	7,833	6,982	-
Unearned revenue	1,183	96	746	533	-
Other	10,957	247	5,208	5,996	5,996
Total Other Liabilities	327,536	637,049	634,239	330,346	111,921
Total	$3,698,394	$1,482,503	$1,365,759	$3,815,138	$306,852

11. Restricted Net Position

The Multifamily and Single Family Programs' June 30, 2022 and 2021 net position restrictions equaling $0 and $260 and $116,099 and $104,270 , respectively, are restricted pursuant to the Agency's obligations to HUD and its bondholders; provisions are present within certain Multifamily Program agreements with HUD and the Single Family Program bond indenture. Net position restrictions within HEMAP totaling $27,737 and $31,625 at June 30, 2022 and 2021, respectively, represent amounts restricted for the purpose of making mortgage assistance loans.

12. Pension Plans

Plan Description

Full-time employees of the Agency participate in the Agency Plan or Excess Plan, which are both defined benefit single employer plans with financial reporting years ending December 31. The Pensions do not issue stand-alone statements.

The Agency serves as plan administrator for the Agency Plan and Excess Plan. The Agency Plan and Excess Plan assets are administered through the Pennsylvania Housing Finance Agency Employees' Retirement Plan Trust ("Trust") an irrevocable trust to be used solely for providing benefits to eligible particpants in the plans. Assets of the Trust are irrevocable, legally protected from creditors, and are dedicated to providing defined retirement benefits to current and eligible future retirees, in accordance with the terms of the plans.

Benefits Provided

A participant's benefits vest upon the completion of five years of service. Under the provisions of the Pensions, participants with prior military service may receive credit for their time of service providing they contribute funds equivalent to the cost of their pension benefits accumulated during their military service. A participant is eligible for normal retirement after attaining age 65, age 55 and completion of 30 years of service, or at any age after completion of 35 years of service. The normal retirement pension is payable monthly during the participant's lifetime with payments ceasing upon the participant's death.

Employee normal retirement monthly benefits are equal to 2% of an employee's average monthly pay multiplied by the completed years and completed months of service at normal retirement date, where average monthly pay is based on an employee's highest twelve calendar quarters of pay (excluding any lump sum annual and/or sick leave payouts upon retirement for employees hired after 12/31/06). Normal retirement benefits are reduced by 1/6 of 1% per month for each month (2% per year) prior to the employee's normal retirement date. If employment is terminated by reason of total and permanent disability, employees are entitled to a disability pension after three months of disability, regardless of years of service. Disability pension is equal to an employee's pension benefit accrued to date with no reduction for early retirement. If an employee dies while employed by the Agency, the employee's beneficiary will receive a lump sum death benefit payment equal to the actuarial equivalent of the employee's accrued pension as of the date of death. If an employee dies after terminating employment but before retiring, the employee's beneficiary will receive a lump sum death benefit payment equal to the vested accrued pension.

All participants in the Plan who will receive retirement benefits in an amount that is less than the benefits otherwise payable under the terms of the Plan due to limitations on benefits imposed by Internal Revenue Code ("IRC") Section 415 shall automatically participate in the Excess Plan. Participation in the Excess Plan will cease for any year in which the retirement benefits from the Plan do not exceed the limitation imposed by IRC Section 415, provided such funding has been transferred to the Plan. Pension payments under the Excess Plan are paid in the same form as the pension benefits payable under the Plan.

Employees Covered by Benefit Terms
At December 31, the following employees were covered by the benefit terms:

	(not in thousands)	
	2021	**2020**
Inactive employees or beneficiaries currently receiving benefits	229	225
Inactive employees entitled to but not yet receiving benefits	81	77
Active Employees	300	296
	610	598

Contributions
Contribution requirements and benefit provisions of the Pensions are established and may be amended by the Agency Board. The Pensions' funding policy provides for actuarially determined periodic contributions at amounts that will enable sufficient assets to be available to pay benefits when due. Employees hired on or after January 1, 2009 contribute 3% of compensation to the Plan. Employees hired on or before December 31, 2008 do not contribute to the Pensions. Contributions recognized by the Pensions during the reporting periods were $4,333 and $4,319 for the years ended December 31, 2021 and 2020, respectively. The Agency's average contribution rates for the years ended December 31, 2021 and 2020 equaled 22.76% and 22.82% of covered payroll, respectively.

Investments
Policies pertaining to the allocation of investments within the Agency's Pensions are established and may be amended by the Agency's Pension Committee. It is the policy of the Pension Committee to invest pension assets in securities that provide growth and income while maintaining a balanced level of risk tolerance. The following table illustrates the approved asset allocation policy at December 31, 2021 and 2020:

	% Range of Allocation		
Investment Type	**Minimum**	**Target**	**Maximum**
Equity Securities	55%	65%	75%
Fixed Income Securities	25%	35%	45%
Cash Equivalents	0%	0%	20%

June 30, 2022 and 2021 (in thousands)

Permitted securities in which assets of the Agency's Pensions may be invested include any of the following:

Cash Equivalents
- Money market mutual funds
- Short-term money market instruments

Equity Securities
- U.S. common and preferred stocks
- U.S. equity mutual funds
- Equity exchange traded funds
- International equity mutual funds

Fixed Income Securities
- U.S. governments
- U.S. mortgage and asset-backed
- U.S. corporate bonds
- Taxable municipal bonds
- Fixed income mutual funds
- Fixed income exchange-traded funds

At December 31, 2021 and 2020, there were no concentrations of investments in any organization that represented 5% or more of the Pensions' fiduciary net position.

For the years ended December 31, 2021 and 2020, the annual money-weighted rate of return on investments of the Agency's Pensions, net of investment expense, was 14.86% and 12.10%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investments comprising the fiduciary net position of the Agency's Pensions are reported at fair value measured by Level 1 inputs based upon quoted market prices.

