

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Basic Financial Statements and Supplementary Information

June 30, 2024 and 2023

(With Independent Auditors' Reports Thereon)

**PENNSYLVANIA HOUSING FINANCE AGENCY**

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June 30, 2024 and 2023

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## INDEPENDENT AUDITORS' REPORT

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 Pennsylvania Housing Finance Agency (the Agency), a component unit of the Commonwealth of Pennsylvania, as of and for the years ended June 30, 2024 and 2023 and the related notes to the financial statements, which collectively comprise 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 Pennsylvania Housing Finance Agency, as of June 30, 2024 and 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***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 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 audits 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 audits were 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, 2024 and 2023 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 audits 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 combining statements of cash flows as of and for the year ended June 30, 2024 and 2023 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024, 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**

Pittsburgh, Pennsylvania  
September 27, 2024

## **PENNSYLVANIA HOUSING FINANCE AGENCY**

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)  
June 30, 2024 and 2023 (amounts rounded)

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### **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 five required statements: The Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, the Statement of Fiduciary Net Position, and the Statement of Changes in Fiduciary Net Position.

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 Statement of Fiduciary Net Position includes information about the Agency's fiduciary funds held in its defined benefit pension plan. This financial statement presents assets, liabilities and deferred inflows and outflows of resources with the difference reported as net position.

The Statement of Changes in Fiduciary Net Position reflects changes in fiduciary net position of the Agency's fiduciary funds held in its defined benefit pension plan. These changes include additions such as contributions from employers and employees and deductions such as benefit payments and administrative expenses. The net increase (decrease) in fiduciary net position is the difference between these additions and deductions.

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.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)

June 30, 2024 and 2023 (amounts rounded)

**Condensed Summary Balance Sheets (In thousands)**

	<u>2024</u>	<u>2023</u>	<u>Increase/(Decrease)</u>	
Assets:				
Mortgage loans receivable, net	\$ 5,546,908	\$ 4,633,251	\$ 913,657	19.7%
Capital assets, net	55,285	57,026	(1,741)	(3.1%)
Other assets	<u>1,853,896</u>	<u>1,892,737</u>	<u>(38,841)</u>	<u>(2.1%)</u>
Total Assets	<u>7,456,089</u>	<u>6,583,014</u>	<u>873,075</u>	<u>13.3%</u>
Deferred Outflows of Resources	<u>40,550</u>	<u>47,531</u>	<u>(6,981)</u>	<u>(14.7%)</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 7,496,639</u></u>	<u><u>\$ 6,630,545</u></u>	<u><u>\$ 866,094</u></u>	<u><u>13.1%</u></u>
Liabilities:				
Current liabilities	538,068	504,200	33,868	6.7%
Noncurrent liabilities	<u>6,076,751</u>	<u>5,287,769</u>	<u>788,982</u>	<u>14.9%</u>
Total Liabilities	<u>6,614,819</u>	<u>5,791,969</u>	<u>822,850</u>	<u>14.2%</u>
Deferred Inflows of Resources	<u>55,191</u>	<u>59,557</u>	<u>(4,366)</u>	<u>(7.3%)</u>
Net Position				
Net Investment in Capital Assets	23,168	22,901	267	1.2%
Restricted	201,980	174,602	27,378	15.7%
Unrestricted	<u>601,481</u>	<u>581,516</u>	<u>19,965</u>	<u>3.4%</u>
Total Net Position	<u>826,629</u>	<u>779,019</u>	<u>47,610</u>	<u>6.1%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 7,496,639</u></u>	<u><u>\$ 6,630,545</u></u>	<u><u>\$ 866,094</u></u>	<u><u>13.1%</u></u>

**PENNSYLVANIA HOUSING FINANCE AGENCY**Management's Discussion and Analysis (unaudited – see accompanying auditors' report)  
June 30, 2024 and 2023 (amounts rounded)**Condensed Summary Balance Sheets (In thousands)**

	<u>2023</u>	<u>2022</u>	<u>Increase/(Decrease)</u>	
Assets:				
Mortgage loans receivable, net	\$ 4,633,251	\$ 4,023,295	\$ 609,956	15.2%
Capital assets, net	57,026	54,605	2,421	4.4%
Other assets	1,892,737	1,432,409	460,328	32.1%
Total Assets	<u>6,583,014</u>	<u>5,510,309</u>	<u>1,072,705</u>	<u>19.5%</u>
Deferred Outflows of Resources	<u>47,531</u>	<u>38,283</u>	<u>9,248</u>	<u>24.2%</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,630,545</u>	<u>\$ 5,548,592</u>	<u>\$ 1,081,953</u>	<u>19.5%</u>
Liabilities:				
Current liabilities	504,200	335,339	168,861	50.4%
Noncurrent liabilities	5,287,769	4,420,985	866,784	19.6%
Total Liabilities	<u>5,791,969</u>	<u>4,756,324</u>	<u>1,035,645</u>	<u>21.8%</u>
Deferred Inflows of Resources	<u>59,557</u>	<u>36,450</u>	<u>23,107</u>	<u>63.4%</u>
Net Position				
Net Investment in Capital Assets	22,901	23,605	(704)	(3.0%)
Restricted	174,602	143,836	30,766	21.4%
Unrestricted	581,516	588,377	(6,861)	(1.2%)
Total Net Position	<u>779,019</u>	<u>755,818</u>	<u>23,201</u>	<u>3.1%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 6,630,545</u>	<u>\$ 5,548,592</u>	<u>\$ 1,081,953</u>	<u>19.5%</u>

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)  
 June 30, 2024 and 2023 (amounts rounded)