The fiduciary net position of the Agency's Pensions at December 31, 2021 and 2020 was invested as follows:

	2021	**2020**
Cash Equivalents	$ 3,623	$ 4,363
Equity Securities		
Equity exchange traded funds	41,756	23,881
U.S. and International equity mutual funds	8,667	10,072
U.S. common and preferred stocks	30,249	35,568
Fixed Income Securities		
Fixed income exchange traded funds	1,748	1,485
Fixed income mutual funds	33,300	31,534
Total:	$119,343	$106,903

June 30, 2022 and 2021 (in thousands)

Actuarial Assumptions

The Agency's net pension liability was measured as of December 31, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates.

The total pension liability in the December 31, 2021 and 2020 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Rate
Inflation	3.0%
Salary Increases (average, including inflation)	4.5%
Investment Rate of Return (including inflation)	7.5%
Post-Retirement Cost of Living Increase	0.0%

Mortality rates used in the December 31, 2021 actuarial valuation were based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Mortality rates used in the December 31, 2020 actuarial valuation were based upon the Pri-2012 White Collar Mortality Table including rates for contingent survivors. Incorporated into the tables for the December 31, 2021 and 2020 actuarial valuations were rates projected using Scale MP 2021 and Scale MP-2020, respectively.

The long-term expected rate of return on the Pensions' investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for the years ended December 31, 2021 and 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equity	65.0%	5.5% - 7.5%
Fixed Income	35.0%	1.0% - 3.0%

The discount rate used to measure the total pension liability at December 31, 2021 and 2020 was 7.5%. The Pensions' fiduciary net positions are projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the Pensions' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The Agency has not completed a recent experience study.

June 30, 2022 and 2021 (in thousands)

Changes in the Net Pension Liability

2021

	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
Balances at January 1, 2020	$128,217	$ 106,903	$ 21,314
Service Cost	1,790	-	1,790
Interest Cost	9,472	-	9,472
Changes for Experience	83	-	83
Changes of Assumptions	228	-	228
Contributions - Employer	-	4,050	(4,050)
Contributions - Member	-	283	(283)
Net Investment Income	-	15,542	(15,542)
Benefit Payments, including refunds of member contributions	(7,435)	(7,435)	-
Net Changes	4,138	12,440	(8,302)
Balances at December 31, 2021	$ 132,355	$ 119,343	$ 13,012

2020

	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
Balances at January 1, 2019	$120,525	$ 97,855	$ 22,670
Service Cost	1,814	-	1,814
Interest Cost	8,920	-	8,920
Changes for Experience	3,538	-	3,538
Changes of Assumptions	238	-	238
Contributions - Employer	-	4,046	(4,046)
Contributions - Member	-	273	(273)
Net Investment Income	-	11,547	(11,547)
Benefit Payments, including refunds of member contributions	(6,818)	(6,818)	-
Net Changes	7,692	9,048	(1,356)
Balances at December 31, 2020	$ 128,217	$ 106,903	$ 21,314

June 30, 2022 and 2021 (in thousands)

The changes in assumptions reflected in the Changes in the Net Pension Liability for the periods ended December 31, 2021 and 2020 equal to $228 and $238, respectively, were the result of the change in the mortality table.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability of the Pensions, calculated using the discount rate of 7.5%, as well as what the Pensions' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Plan's Net Pension Liability for Calendar Year Ended	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
December 31, 2021	$ 28,575	$ 13,012	$ (175)
December 31, 2020	$ 36,541	$ 21,314	$ 8,418

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the years ended December 31, 2021 and 2020, the Pensions recognized pension expense of $1,635 and $4,643, respectively. At December 31, 2021 and 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	2020
Deferred Outflows		
Differences between Expected and Actual Experience	$ 5,935	$ 7,165
Changes in Assumptions	1,639	2,427
Contributions made after measurement date	1,998	1,931
Gross Deferred Outflows	9,572	11,523
Deferred Inflows		
Differences between Expected and Actual Experience	174	232
Changes in Assumptions	1,377	1,649
Net Difference Between Projected and Actual Earnings on Investments	10,447	6,249
Gross Deferred Inflows	11,998	8,130
Net Deferred (Inflows) Outflows	$ (2,426)	$ 3,393

June 30, 2022 and 2021 (in thousands)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2022	$ 1,948
2023	(3,549)
2024	(1,498)
2025	(721)
2026	789
Thereafter	605
	$ (2,426)

13. Postemployment Benefits Other than Pensions

Plan Description

The Agency sponsors a single-employer defined benefit OPEB Plan to provide certain health care benefits to all former employees who are members of the Pension Plan currently receiving retirement income; as a result, eligibility requirements for benefits mirror those of the Pension Plan. The Agency is under no statutory or contractual obligation to provide these postretirement healthcare benefits. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

The OPEB Plan's financial reporting years end June 30. The OPEB Plan consists solely of the Agency's commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, therefore no stand-alone financial report is either available or generated for the OPEB Plan.

Benefits Provided

The OPEB Plan provides healthcare benefits to all former employees who are members of the Pension Plan. Specific details of the OPEB Plan include the provision of limited hospitalization, major medical insurance, physician services and prescription drug coverage. Additionally, such benefits are available to members' spouses during the life of the retiree.

Employees Covered by Benefit Terms

At the June 30, 2021 and 2019 valuation date, the following employees were covered by the benefit terms:

	(not in thousands) 2021	2019
Active Participants	305	320
Retired Participants	161	118
	466	438

Total OPEB Liability

The Agency's total OPEB liability equaling $127,057 and $104,314 at June 30, 2022 and 2021, respectively, were measured as of June 30, 2021 and 2020, respectively, using an actuarial valuation as of June 30, 2021 and June 30, 2019, respectively. Update procedures were used to roll forward the total OPEB liability in the actuarial valuation at June 30, 2019 to the measurement date of June 30, 2020.

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2021 and 2019 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2021	2020
Salary Increases (average, including inflation)	4.50%	4.50%
Discount Rate	2.18%	2.66%
Retiree' Share of Benefit Costs	8.00%	8.00%
Healthcare Cost Trend Rates	5.5% in 2021 - 2023; gradually decreasing to 4.0% in 2075 and later	5.5% in 2019 - 2023; gradually decreasing to 4.0% in 2075 and later

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2021 and 2020.

June 30, 2022 and 2021 (in thousands)

Mortality rates were based upon the PubG-2010 Mortality Table incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement at June 30, 2021 and June 30, 2020.