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

	<u>2024</u>	<u>2023</u>	<u>Increase/(Decrease)</u>	
Revenues:				
Mortgage loan interest	\$ 199,881	\$ 146,216	\$ 53,665	36.7%
Other operating revenues	202,563	168,073	34,490	20.5%
Federal program awards	668,177	625,001	43,176	6.9%
Total Revenues	<u>1,070,621</u>	<u>939,290</u>	<u>131,331</u>	<u>14.0%</u>
Expenses:				
Interest and financing expenses	178,846	123,958	54,888	44.3%
Other operating expenses	175,988	167,130	8,858	5.3%
Federal program expenses	668,177	625,001	43,176	6.9%
Total Expenses	<u>1,023,011</u>	<u>916,089</u>	<u>106,922</u>	<u>11.7%</u>
Change in Net Position	47,610	23,201	24,409	105.2%
Net Position - Beginning of Year	<u>779,019</u>	<u>755,818</u>	<u>23,201</u>	<u>3.1%</u>
Net Position - End of Year	<u>\$ 826,629</u>	<u>\$ 779,019</u>	<u>\$ 47,610</u>	<u>6.1%</u>
	<u>2023</u>	<u>2022</u>	<u>Increase/(Decrease)</u>	
Revenues:				
Mortgage loan interest	\$ 146,216	\$ 111,325	\$ 34,891	31.3%
Other operating revenues	168,073	123,460	44,613	36.1%
Federal program awards	625,001	584,848	40,153	6.9%
Total Revenues	<u>939,290</u>	<u>819,633</u>	<u>119,657</u>	<u>14.6%</u>
Expenses:				
Interest and financing expenses	123,958	101,363	22,595	22.3%
Other operating expenses	167,130	174,921	(7,791)	(4.5%)
Federal program expenses	625,001	584,848	40,153	6.9%
Total Expenses	<u>916,089</u>	<u>861,132</u>	<u>54,957</u>	<u>6.4%</u>
Change in Net Position	23,201	(41,499)	64,700	155.9%
Net Position - Beginning of Year	<u>755,818</u>	<u>797,317</u>	<u>(41,499)</u>	<u>(5.2%)</u>
Net Position - End of Year	<u>\$ 779,019</u>	<u>\$ 755,818</u>	<u>\$ 23,201</u>	<u>3.1%</u>

## **PENNSYLVANIA HOUSING FINANCE AGENCY**

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)  
June 30, 2024 and 2023 (amounts rounded)

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### **Analysis of Overall Financial Position and Results of Operations**

#### ***Comparison of Years Ended June 30, 2024 and 2023***

Assets increased by \$873 million from \$6.583 billion to \$7.456 billion. Mortgage loans receivable increased by \$914 million from \$4.633 billion to \$5.547 billion as a result of the Agency continuing to utilize 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 by \$1.7 million when compared to prior year due to annual depreciation off-set by normal operational purchases. Other assets decreased by \$39 million from \$1.893 billion to \$1.854 billion. The decrease in other assets is primarily attributable to the decrease in investments of \$115 million from the return of principal on investments that matured offset by an increase in cash and cash equivalents of \$70 million from funds held for single family mortgage loan purchases obtained from the issuance of single family mortgage revenue bonds throughout fiscal year 2024. The remaining \$6 million increase in assets is explained by the increase in other noncurrent assets off-set by a decrease in derivative instruments – interest rate swaps, due to the change in market valuation, and mortgages held for sale.

Deferred outflows of resources decreased by \$7.0 million from \$47.5 million to \$40.5 million. The decrease was due to the decrease in pension-related deferred outflows of \$7 million a result of the decrease in net investment income during the current valuation period and a decrease of \$5 million in the in OPEB-related deferred outflows a result of the increase in the discount rate and the change in the health care trend and mortality assumptions. Off-set by an increase of \$5 million in the accumulated decrease in the fair value of hedging derivatives.

Total liabilities increased by \$0.823 billion from \$5.792 billion to \$6.615 billion. The net increase was mainly due to the increase in bonds and notes payable of \$958 million, which came as a result of the issuance of single family mortgage revenue bond series 143, 144, and 145 with total proceeds of \$1.211 billion, off-set by scheduled debt service and advance debt service of \$242 million and the reduction of original issue premium of \$11 million. These issuances further the Agency's 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. Escrow and development reserves increased by \$23 million, this is primarily due to the increase in the number of multifamily properties serviced by the Agency and the increase required reserves. Accrued interest payable increased by \$14 million due to the increase in the balance of bonds and notes payable. Derivative instrument – interest rate swaps increased by \$5 million due to the change in market valuation. The remaining decrease of \$178 million in total liabilities can be explained by a decrease in other liabilities of \$163 million due to the disbursement of federal and state grant funds, a decrease in the total OPEB liability of \$8 million due to the current period OPEB liability valuation which utilized a change in assumptions, including an increase in the discount rate, updated health care trend, and updated mortality assumptions, and a decrease in the net pension liability of \$7 million due to the decrease in net investment income during the current valuation period.

## **PENNSYLVANIA HOUSING FINANCE AGENCY**

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)  
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Deferred inflows of resources decreased by \$4.4 million from \$59.6 million to \$55.2 million. The decrease was due to the decrease of \$5 million in accumulated increase in fair value of hedging derivatives and the decrease of \$0.3 million in pension-related deferred inflows off-set by the \$0.4 million increase in OPEB-related deferred inflows and the \$0.5 million increase in unamortized gains on bond refundings.

Total net position as of June 30, 2024 was \$827 million, an increase of \$48 million, over the total net position of \$779 million at June 30, 2023.

Mortgage loan interest increased by \$54 million due to the increase in the Agency's single family portfolio of mortgage loans and an increase in the interest rates on Agency owned mortgages due to the current interest rate environment. Other operating revenues increased by \$35 million, primarily due to an increase in program income and fees of \$15 million due to the increase in grant funds received and disbursed and grant administration revenue earned during the fiscal year, along with the increase in investment income of \$22 million resulting from increased funds held coupled with increased interest rates offset by decreases of \$1 million in the net increase in fair value of swaps and \$1 million in the gain on early extinguishment of debt both due to the interest rate environment and market conditions during the fiscal year.

Interest and financing expenses increased by \$55 million due to the increase in bonds and notes payable outstanding during the fiscal year as well as the increase in interest rates on newly issued mortgage revenue bonds. Other operating expenses increased during the year, the increase was \$9 million. Other operating expenses in total increased largely due to the increase in program expenses of \$20 million resulting from the increase in grant funds received and disbursed, program expenses associated with the administration of various grants, and an increase in the amortization of down payment assistance loans which are forgiven over a period of time. Provision for loan loss and real estate owned increased by \$9 million and general and administrative expenses increased by \$1 million. These increases were off-set by decreases in salaries and related benefits of \$5 million and the net decrease in fair value of investments of \$17 million.

Federal program awards and expenses increased by \$43 million primarily resulting from federal funds disbursed for the Housing Assistance Fund.

### ***Comparison of Years Ended June 30, 2023 and 2022***

Assets increased by \$1.073 billion from \$5.510 billion to \$6.583 billion. Mortgage loans receivable increased by \$610 million from \$4.023 billion to \$4.633 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 increased by \$2 million when compared to prior year due to annual depreciation off-set by normal operational purchases and the addition of the financial statement caption subscription-based IT arrangements with a balance of \$5 million as a result of the implementation of GASB Statement

## PENNSYLVANIA HOUSING FINANCE AGENCY

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)  
June 30, 2024 and 2023 (amounts rounded)

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No. 96, Subscription-Based Information Technology Agreements (SBITA). Other assets increased by \$461 million from \$1.432 billion to \$1.893 billion. The increase in other assets is primarily attributable to the increase in cash and cash equivalents and investments of \$444 million due to funds held for mortgage loan purchases obtained from the issuance of single family program bond series 142 on June 29, 2023 and funds received during the fiscal year 2023 which had not yet been disbursed for the federal programs administered by the Agency. The remaining \$17 million increase in assets is explained by the increase in other assets of \$9 million as a result of the increase in capitalized mortgage servicing rights, the increase in real estate owned of \$5 million due to an increase in the number of properties held by the Agency as a result of the end of the COVID-19 moratorium on foreclosures, the increase in accrued interest receivable of \$3 million which directly correlates with the increase in cash and cash equivalents and investments, and a \$1 million increase in derivative instruments – interest rate swaps due to the favorable market valuation at June 30, 2023 off-set by a \$1 million decrease in mortgages held for sale.

Deferred outflows of resources increased by \$9.2 million from \$38.3 million to \$47.5 million. The increase was due to the increase in pension-related deferred outflows of \$12 million due to the decrease in investment earnings during the current valuation period resulting in a difference between projected and actual experience earnings on investments and an increase of \$2 million in the accumulated decrease in the fair value of hedging derivatives, off-set by a decrease of \$5 million in OPEB-related deferred outflows due to the increase in the discount rate and the change in the health care trend and mortality assumptions.

Total liabilities increased by \$1.036 billion from \$4.756 billion to \$5.792 billion. The net increase was mainly due to the increase in bonds and notes payable of \$897 million, which came as a result of the issuance of single family mortgage revenue bond series 140, 141, and 142 and the issuance of the multifamily general obligation note 2022A with total proceeds of \$1.271 billion off-set by refundings, scheduled debt service, and advance debt service of \$363 million and the reduction of original issue premium of \$11 million. These issuances further the Agency's 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. Other liabilities increased \$120 million due to funds received during the fiscal year 2023 which had not yet been disbursed for the federal programs administered by the Agency. The net pension liability increased \$27 million at June 30, 2023 due to the current period pension liability valuation and a decrease in the pension fiduciary net position as a result of a net decrease in the value of the investments held in the plan. The total OPEB liability decreased \$34 million at June 30, 2023 due to the current period OPEB liability valuation which utilized a change in assumptions, including an increase in the discount rate, updated health care trend, and updated mortality assumptions. Escrow and development reserves increased by \$11 million, this is primarily due to the increase in the number of multifamily properties serviced by the Agency and the amount of the required reserves. Accrued interest payable increased by \$8 million due to the increase in the balance of bonds and notes payable. The addition of the financial statement

## PENNSYLVANIA HOUSING FINANCE AGENCY

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)  
June 30, 2024 and 2023 (amounts rounded)

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caption subscription-based IT arrangements with a balance of \$5 million, as a result of the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Agreements (SBITA)*, and an increase of \$2 million in accounts payable and accrued expenses accounts for the remaining increase in liabilities.

Deferred inflows of resources increased by \$23.1 million from \$36.5 million to \$59.6 million. The increase was due to an increase of \$33 million in OPEB-related deferred inflows due to the change of assumptions described above and a \$1.1 million increase in the unamortized gains on bond refundings off-set by the decrease in pension-related deferred inflows of \$11 million mainly due to the decrease in investment earnings during the current valuation period resulting in a difference between projected and actual experience earnings on investments.

Total net position as of June 30, 2023 was \$779 million, an increase of \$23 million, over the total net position of \$756 million at June 30, 2022.