The Agency has not completed a recent experience study.

Changes in the Total OPEB Liability

	Total OPEB Liability at June 30	
	2021	**2020**
Beginning Balance	$ 104,314	$ 95,358
Changes for the year:		
Service cost	5,996	5,590
Interest	2,909	2,792
Differences between expected and actual experience	5,428	-
Changes in assumptions or other inputs	10,201	2,144
Benefit payments	(1,791)	(1,570)
Net Changes	22,743	8,956
Ending Balance	$ 127,057	$ 104,314

Changes of assumptions or other inputs reflect a change in the discount rate from 2.66% in 2020 to 2.18% in 2021 and 2.79% in 2019 to 2.66% in 2020. The health care cost trend was updated in 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rate:

Total OPEB Liability at June 30	1% Decrease	Discount Rate	1% Increase
2022	$ 152,601	$ 127,057	$ 107,049
2021	125,017	104,315	88,051

June 30, 2022 and 2021 (in thousands)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the healthcare cost trend rate:

Total OPEB Liability at June 30	1% Decrease	Healthcare Cost Trend Rate	1% Increase
2022	$ 104,175	127,057	157,262
2021	84,717	104,315	130,300

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2022 and 2021, the Agency recognized OPEB expense of $9,609 and $7,133, respectively. At June 30, 2022 and 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022	2021
Deferred Outflows		
Differences between Expected and Actual Experience	$ 7,844	$ 3,609
Changes in Assumptions or other inputs	17,067	10,658
Contributions made after measurement date	2,287	1,791
Gross Deferred Outflows	27,198	16,058
Deferred Inflows		
Differences between Expected and Actual Experience	11,073	14,197
Changes in Assumptions or other inputs	5,803	6,960
Gross Deferred Inflows	16,876	21,157
Net Deferred Outflows (Inflows)	$ 10,322	$ (5,099)

June 30, 2022 and 2021 (in thousands)

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	
2023	$ (2,990)
2024	(705)
2025	(1,054)
2026	863
2027	(2,121)
Thereafter	(4,315)
	$(10,322)

14. Significant Contingencies and Commitments

Federally Assisted Programs

In the normal course of operations, the Agency receives funding from various federal government agencies. These funds are to be used solely for designated purposes. If a grantor determines that funds have not been used for their intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the Agency for its related disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Agency's grant programs is predicated upon the grantors' historical satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Risk Management

The Agency is exposed to various risks of loss from theft of, damage to or the destruction of assets; injuries to staff or visitors; loss related to torts, errors and omissions and employee dishonesty. All risks are managed through the purchase of various commercial insurance policies. The Agency bears a $1 (one-thousand dollar) deductible per claim for commercial property coverage and a $100 (one-hundred thousand dollar) deductible per claim for fidelity bond coverage. There have been no settlements, actual losses in excess of coverage or decreases in insurance coverage within the last three years.

Litigation

In the normal course of business, the Agency may be involved in various claims or suits. In the opinion of the Agency's management, the amount of such losses that might result from claims or suits, if any, would not materially affect the Agency's financial position.

Commitments
Outstanding commitments by the Agency to make or acquire Single Family Mortgage Program and HEMAP loans were approximately $190,585 and $193, respectively, at June 30, 2022.

15. Significant Effects of Subsequent Events

The Agency was appropriated $150,000 in Act 54 of 2022 for the Develoment Cost Relief program. The Commonwealth has authorized this program to provide additional funding to affordable housing developements that have been impacted by COVID-19 pandemic and other economic factors. This program is designed to fill funding gaps for developements currently in construction but not yet completed or projects which have not been able to close and start construction due to various disruptions. This funding is secondary and will be used to supplement projects that cannot fill gaps from existing sources such as Housing Trust Fund monies and other grant awards. The Agency received $150,000 subsequent to June 30, 2022 to begin operating the program.

In addition, the Agency was appropriated $100,000 in Act 54 of 2022 for the Housing Options Grant program. The program shall make grants available for the development of affordable housing units. This funding is secondary and will be used to supplement projects that cannot fill gaps from existing sources such as Housing Trust Fund monies and other grant awards. The Agency received $100,000 subsequent to June 30, 2022 to begin operating the program.

On September 28, 2022, the Agency sold single family mortgage revenue bonds Series 2022-140 totaling $303,280. Proceeds will be used to purchase new single family mortgage loans, and to provide down payment assistance loans for persons and families of low and moderate income.

REQUIRED SUPPLEMENTARY INFORMATION

PENNSYLVANIA HOUSING FINANCE AGENCY
Schedules of Changes in the Agency's Net Pension Liability and Related Ratios
(unaudited – see accompanying auditors' report)

	December 31							
Total Pension Liability	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Service Cost	$ 1,790	$ 1,814	$ 1,839	$ 1,817	$ 1,795	$ 1,786	$ 1,812	$ 1,545
Interest	9,472	8,920	8,482	8,146	7,652	7,318	6,896	5,826
Differences Between Expected and Actual Experience	83	3,538	2,676	120	2,489	634	(604)	2,596
Changes of Assumptions	228	238	(969)	(222)	(476)	(927)	1,455	7,432
Benefit Payments, Including Refunds of Employee Contributions	(7,435)	(6,818)	(5,515)	(5,302)	(4,482)	(4,247)	(3,565)	(3,239)
Net Change in Total Pension Liability	4,138	7,692	6,513	4,559	6,978	4,564	5,994	14,160
Total Pension Liability - Beginning	128,217	120,525	114,012	109,453	102,475	97,911	91,917	77,757
Total Pension Liability - Ending (a)	$ 132,355	$ 128,217	$ 120,525	$ 114,012	$ 109,453	$ 102,475	$ 97,911	$ 91,917
Pensions Fiduciary Net Position								
Contributions - Employer	4,050	4,046	4,881	3,891	3,906	3,989	4,028	3,057
Contributions - Employee	283	273	244	209	194	161	123	92
Net Investment Income	15,542	11,547	16,381	(5,167)	12,447	3,879	281	6,071
Benefit Payments, Including Refunds of Employee Contributions	(7,435)	(6,818)	(5,515)	(5,302)	(4,482)	(4,247)	(3,565)	(3,239)
Net Change in Pensions Fiduciary Net Position	12,440	9,048	15,991	(6,369)	12,065	3,782	867	5,981
Pensions Fiduciary Net Position - Beginning	106,903	97,855	81,864	88,233	76,168	72,386	71,519	65,538
Pensions Fiduciary Net Position - Ending (b)	119,343	106,903	97,855	81,864	88,233	76,168	72,386	71,519
Agency's Net Pension Liability (a) - (b)	$ 13,012	$ 21,314	$ 22,670	$ 32,148	$ 21,220	$ 26,307	$ 25,525	$ 20,398
Pensions Fiduciary Net Position as a Percentage of Total Pension Liability	90.17%	83.38%	81.19%	71.80%	80.61%	74.33%	73.93%	77.81%
Covered Payroll	$ 19,039	$ 18,597	$ 19,236	$ 18,984	$ 18,886	$ 18,114	$ 17,383	$ 17,440
Pensions Fiduciary Net Pension Liability as a Percentage of Covered Payroll	68.34%	114.61%	117.85%	169.34%	112.36%	145.23%	146.84%	116.96%

Notes to Schedules: The change of assumption reflected above for the period ended December 31, 2021 was the result of using the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors, and incorporating scale MP-2021 to reflect mortality improvement, the change of assumption reflected above for the period ended December 31, 2020 was the result of using the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors, and incorporating scale MP-2020 to reflect mortality improvement, the change of assumption reflected above for the period ended December 31, 2019 was the result of incorporating Scale MP-2019 to reflect mortality improvement, the change of assumption reflected above for the period ended December 31, 2018 was the result of incorporating Scale MP-2018 to reflect mortality improvement, the change of assumption reflected above for the period ended December 31, 2017 was the result of incorporating Scale MP-2017 to reflect mortality improvement, the change of assumption reflected above for the period ended December 31, 2016 was the result of incorporating Scale MP-2016 to reflect mortality improvement, and the change of assumption reflected above for the period ended December 31, 2015 was the result of incorporating Scale MP-2015 to reflect mortality improvement. Prior to the December 31, 2015 change of assumption, mortality rate tables utilized within the assumptions did not include scales to reflect mortality improvement.

This schedule will continue to be built up to ten years subsequent to the year of implementation of GASB 68.

Year	Actuarially Determined Contribution	Contributions From Agency	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contribution as a % of Payroll
2012	3,082,424	4,252,852	(1,170,428)	16,588,324	18.58%
2013	3,267,088	4,083,791	(816,703)	15,771,186	20.72%
2014	2,971,451	4,107,163	(1,135,712)	17,439,680	17.04%
2015	3,865,384	4,027,033	(161,649)	17,383,488	22.24%
2016	3,823,254	3,989,443	(166,189)	18,114,356	21.11%
2017	3,821,037	3,906,123	(85,086)	18,886,398	20.23%
2018	3,989,468	3,890,511	98,957	18,983,564	21.02%
2019	4,174,097	4,880,916	(706,819)	19,236,376	21.70%
2020	4,243,847	4,045,599	198,248	18,597,333	22.82%
2021	4,333,089	4,050,353	282,736	19,038,566	22.76%

Notes to Schedules:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates –

Actuarial cost method: Aggregate
Amortization method: N/A
Remaining amortization period: N/A
Asset valuation method: Smoothed value with a corridor of 80% to 120% of market value
Inflation: 3.0%
Salary increases: 4.5%
Investment rate of return: 7.5%
Retirement age: Normal retirement age
Mortality: Years 2009 through 2013 incorporated the GA1983 Mortality Table. Year 2014 incorporated the RP-2014 Total Mortality Table to reflect mortality improvement. Years 2015 through 2019 incorporated the Adjusted RP-2014 White Collar Mortality Table to reflect mortality improvement. Year 2020 used the Pri-2012 White Collar Mortality Table including rates for contingent survivors, incorporated Scale MP-2019 to reflect mortality improvement. Year 2021 used the PubG-2010 Mortality Table including rates for disabled retirees and contingent survivors, incorporated Scale MP-2020 to reflect mortality improvement.

Annual money-weighted rate of return, net of investment expense:

Year ended December 31	Rate
2021	14.86%
2020	12.10%
2019	20.18%
2018	(5.96%)
2017	16.32%
2016	5.34%
2015	0.42%
2014	9.28%
2013	16.60%

This schedule will continue to be built up to ten years subsequent to the year of implementation of GASB 68.

PENNSYLVANIA HOUSING FINANCE AGENCY

Schedules of Changes in Total OPEB Liability and Related Ratios

(in thousands) (unaudited – see accompanying auditors' report)

	June 30						
Total OPEB Liability	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Service Cost	$ 5,996	$ 5,590	$ 5,087	$ 4,976	$ 6,143	$ 4,498	$ 4,230
Interest	2,909	2,792	2,801	2,748	3,003	3,197	3,023
Changes in Benefit Terms	-	-	-	-	(2,591)	-	-
Differences Between Expected and Actual Experience	5,428	-	4,641	-	(21,717)	-	(6,396)
Changes of Assumptions	10,201	2,144	(5,264)	(19)	(5,137)	17,252	3,252
Benefit Payments	(1,791)	(1,570)	(1,747)	(1,521)	(1,561)	(1,384)	(1,149)
Net Change in Total OPEB Liability	22,743	8,956	5,518	6,184	(21,860)	23,563	2,960
Total OPEB Liability - Beginning	104,314	95,358	89,840	83,656	105,516	81,953	78,993
Total OPEB Liability - Ending	$ 127,057	$ 104,314	$ 95,358	$ 89,840	$ 83,656	$ 105,516	$ 81,953
Covered-Employee Payroll	$ 21,006	$ 20,944	$ 20,944	$ 20,204	$ 20,204	$ 18,523	$ 18,523
Total OPEB Liability as a Percentage of Covered-Employee Payroll	604.86%	498.06%	455.31%	444.66%	414.06%	569.66%	442.44%

Notes to Schedules:

(in thousands) (unaudited – see accompanying auditors' report)