Mortgage loan interest increased by \$35 million due to the increase in the Agency's single family portfolio of mortgage loans and an increase in the interest rates on Agency owned mortgages due to the current interest rate environment. Other operating revenues increased by \$45 million, primarily due to an increase in program income and fees of \$23 million due to the increase in grant funds received and disbursed and grant administration revenue earned during the fiscal year, along with the increase in investment income of \$27 million resulting from increased funds held coupled with increased interest rates offset by decreases of \$2.3 million in the net increase in fair value of swaps and \$0.5 million in the gain on early extinguishment of debt both due to the interest rate environment and market conditions during the fiscal year.

Interest and financing expenses increased by \$23 million due to the increase in bonds and notes payable outstanding during the fiscal year. Other operating expenses decreased during the year, the decrease was \$8 million. Other operating expenses in total decreased largely due to the net decrease in the fair value of investments of \$34 million when compared to the prior fiscal year off-set by the increase in program expenses of \$19 million due to the increase in grant funds received and disbursed, program expenses associated with the administration of various grants, and an increase in the amortization of down payment assistance loans which are forgiven over a period of time, an increase in salaries and related benefits of \$5 million due to an increase in employees (permanent and temporary), increases in both the pension and OPEB actuarially determined expenses, and a net increase in other operating expenses of \$2 million.

Federal program awards and expenses increased by \$40 million primarily resulting from federal funds received and disbursed for the American Rescue Plan and the Housing Assistance Fund.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Management’s Discussion and Analysis (unaudited – see accompanying auditors’ report)  
June 30, 2024 and 2023 (amounts rounded)

**Analysis of Capital Asset Activity** *(In thousands)*

	<b>Balances at June 30</b>		<b>Increase/ (Decrease)</b>
	<b>2024</b>	<b>2023</b>	
<b>Nondepreciable Capital Assets:</b>			
Land	\$ 2,454	\$ 2,454	\$ -
Total nondepreciable capital assets	<u>2,454</u>	<u>2,454</u>	<u>-</u>
<b>Depreciable Capital Assets:</b>			
Building	60,685	60,659	26
Furniture, fixtures and equipment	13,283	12,715	568
Subscription based information technology arrangements	10,183	7,127	3,056
Less accumulated depreciation:			
Building	(15,110)	(13,732)	(1,378)
Furniture, fixtures and equipment	(11,745)	(10,195)	(1,550)
Subscription based information technology arrangements	(4,465)	(2,002)	(2,463)
Total depreciable capital assets, net	<u>52,831</u>	<u>54,572</u>	<u>(1,741)</u>
<b>Total Capital Assets, net</b>	<u><u>\$ 55,285</u></u>	<u><u>\$ 57,026</u></u>	<u><u>\$ (1,741)</u></u>

	<b>Balances at June 30</b>		<b>Increase/ (Decrease)</b>
	<b>2023</b>	<b>2022</b>	
<b>Nondepreciable Capital Assets:</b>			
Land	\$ 2,454	\$ 2,454	\$ -
Total nondepreciable capital assets	<u>2,454</u>	<u>2,454</u>	<u>-</u>
<b>Depreciable Capital Assets:</b>			
Building	60,659	60,631	28
Furniture, fixtures and equipment	12,715	12,506	209
Subscription based information technology arrangements	7,127	-	7,127
Less accumulated depreciation:			
Building	(13,732)	(12,354)	(1,378)
Furniture, fixtures and equipment	(10,195)	(8,632)	(1,563)
Subscription based information technology arrangements	(2,002)	-	(2,002)
Total depreciable capital assets, net	<u>54,572</u>	<u>52,151</u>	<u>2,421</u>
<b>Total Capital Assets, net</b>	<u><u>\$ 57,026</u></u>	<u><u>\$ 54,605</u></u>	<u><u>\$ 2,421</u></u>

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)  
June 30, 2024 and 2023 (amounts rounded)

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Increases in the balances attributable to building at June 30, 2024 and 2023 resulted from capitalizable building improvement costs incurred during the fiscal years 2024 and 2023. The increases in the balances of furniture, fixtures and equipment for the years ended June 30, 2024 and 2023 were attributed primarily to the purchase of information technology equipment and furniture. The increase in the subscription based information technology arrangements (SBITAs) balances at June 30, 2024 and 2023 resulted from the remeasurement of certain SBITA assets due to changes in contractual fixed costs for subscription payments as well as recording implementation costs for a new SBITA asset. The increases in accumulated depreciation at June 30, 2024 and 2023 are due to annual depreciation and SBITA amortization expense.

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

<b>Agency Program</b>	<b>Long-Term Debt at June 30</b>		<b>Increase (Decrease)</b>
	<b>2024</b>	<b>2023</b>	
General Activities	\$ 27,000	\$ 29,000	\$ (2,000)
Multifamily Program	-	5,250	(5,250)
Single Family Program	5,575,195	4,609,752	965,443
Total Long-Term Debt	<u>\$ 5,602,195</u>	<u>\$ 4,644,002</u>	<u>\$ 958,193</u>

<b>Agency Program</b>	<b>Long-Term Debt at June 30</b>		<b>Increase (Decrease)</b>
	<b>2023</b>	<b>2022</b>	
General Activities	\$ 29,000	\$ 31,000	\$ (2,000)
Multifamily Program	5,250	7,898	(2,648)
Single Family Program	4,609,752	3,708,121	901,631
Total Long-Term Debt	<u>\$ 4,644,002</u>	<u>\$ 3,747,019</u>	<u>\$ 896,983</u>

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Management’s Discussion and Analysis (unaudited – see accompanying auditors’ report)  
 June 30, 2024 and 2023 (amounts rounded)

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**Year Ended June 30, 2024**

**Additions**

Additions to Agency bonds and notes payable for the year ended June 30, 2024 included the following:

<u>Date</u>	<u>Single Family Program Bond Series</u>	<u>General Obligation Note</u>	<u>Original Issue Premium</u>	<u>Total Proceeds</u>	<u>New Mortgage Loan Production Proceeds</u>	<u>Refunding Proceeds</u>	<u>Single Family Program Bond Series Refunded</u>
11/30/23	2023-143	-	\$ 5,784	\$ 481,055	\$ 481,055	\$ -	-
3/28/24	2024-144	-	6,129	270,809	270,809	-	-
6/25/24	2024-145	-	8,912	458,876	458,876	-	-
			<u>\$ 20,825</u>	<u>\$ 1,210,740</u>			

**Reductions**

Reductions to Agency bonds and notes payable for the year ended June 30, 2024 included the following:

<u>Date</u>	<u>Single Family Program Bond Series Refunded</u>	<u>Refunded Amount</u>	<u>Scheduled Debt Service</u>	<u>Advance Debt Service</u>	<u>Original Issue Premium Reduction</u>
Various	-	-	\$ 125,437	\$ 116,070	\$ 11,040
	Total Reductions:	<u>\$ -</u>	<u>\$ 125,437</u>	<u>\$ 116,070</u>	<u>\$ 11,040</u>

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Management’s Discussion and Analysis (unaudited – see accompanying auditors’ report)

June 30, 2024 and 2023 (amounts rounded)

**Year Ended June 30, 2023**

**Additions**

Additions to Agency bonds and notes payable for the year ended June 30, 2023 included the following:

<u>Date</u>	<u>Single Family Program Bond Series</u>	<u>General Obligation Note</u>	<u>Original Issue Premium</u>	<u>Total Proceeds</u>	<u>New Mortgage Loan Production Proceeds</u>	<u>Refunding Proceeds</u>	<u>Single Family Program Bond Series Refunded</u>
9/28/22	2022-140 ACF	-	\$ 3,087	\$ 212,947	\$ 212,947	\$ -	-
9/28/22	2022-140 BDE	-	-	93,420	93,420	-	-
12/5/22	-	MF-2022A	-	5,250	5,250	-	-
2/17/23	2023-141 AB	-	11,588	390,589	359,339	31,250	2018-126 B
2/17/23	2023-141 CD	-	-	103,500	103,500	-	-
6/29/23	2023-142 A	-	6,264	395,173	370,733	24,440	2018-127 C
6/29/23	2023-142 BC	-	-	69,795	69,795	-	-
			<u>\$ 20,939</u>	<u>\$ 1,270,674</u>			

**Reductions**

Reductions to Agency bonds and notes payable for the year ended June 30, 2023 included the following:

<u>Date</u>	<u>Single Family Program Bond Series Refunded</u>	<u>Refunded Amount</u>	<u>Scheduled Debt Service</u>	<u>Advance Debt Service</u>	<u>Original Issue Premium Reduction</u>
2/17/23	2018-126 B	\$ 31,250	\$ -	\$ -	\$ -
6/29/23	2018-127 C	24,440	-	-	-
Various	-	-	113,068	193,886	11,047
	<b>Total Reductions:</b>	<u>\$ 55,690</u>	<u>\$ 113,068</u>	<u>\$ 193,886</u>	<u>\$ 11,047</u>

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)

June 30, 2024 and 2023 (amounts rounded)

**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.

	<u>2024</u>	<u>2023</u>
<b>General Activities:</b>		
Disadvantaged Developers Program	\$ 10,000	\$ 10,000
Asset building program	2,000	2,000
Home4Good	1,000	1,000
Homebuyer Counseling for education of first-time homebuyers	2,000	2,000
ReCLAIM (statewide)	1,500	1,500
Total	<u>\$ 16,500</u>	<u>\$ 16,500</u>
<b>Multifamily Housing Program:</b>		
Multifamily Insurance for Agency insured or coinsured developments	\$ 10,000	\$ 10,000
Preservation from physical deterioration, financial or social distress	1,500	1,500
Total	<u>\$ 11,500</u>	<u>\$ 11,500</u>
<b>Single Family Mortgage Loan Program:</b>		
Closing Cost Assistance	\$ 2,000	\$ 2,000
Neighborhood Homeownership Initiative	10,000	10,000
Total	<u>\$ 12,000</u>	<u>\$ 12,000</u>
<b>Insurance Program:</b>		
Risk Retention to provide single family mortgage insurance	<u>\$ 102,482</u>	<u>\$ 89,824</u>

**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](http://www.phfa.org).

# PENNSYLVANIA HOUSING FINANCE AGENCY

## Balance Sheets

June 30, 2024 and 2023 (in thousands)