Changes of assumptions include updated mortality tables and the effects of changes in the discount rate and health care cost trend rate each period. The following are the discount rates and health care cost trend rates used in each measurement period:

Year	Discount Rate	Healthcare Cost Trend Rate
2021	2.18%	5.5% in 2021 – 2023; gradually decreasing to 4.0% in 2075 and later
2020	2.66%	5.5% in 2019 – 2023; gradually decreasing to 4.0% in 2075 and later
2019	2.79%	5.5% in 2019 – 2021; gradually decreasing to 3.8% in 2075 and later
2018	2.98%	6.0% in 2018; 5.5% in 2019 - 2021; gradually decreasing to 3.8% in 2075 and later
2017	3.13%	6.0% in 2017; 5.5% in 2018 - 2023; gradually decreasing to 3.9% in 2075 and later
2016	2.71%	6.5% in 2016; 6.0% in 2017; 5.5% in 2018 - 2020; gradually decreasing to 3.8% in 2075 and later
2015	3.73%	6.0% in 2015; 5.5% in 2016 - 2020; gradually decreasing to 3.8% in 2075 and later

This schedule will continue to be built up to ten years subsequent to the implementation of GASB 75.

SUPPLEMENTARY INFORMATION

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Balance Sheet

June 30, 2022 (in thousands)

ASSETS	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
Current assets:							
Cash and cash equivalents	$ 2,545	$ 62,502	$ 405,218	$ 13,496	$ 18,899	$ -	$ 502,660
Restricted cash and cash equivalents	334,760	72,552	89,418	-	-	-	496,730
Restricted investments	-	2	1,000	-	-	-	1,002
Accrued investment interest receivable	212	17	812	-	-	-	1,041
Mortgage loans receivable, net	-	2,157	118,522	-	4,485	-	125,164
Accrued mortgage loan interest receivable	-	98	16,686	-	326	-	17,110
Mortgages held for sale	-	-	3,832	-	-	-	3,832
Other current assets	3,035	51	-	-	1	-	3,087
Total Current Assets	340,552	137,379	635,488	13,496	23,711	-	1,150,626
Noncurrent Assets:							
Investments	102,834	4,580	78,613	26,424	-	-	212,451
Restricted investments	-	-	99,765	-	-	-	99,765
Mortgage loans receivable, net	3,583	307,258	3,647,972	-	21,053	-	3,979,866
Derivative instrument - interest rate swaps	-	-	5,990	-	-	-	5,990
Real estate owned	-	-	6,513	-	-	-	6,513
Capital assets, net	54,605	-	-	-	-	-	54,605
Intra-agency receivables	170,745	127,701	-	-	-	(298,446)	-
Other noncurrent assets	14,817	-	459	-	-	(14,783)	493
Total Noncurrent Assets	346,584	439,539	3,839,312	26,424	21,053	(313,229)	4,359,683
TOTAL ASSETS	687,136	576,918	4,474,800	39,920	44,764	(313,229)	5,510,309
DEFERRED OUTFLOWS OF RESOURCES							
OPEB-related deferred outflows	27,198	-	-	-	-	-	27,198
Pension-related deferred outflows	9,572	-	-	-	-	-	9,572
Accumulated decrease in fair value of hedging derivatives	95	1,418	-	-	-	-	1,513
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,865	1,418	-	-	-	-	38,283
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 724,001	$ 578,336	$ 4,474,800	$ 39,920	$ 44,764	$ (313,229)	$ 5,548,592
LIABILITIES							
Current Liabilities:							
Accounts payable and accrued expenses	$ 1,062	$ -	$ 667	$ -	$ 351	$ -	$ 2,080
Bonds and notes payable, net	2,000	442	131,060	-	-	-	133,502
Accrued interest payable	81	239	25,737	-	-	-	26,057
Escrow deposits and development reserves	1,487	20,527	54,365	-	-	-	76,379
Other current liabilities	63,667	548	33,106	-	-	-	97,321
Total Current Liabilities	68,297	21,756	244,935	-	351	-	335,339
Noncurrent Liabilities:							
Bonds and notes payable, net	29,000	7,456	3,577,061	-	-	-	3,613,517
Derivative instrument - interest rate swaps	95	1,418	2,045	-	-	-	3,558
Development reserves	-	96,099	-	-	-	-	96,099
Intra-agency payables	-	-	298,446	-	-	(298,446)	-
Total OPEB liability	127,057	-	-	-	-	-	127,057
Net pension liability	13,012	-	-	-	-	-	13,012
Other noncurrent liabilities	340,639	223,837	-	1,373	16,676	(14,783)	567,742
Total Noncurrent Liabilities	509,803	328,810	3,877,552	1,373	16,676	(313,229)	4,420,985
TOTAL LIABILITIES	578,100	350,566	4,122,487	1,373	17,027	(313,229)	4,756,324
DEFERRED INFLOWS OF RESOURCES							
OPEB-related deferred inflows	16,876	-	-	-	-	-	16,876
Pension-related deferred inflows	11,998	-	-	-	-	-	11,998
Unamortized gains on bond refundings	-	-	325	-	-	-	325
Accumulated increase in fair value of hedging derivatives	-	-	7,251	-	-	-	7,251
TOTAL DEFERRED INFLOWS OF RESOURCES	28,874	-	7,576	-	-	-	36,450
NET POSITION							
Net investment in capital assets	23,605	-	-	-	-	-	23,605
Restricted	-	-	116,099	-	27,737	-	143,836
Unrestricted	93,422	227,770	228,638	38,547	-	-	588,377
TOTAL NET POSITION	117,027	227,770	344,737	38,547	27,737	-	755,818
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 724,001	$ 578,336	$ 4,474,800	$ 39,920	$ 44,764	$ (313,229)	$ 5,548,592