<b>ASSETS</b>	<b>2024</b>	<b>2023</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 937,121	\$ 805,709
Restricted cash and cash equivalents	361,928	423,020
Investments	44,755	-
Restricted investments	1,000	1,001
Accrued investment interest receivable	3,972	3,722
Mortgage loans receivable, net	145,909	132,578
Accrued mortgage loan interest receivable	23,630	16,403
Mortgages held for sale	49,214	56,243
Other current assets	4,015	4,722
<b>Total Current Assets</b>	<b>1,571,544</b>	<b>1,443,398</b>
<b>Noncurrent Assets:</b>		
Investments	308,009	447,904
Restricted investments	59,355	79,623
Mortgage loans receivable, net	5,400,999	4,500,673
Derivative instrument - interest rate swaps	2,442	7,488
Real estate owned	10,607	11,016
Capital assets, net	55,285	57,026
Other noncurrent assets	47,848	35,886
<b>Total Noncurrent Assets</b>	<b>5,884,545</b>	<b>5,139,616</b>
<b>TOTAL ASSETS</b>	<b>7,456,089</b>	<b>6,583,014</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
OPEB-related deferred outflows	17,361	22,415
Pension-related deferred outflows	14,457	21,546
Accumulated decrease in fair value of hedging derivatives	8,732	3,570
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>40,550</b>	<b>47,531</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 7,496,639</b>	<b>\$ 6,630,545</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 3,320	\$ 3,785
Bonds and notes payable, net	156,803	144,242
Accrued interest payable	48,161	34,276
Escrow deposits and development reserves	92,455	79,331
Software-based IT arrangements	2,625	3,022
Other current liabilities	234,704	239,544
<b>Total Current Liabilities</b>	<b>538,068</b>	<b>504,200</b>
<b>Noncurrent Liabilities:</b>		
Bonds and notes payable, net	5,445,392	4,499,760
Derivative instrument - interest rate swaps	8,732	3,570
Development reserves	114,947	104,621
Total OPEB liability	84,962	92,761
Net pension liability	33,040	39,723
Software-based IT arrangements	2,492	2,234
Other noncurrent liabilities	387,186	545,100
<b>Total Noncurrent Liabilities</b>	<b>6,076,751</b>	<b>5,287,769</b>
<b>TOTAL LIABILITIES</b>	<b>6,614,819</b>	<b>5,791,969</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
OPEB-related deferred inflows	49,891	49,414
Pension-related deferred inflows	889	1,220
Unamortized gains on bond refundings	1,969	1,435
Accumulated increase in fair value of hedging derivatives	2,442	7,488
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>55,191</b>	<b>59,557</b>
<b>NET POSITION</b>		
Net investment in capital assets	23,168	22,901
Restricted	201,980	174,602
Unrestricted	601,481	581,516
<b>TOTAL NET POSITION</b>	<b>826,629</b>	<b>779,019</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 7,496,639</b>	<b>\$ 6,630,545</b>

See accompanying notes to financial statements.

**PENNSYLVANIA HOUSING FINANCE AGENCY**Statements of Revenues, Expenses and Changes in Net Position  
Years Ended June 30, 2024 and 2023 (in thousands)

	<u>2024</u>	<u>2023</u>
<b>Operating Revenues:</b>		
Interest income on mortgage loans	\$ 199,881	\$ 146,216
Program income and fees	143,590	128,278
Investment income	54,568	32,980
Net increase in fair value of swaps	-	1,449
Gain on early extinguishment of debt	4,405	5,366
	<u>402,444</u>	<u>314,289</u>
<b>Total Operating Revenues</b>	<u>402,444</u>	<u>314,289</u>
<b>Operating Expenses:</b>		
Interest expense on bonds and notes	169,883	116,666
Financing expenses	8,963	7,292
Program expenses	102,824	82,623
Salaries and related benefits	41,223	46,009
General and administrative	26,032	24,659
Net decrease in fair value of investments	637	17,727
Recoveries for loan loss and real estate owned	5,272	(3,888)
	<u>354,834</u>	<u>291,088</u>
<b>Total Operating Expenses</b>	<u>354,834</u>	<u>291,088</u>
<b>Operating Income (Loss)</b>	47,610	23,201
<b>Non-operating Revenue</b>		
Federal program awards	668,177	625,001
<b>Non-operating Expense</b>		
Federal program expense	668,177	625,001
	<u>668,177</u>	<u>625,001</u>
<b>Change in Net Position</b>	47,610	23,201
<b>Net Position - beginning of year</b>	<u>779,019</u>	<u>755,818</u>
<b>Net Position - end of year</b>	<u>\$ 826,629</u>	<u>\$ 779,019</u>

See accompanying notes to financial statements.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

## Statements of Cash Flows

Years Ended June 30, 2024 and 2023 (in thousands)

	<u>2024</u>	<u>2023</u>
<b>Cash Flows From Operating Activities</b>		
Receipts of mortgage loan payments	\$ 289,690	\$ 405,926
Receipts of fees and other income	143,590	128,278
Receipts of interest on mortgages	192,648	146,902
(Payments) receipts of escrow and reserves	(140,309)	130,463
Payments for mortgages and purchases	(1,202,237)	(1,019,322)
Payments for salaries and related benefits	(42,697)	(40,925)
Payments for goods, services and other	<u>(147,226)</u>	<u>(118,175)</u>
<b>Net Cash Used In Operating Activities</b>	<u>(906,541)</u>	<u>(366,853)</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Proceeds from the issuance of bonds and notes	1,210,740	1,270,674
Payments for retirement of bonds and notes	(239,507)	(304,954)
Payments for refundings of bonds	-	(55,690)
Payments of bonds and notes interest	(150,692)	(102,118)
Payments of financing costs	(8,963)	(7,292)
Receipts of federal program awards	668,177	625,001
Payments of federal program awards	<u>(668,177)</u>	<u>(625,001)</u>
<b>Net Cash Provided By Noncapital Financing Activities</b>	<u>811,578</u>	<u>800,620</u>
<b>Cash Flows From Capital Financing Activities</b>		
Purchases of capital assets	(3,331)	(323)
Payments for retirement of capital financing bond	(2,000)	(2,000)
Interest paid on capital debt	<u>(902)</u>	<u>(964)</u>
<b>Net Cash Used In Capital Financing Activities</b>	<u>(6,233)</u>	<u>(3,287)</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from the sale or maturity of investments	201,015	24,070
Investment interest receipts	54,325	30,322
Purchases of investments	<u>(83,824)</u>	<u>(255,533)</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>171,516</u>	<u>(201,141)</u>
<b>Net Increase In Cash and Cash Equivalents</b>	70,320	229,339
Cash and cash equivalents, beginning of year	<u>1,228,729</u>	<u>999,390</u>
Cash and cash equivalents, end of year	<u>\$ 1,299,049</u>	<u>\$ 1,228,729</u>

See accompanying notes to financial statements.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Statements of Cash Flows (continued)

Years Ended June 30, 2024 and 2023 (in thousands)

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	<u>2024</u>	<u>2023</u>
<b>Reconciliation of Operating Income to Net Cash Used In Operating Activities:</b>		
Operating Income	\$ 47,610	\$ 23,201
Investment income recognized	(54,568)	(32,895)
Net change in fair value of investments	637	17,727
Net change in fair value of swaps	-	(1,449)
Interest expense on bonds and notes	169,883	116,666
Financing expenses	8,963	7,292
Provision (recoveries) for loan loss and real estate owned	5,272	(3,888)
Depreciation	5,072	5,029
Gain on early extinguishment of debt	(4,405)	(5,366)
Changes in Assets and Liabilities:		
Mortgage loans receivable, net	(929,573)	(616,023)
Mortgage loans interest receivable	(7,233)	686
Real estate owned, net	409	(4,503)
Other assets	2,030	(16,965)
Accounts payable and accrued expenses	(465)	1,704
Escrow deposits and development reserves	23,450	11,474
Other liabilities	(173,623)	130,542
<b>Net Cash Used In Operating Activities</b>	<u>\$ (906,541)</u>	<u>\$ (366,768)</u>

See accompanying notes to financial statements.

**PENNSYLVANIA HOUSING FINANCE AGENCY**Statements of Fiduciary Net Position  
June 30, 2024 and 2023 (in thousands)

	<u>2023</u>	<u>2022</u>
	<u>Pennsylvania Housing Finance Agency Employees' Retirement Plan *</u>	<u>Pennsylvania Housing Finance Agency Employees' Retirement Plan *</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 5,301	\$ 4,214
Accrued income and other receivables	150	-
<b>Total Current Assets</b>	<u>5,451</u>	<u>4,214</u>
<b>Noncurrent Assets:</b>		
Investments	106,321	93,856
<b>Total Noncurrent Assets</b>	<u>106,321</u>	<u>93,856</u>
<b>TOTAL ASSETS</b>	<u>111,772</u>	<u>98,070</u>
<b>NET POSITION</b>		
Restricted for: PHFA Employee's Retirement Plan	111,772	98,070
<b>TOTAL NET POSITION</b>	<u>\$ 111,772</u>	<u>\$ 98,070</u>

\* December 31, 2023 and 2022 year-end, see note 13

**PENNSYLVANIA HOUSING FINANCE AGENCY**  
 Statements of Changes in Fiduciary Net Position  
 Years Ended June 30, 2024 and 2023 (in thousands)

	<u>2023</u>	<u>2022</u>
	<u>Pennsylvania Housing Finance Agency Employees' Retirement Plan *</u>	<u>Pennsylvania Housing Finance Agency Employees' Retirement Plan *</u>
<b>ADDITIONS</b>		
<b>Contributions:</b>		
Employers	\$ 4,310	\$ 5,065
Employees	388	335
<b>Total Contributions</b>	<u>4,698</u>	<u>5,400</u>
<b>Investment earnings:</b>		
Net increase (decrease) in fair value of investments	13,602	(21,018)
Interest, dividends, and other	3,853	2,245
<b>Total Investment Earnings</b>	<u>17,455</u>	<u>(18,773)</u>
<b>Total additions:</b>	<u>22,153</u>	<u>(13,373)</u>
<b>DEDUCTIONS</b>		
Benefit payments, including refunds of member contributions	8,451	7,900
<b>Total Deductions</b>	<u>8,451</u>	<u>7,900</u>
Net increase (decrease) in fiduciary net position	13,702	(21,273)
Net position - beginning	98,070	119,343
Net position - ending	<u>\$ 111,772</u>	<u>\$ 98,070</u>

\* December 31, 2023 and 2022 year-end, see note 13  
 See accompanying notes to financial statements.

## PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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### 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.

## PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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### 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

The Pennsylvania Housing Finance Agency Employees’ Retirement Plan is 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 business-type activities.

#### 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.

## PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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**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

## PENNSYLVANIA HOUSING FINANCE AGENCY

### Notes to Financial Statements

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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

## **PENNSYLVANIA HOUSING FINANCE AGENCY**

### Notes to Financial Statements

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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 OPEB-related deferred outflows, which result from the Agency's post-employment healthcare benefits plan ("OPEB Plan"); 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"); and the accumulated decrease in fair value of hedging derivatives. 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.

## **PENNSYLVANIA HOUSING FINANCE AGENCY**

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### **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 plus any unamortized premiums less any unamortized discounts. 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.

## PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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### **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, the difference between expected and actual experience, and changes in assumptions 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; 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.

## **PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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### **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.

### **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.

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.

### **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.

## PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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### **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.

### **Adopted Accounting Standards**

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 100, *Accounting Changes and Error Corrections*. This standard is intended to streamline the reporting of accounting changes and error corrections and the related disclosures in governmental financial reporting.

The Agency adopted the requirements of the guidance effective July 1, 2023 and has applied the provisions of this standard to the beginning of the period of adoption. The adoption of GASB 100 standard did not have any impact on the beginning net position in the financial statements.