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2022 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Operating Revenues:						
Interest income on mortgage loans	$ -	$ 2,989	$ 108,117	$ -	$ 219	$ 111,325
Program income and fees	99,607	1,553	-	4,366	211	105,737
Gain on sales of mortgage-backed securities	1,740	-	-	-	-	1,740
Investment income	-	-	5,570	786	27	6,383
Increase in the fair value of swaps	-	-	3,726	-	-	3,726
Increase in the fair value of mortgage service rights	-	-	-	-	-	-
Gain on early extinguishment of debt	-	-	5,874	-	-	5,874
Total Operating Revenues	101,347	4,542	123,287	5,152	457	234,785
Operating Expenses:						
Interest expense on bonds and notes	1,022	648	91,793	-	-	93,463
Financing expenses	50	5	7,845	-	-	7,900
Program expenses	50,157	-	13,576	-	-	63,733
Salaries and related benefits	36,518	-	-	-	4,648	41,166
General and administrative	14,672	1,083	6,512	-	836	23,103
Decrease (increase) in fair value of investments	19,208	(47)	30,071	2,300	-	51,532
(Recoveries) provision for loan loss and real estate owned	-	(2,581)	(761)	(132)	(1,139)	(4,613)
Total Operating Expenses	121,627	(892)	149,036	2,168	4,345	276,284
Operating (Loss) Income	(20,280)	5,434	(25,749)	2,984	(3,888)	(41,499)
Non-operating Revenue						
Federal program awards	74,988	509,317	543	-	-	584,848
Non-operating Expense						
Federal program expense	74,988	509,317	543	-	-	584,848
(Loss) Income Before Transfers	(20,280)	5,434	(25,749)	2,984	(3,888)	(41,499)
Intra-agency transfers	8,569	(309)	(8,260)	-	-	-
Change in Net Position	(11,711)	5,125	(34,009)	2,984	(3,888)	(41,499)
Net Position - beginning of year	128,738	222,645	378,746	35,563	31,625	797,317
Net Position - end of year	$ 117,027	$ 227,770	$ 344,737	$ 38,547	$ 27,737	$ 755,818

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Cash Flows

Year Ended June 30, 2022 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Cash Flows From Operating Activities						
Receipts of mortgage loan payments	$ 62	$ 21,654	$ 432,532	$ -	$ 8,596	$ 462,844
Receipts of mortgage-backed security premiums	1,740	-	-	-	-	1,740
Receipts from fees and other income	99,608	1,553	-	4,366	211	105,738
Receipts from interest on mortgages	-	3,458	107,504	-	219	111,181
Receipts of escrows and reserves	336,420	22,148	(19,248)	89	-	339,409
Payments for mortgages and purchases	(393)	(6,898)	(1,067,941)	-	(1,884)	(1,077,116)
Payments for salaries and related benefits	(31,679)	-	-	-	-	(31,679)
Payments for goods, services and other	(66,603)	(1,087)	(22,158)	-	(2,450)	(92,298)
Net Cash (Used In) Provided By Operating Activities	339,155	40,828	(569,311)	4,455	4,692	(180,181)
Cash Flows From Noncapital Financing Activities						
Proceeds from the issuance of bonds and notes	-	-	1,194,913	-	-	1,194,913
Payments for retirement of bonds and notes	-	(420)	(479,519)	-	-	(479,939)
Payments for refundings of bonds	-	-	(134,842)	-	-	(134,842)
Payments for bonds and notes interest	-	(674)	(86,246)	-	-	(86,920)
Payments of financing costs	(50)	(5)	(7,845)	-	-	(7,900)
Receipts (repayments) of program advances	34,125	(38,309)	4,184	-	-	-
Receipts of federal program awards	74,988	509,317	543	-	-	584,848
Payments of federal program awards	(74,988)	(509,317)	(543)	-	-	(584,848)
Net Cash Provided By (Used In) Noncapital Financing Activities	34,075	(39,408)	490,645	-	-	485,312
Cash Flows From Capital Financing Activities						
Purchases of capital assets	(549)	-	-	-	-	(549)
Payments for retirement of capital financing bond	(2,000)	-	-	-	-	(2,000)
Payments for interest on capital financing bond	(1,028)	-	-	-	-	(1,028)
Net Cash (Used In) Provided By Capital Financing Activities	(3,577)	-	-	-	-	(3,577)
Cash Flows From Investing Activities						
Proceeds from the sale or maturity of investments	17,005	1	33,850	1,005	-	51,861
Receipts of investment interest	(183)	61	7,207	842	-	7,927
Payments for purchases of investments	(50,922)	(4,507)	(43,451)	(25,517)	-	(124,397)
Net Cash (Used in) Provided By Investing Activities	(34,100)	(4,445)	(2,394)	(23,670)	-	(64,609)
Net Increase (Decrease) In Cash and Cash Equivalents	335,553	(3,025)	(81,060)	(19,215)	4,692	236,945
Cash and cash equivalents, beginning of year	1,752	138,079	575,696	32,711	14,207	762,445
Cash and cash equivalents, end of period	$ 337,305	$ 135,054	$ 494,636	$ 13,496	$ 18,899	$ 999,390

See accompanying independent auditors’ report.

PENNSYLVANIA HOUSING FINANCE AGENCY
Combining Statement of Cash Flows
Year Ended June 30, 2022 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:						
Operating (Loss) Income	$ (20,280)	$ 5,434	$ (25,749)	$ 2,984	$ (3,888)	$ (41,499)
Investment income recognized	-	-	(5,570)	(786)	(27)	(6,383)
Net change in fair value of investments	19,208	(47)	30,071	2,300	-	51,532
Net change in fair value of swaps	-	-	3,726	-	-	3,726
Interest expense on bonds and notes	1,022	648	91,793	-	-	93,463
Financing expenses	50	5	7,845	-	-	7,900
Provision for loan loss and real estate owned	-	(2,581)	(761)	(132)	(1,139)	(4,613)
Depreciation	1,677	-	-	-	-	1,677
Early extinguishment of debt	-	-	(5,874)	-	-	(5,874)
Loss on disposal of capital assets	-	-	-	-	-	-
Net change in fair value of mortgage servicing rights	-	-	-	-	-	-
Changes in Assets and Liabilities:						
Mortgage loans receivable, net	(331)	14,756	(628,402)	-	4,766	(609,211)
Mortgage loans interest receivable	-	469	(613)	-	(30)	(174)
Real Estate Owned, Net	-	-	(2,534)	-	-	(2,534)
Other assets	(9,523)	(4)	372	-	(7)	(9,162)
Accounts payable and accrued expenses	(32)	-	(144)	-	(28)	(204)
Escrow deposits and development reserves	250	7,366	(1,354)	-	-	6,262
Other liabilities	347,114	14,782	(32,117)	89	5,045	334,913
Net Cash (Used In) Provided By Operating Activities	$ 339,155	$ 40,828	$ (569,311)	$ 4,455	$ 4,692	$ (180,181)

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY
Combining Balance Sheet
June 30, 2021 (in thousands)

ASSETS	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
Current assets:							
Cash and cash equivalents	$ 624	$ 63,735	$ 479,565	$ 32,711	$ 14,207	$ -	$ 590,842
Restricted cash and cash equivalents	1,128	74,344	96,131	-	-	-	171,603
Restricted investments	-	3	1,000	-	-	-	1,003
Accrued investment interest receivable	29	78	2,448	56	-	-	2,611
Mortgage loans receivable, net	-	3,140	109,433	-	5,038	-	117,611
Accrued mortgage loan interest receivable	-	567	16,073	-	296	-	16,936
Mortgages held for sale	-	-	5,942	-	-	-	5,942
Other current assets	2,905	47	35	-	8	-	2,995
Total Current Assets	4,686	141,914	710,627	32,767	19,549	-	909,543
Noncurrent Assets:							
Investments	88,125	-	101,174	4,212	-	-	193,511
Restricted investments	-	26	97,674	-	-	-	97,700
Mortgage loans receivable, net	3,252	318,450	3,025,788	-	24,127	-	3,371,617
Real estate owned	-	-	3,979	-	-	-	3,979
Capital assets, net	55,734	-	-	-	-	-	55,734
Intra-agency receivables	196,301	89,701	-	-	-	(286,002)	-
Other noncurrent assets	11,528	-	796	-	-	(11,481)	843
Total Noncurrent Assets	354,940	408,177	3,229,411	4,212	24,127	(297,483)	3,723,384
TOTAL ASSETS	359,626	550,091	3,940,038	36,979	43,676	(297,483)	4,632,927
DEFERRED OUTFLOWS OF RESOURCES							
OPEB-related deferred outflows	16,058	-	-	-	-	-	16,058
Pension-related deferred outflows	11,523	-	-	-	-	-	11,523
Unamortized losses on bond refundings	-	-	787	-	-	-	787
Accumulated decrease (increase) in fair value of hedging derivatives	3,180	3,177	(645)	-	-	-	5,712
TOTAL DEFERRED OUTFLOWS OF RESOURCES	30,761	3,177	142	-	-	-	34,080
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 390,387	$ 553,268	$ 3,940,180	$ 36,979	$ 43,676	$ (297,483)	$ 4,667,007
LIABILITIES							
Current Liabilities:							
Accounts payable and accrued expenses	$ 1,094	$ -	$ 812	$ -	$ 379	$ -	$ 2,285
Bonds and notes payable, net	2,000	420	117,315	-	-	-	119,735
Accrued interest payable	87	265	22,628	-	-	-	22,980
Escrow deposits and development reserves	1,237	18,240	55,719	-	-	-	75,196
Other current liabilities	60,328	594	50,999	-	76	(76)	111,921
Total Current Liabilities	64,746	19,519	247,473	-	455	(76)	332,117
Noncurrent Liabilities:							
Bonds and notes payable, net	31,000	7,898	3,021,266	-	-	-	3,060,164
Derivative instrument - interest rate swaps	3,180	3,177	6,693	-	-	-	13,050
Development reserves	-	91,020	-	-	-	-	91,020
Intra-agency payables	-	-	286,002	-	-	(286,002)	-
Total OPEB liability	104,314	-	-	-	-	-	104,314
Net pension liability	21,314	-	-	-	-	-	21,314
Other noncurrent liabilities	7,808	209,009	-	1,416	11,596	(11,405)	218,424
Total Noncurrent Liabilities	167,616	311,104	3,313,961	1,416	11,596	(297,407)	3,508,286
TOTAL LIABILITIES	232,362	330,623	3,561,434	1,416	12,051	(297,483)	3,840,403
DEFERRED INFLOWS OF RESOURCES							
OPEB-related deferred inflows	21,157	-	-	-	-	-	21,157
Pension-related deferred inflows	8,130	-	-	-	-	-	8,130
TOTAL DEFERRED INFLOWS OF RESOURCES	29,287	-	-	-	-	-	29,287
NET POSITION							
Net investment in capital assets	22,734	-	-	-	-	-	22,734
Restricted	-	260	104,270	-	31,625	-	136,155
Unrestricted	106,004	222,385	274,476	35,563	-	-	638,428
TOTAL NET POSITION	128,738	222,645	378,746	35,563	31,625	-	797,317
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 390,387	$ 553,268	$ 3,940,180	$ 36,979	$ 43,676	$ (297,483)	$ 4,667,007

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2021 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Operating Revenues:						
Interest income on mortgage loans	$ -	$ 3,359	$ 106,093	$ -	$ 3	$ 109,455
Program income and fees	89,523	76	15	1,809	183	91,606
Gain on sales of mortgage-backed securities	7,956	-	-	-	-	7,956
Investment income	1,010	2	4,309	447	296	6,064
Increase in the fair value of swaps	-	32	791	-	-	823
Increase in the fair value of mortgage service rights	-	-	764	-	-	764
Gain on early extinguishment of debt	-	-	3,599	-	-	3,599
Total Operating Revenues	98,489	3,469	115,571	2,256	482	220,267
Operating Expenses:						
Interest expense on bonds and notes	1,119	659	90,379	-	-	92,157
Financing expenses	49	5	4,648	-	-	4,702
Program expenses	44,234	-	6,366	-	-	50,600
Salaries and related benefits	40,011	-	-	-	2,692	42,703
General and administrative	11,900	316	6,668	-	699	19,583
Decrease in fair value of investments	6,592	8	3,035	35	-	9,670
Provision for loan loss and real estate owned	-	(6,431)	(2,867)	226	-	(9,072)
Total Operating Expenses	103,905	(5,443)	108,229	261	3,391	210,343
Operating Income (Loss)	(5,416)	8,912	7,342	1,995	(2,909)	9,924
Non-operating Revenue						
Federal program awards	-	457,995	68,337	-	-	526,332
Non-operating Expense						
Federal program expense	-	457,995	68,337	-	-	526,332
Income (Loss) Before Transfers	(5,416)	8,912	7,342	1,995	(2,909)	9,924
Intra-agency transfers	(22,326)	2,417	19,909	-	-	-
Change in Net Position	(27,742)	11,329	27,251	1,995	(2,909)	9,924
Net Position - beginning of year	156,480	211,316	351,495	33,568	34,534	787,393
Net Position - end of year	$ 128,738	$ 222,645	$ 378,746	$ 35,563	$ 31,625	$ 797,317

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY
Combining Statement of Cash Flows
Year Ended June 30, 2021 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Cash Flows From Operating Activities						
Receipts of mortgage loan payments	$ 68	$ 24,340	$ 728,301	$ -	$ 7,262	$ 759,971
Receipts of mortgage-backed security premiums	7,956	-	-	-	-	7,956
Receipts from fees and other income	89,523	76	15	1,809	183	91,606
Receipts from interest on mortgages	-	3,545	106,501	-	273	110,319
Receipts of escrows and reserves	6,181	(2,192)	(1,367)	(19)	-	2,603
Payments for mortgages and purchases	-	(18,440)	(706,802)	-	(2,127)	(727,369)
Payments for salaries and related benefits	(33,954)	-	-	-	-	(33,954)
Payments for goods, services and other	(56,162)	(371)	(9,479)	-	(3,367)	(69,379)
Net Cash Provided By Operating Activities	13,612	6,958	117,169	1,790	2,224	141,753
Cash Flows From Noncapital Financing Activities						
Proceeds from the issuance of bonds and notes	-	-	530,307	-	-	530,307
Payments for retirement of bonds and notes	-	(400)	(369,523)	-	-	(369,923)
Payments for refundings of bonds	-	-	(41,320)	-	-	(41,320)
Payments for bonds and notes interest	-	(770)	(86,453)	-	-	(87,223)
Payments of financing costs	(49)	(5)	(4,648)	-	-	(4,702)
Receipts (repayments) of program advances	(11,193)	(23,583)	34,776	-	628	628
Receipts of federal program awards	-	457,955	68,337	-	-	526,292
Payments of federal program awards	-	(457,955)	(68,337)	-	-	(526,292)
Net Cash (Used In) Provided By Noncapital Financing Activities	(11,242)	(24,758)	63,139	-	628	27,767
Cash Flows From Capital Financing Activities						
Purchases of capital assets	(1,773)	-	-	-	-	(1,773)
Payments for retirement of capital financing bond	(2,000)	-	-	-	-	(2,000)
Payments for interest on capital financing bond	(1,090)	-	-	-	-	(1,090)
Net Cash Used In Capital Financing Activities	(4,863)	-	-	-	-	(4,863)
Cash Flows From Investing Activities						
Proceeds from the sale or maturity of investments	77	3	66,026	6,712	-	72,818
Receipts of investment interest	1,021	150	3,262	497	3	4,933
Payments for purchases of investments	-	-	(154,931)	(4,221)	-	(159,152)
Net Cash Provided By (Used in) Investing Activities	1,098	153	(85,643)	2,988	3	(81,401)
Net (Decrease) Increase In Cash and Cash Equivalents	(1,395)	(17,647)	94,665	4,778	2,855	83,256
Cash and cash equivalents, beginning of year	3,147	155,726	481,031	27,933	11,352	679,189
Cash and cash equivalents, end of period	$ 1,752	$ 138,079	$ 575,696	$ 32,711	$ 14,207	$ 762,445

See accompanying independent auditors’ report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Cash Flows

Year Ended June 30, 2021 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:						
Operating Income (Loss)	$ (5,416)	$ 8,912	$ 7,342	$ 1,995	$ (2,909)	$ 9,924
Investment income recognized	(1,010)	(2)	(4,309)	(447)	(3)	(5,771)
Net change in fair value of investments	6,592	8	3,035	35	-	9,670
Net change in fair value of swaps	-	(32)	(791)	-	-	(823)
Interest expense on bonds and notes	1,119	659	90,379	-	-	92,157
Financing expenses	49	5	4,648	-	-	4,702
Provision for loan loss and real estate owned	-	(6,431)	(2,867)	226	-	(9,072)
Depreciation	1,707	-	-	-	-	1,707
Early extinguishment of debt	-	-	(3,599)	-	-	(3,599)
Loss on disposal of capital assets	-	-	-	-	-	-
Net change in fair value of mortgage servicing rights	-	-	(764)	-	-	(764)
Changes in Assets and Liabilities:						
Mortgage loans receivable, net	68	5,900	18,893	-	5,135	29,996
Mortgage loans interest receivable	-	186	408	-	(23)	571
Real Estate Owned, Net	-	-	8,039	-	-	8,039
Other assets	435	(38)	(154)	-	2	245
Accounts payable and accrued expenses	(510)	-	(38)	-	31	(517)
Escrow deposits and development reserves	146	4,081	(4,216)	-	-	11
Other liabilities	10,432	(6,290)	1,163	(19)	(9)	5,277
Net Cash Provided By Operating Activities	$ 13,612	$ 6,958	$ 117,169	$ 1,790	$ 2,224	$ 141,753

See accompanying independent auditors’ report.

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

The Board of Directors
Pennsylvania Housing Finance Agency
Harrisburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of the Pennsylvania Housing Finance Agency (the Agency), as of and for the year ended June 30, 2022 (except for the Pennsylvania Housing Finance Agency Employees Retirement Plan, which is as of and for the year ended December 31, 2021), and the related notes to the financial statements, which collectively comprise the Pennsylvania Housing Finance Agency's basic financial statements, and have issued our report thereon dated September 26, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pennsylvania Housing Finance Agency'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 Pennsylvania Housing Finance Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Pennsylvania Housing Finance Agency'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.

The Board of Directors
Pennsylvania Housing Finance Agency

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pennsylvania Housing Finance Agency'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

Pittsburgh, Pennsylvania
September 26, 2022