### **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. 101, *Compensated Absences*, issued June 2022, effective for the Agency's fiscal year ending June 30, 2025.
- GASB Statement No. 102, *Certain Risk Disclosures*, issued December 2023, effective for the Agency's fiscal year ending June 30, 2025.
- GASB Statement No. 103, *Financial Reporting Model Improvements*, issued April 2024, effective for the Agency's fiscal year ending Jun 30, 2025.

## PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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### 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, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Cash	\$ 1,278,009	\$ 574,563
Money market accounts	21,040	654,166
Total carrying amount of cash and cash equivalents	<u>\$ 1,299,049</u>	<u>\$ 1,228,729</u>
Bank balance of cash and cash equivalents	<u>\$ 1,301,197</u>	<u>\$ 1,228,946</u>

#### *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, 2024 and 2023, the book value of the Agency's cash deposits equaled \$1,278,009 and \$574,563 respectively, with corresponding bank balances equal to \$1,280,157 and \$574,687, respectively, of which \$1,278,656 and \$572,936, 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, 2024 and 2023, the fair value of the Agency's money market accounts, reported as cash equivalents, equaled \$21,040 and \$654,166, respectively, with corresponding bank balances equal to \$21,040 and \$654,259, 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.

## PENNSYLVANIA HOUSING FINANCE AGENCY

### Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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#### ***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, 2024 and 2023 were as follows:

<b>Investment</b>	<b>2024 Level 2</b>	<b>2023 Level 2</b>
Federal Agricultural corporate bonds	\$ 54,471	\$ 46,308
Federal Farm Credit Bank bonds	75,184	134,564
Federal Home Loan Bank bonds	115,759	175,417
Federal Home Loan Mortgage Corp corporate bonds	28,252	25,084
FNMA corporate bonds	21,556	21,123
FNMA mortgage-backed securities	-	21
FNMA multifamily pools	14,507	19,466
GNMA IO strips	2,800	2,693
GNMA mortgage-backed securities	29,897	33,104
Refco strips	-	10
Tennessee Valley Authority bonds	70,693	70,738
	\$ 413,119	\$ 528,528

In addition to the amounts listed above, the Agency held money market accounts with a fair value of \$726,047 and \$654,166 at June 30, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, \$32,697 and \$35,807, respectively, of U.S. Government Agency mortgage-backed securities and IO strips, which are explicitly guaranteed by the U.S. Government, were not considered to have credit risk and, therefore, are not included in the summary.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

<u>Investment</u>	<b>Fair Value at June 30</b>		<b>Credit Rating</b>
	<b>2024</b>	<b>2023</b>	
Federal Agricultural corporate bonds	\$ 54,471	\$ 46,308	N/A
Federal Farm Credit Bank bonds	75,184	134,564	Aaa
Federal Home Loan Bank bonds	115,759	175,417	Aaa
Federal Home Loan Mortgage Corp corporate bonds	28,252	25,084	Aaa
FNMA corporate bonds	21,556	21,123	Aaa
FNMA mortgage-backed securities	-	21	Aaa
FNMA multifamily pools	14,507	19,466	Aaa
Tennessee Valley Authority bonds	70,693	70,738	Aaa
Total	<u>\$ 380,422</u>	<u>\$ 492,721</u>	

Money market accounts with fair values of \$726,047 and \$654,166 at June 30, 2024 and 2023 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:

<b>Moody's / S&amp;P's Rating</b>	<b>Fair Value</b>	
	<b>2024</b>	<b>2023</b>
AAA	\$ 21,040	\$ 270
A-1/P-1	-	653,896
Total	<u>\$ 21,040</u>	<u>\$ 654,166</u>

***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, 2024 and 2023, the Agency had the following concentrations of credit risk:

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

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Investment Issuer	2024		2023	
	Fair Value	% of Total Investments	Fair Value	% of Total Investments
GNMA	\$ 32,697	7.92%	\$ 35,797	6.77%
Federal Farm Credit Bank	75,184	18.20%	134,564	25.46%
Federal Home Loan Mortgage Corp	28,252	6.84%	25,084	4.75%
Federal Home Loan Bank	115,759	28.02%	175,417	33.19%
FNMA	36,063	8.73%	40,610	7.68%
Federal Agricultural	54,471	13.18%	46,308	8.76%
Tennessee Valley Authority	70,693	17.11%	70,738	13.39%
	<u>\$413,119</u>	<u>100.00%</u>	<u>\$528,518</u>	<u>100.00%</u>

**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 and other fixed income investments are sensitive to interest rate changes. For the years ended June 30, 2024 and 2023, the Agency had investments with the following maturities:

Investment Type	2024				
	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Agency Mortgage-backed Securities	\$ 47,203	\$ -	\$ -	\$ 7,973	\$ 39,230
U.S. Government Agency Securities	365,916	44,755	102,473	51,245	167,443
	<u>\$ 413,119</u>	<u>\$ 44,755</u>	<u>\$ 102,473</u>	<u>\$ 59,218</u>	<u>\$ 206,673</u>

Investment Type	2023				
	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Agency Mortgage-backed Securities	\$ 55,284	\$ -	\$ 4,721	\$ 7,811	\$ 42,752
U.S. Government Agency Securities	473,244	175,163	81,594	57,191	159,296
	<u>\$ 528,528</u>	<u>\$ 175,163</u>	<u>\$ 86,315</u>	<u>\$ 65,002</u>	<u>\$ 202,048</u>

**PENNSYLVANIA HOUSING FINANCE AGENCY**

## Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

**4. Mortgage Loans**

Amounts reported as mortgage loans receivable at June 30, 2024 and 2023 consisted of the following:

	<b>2024</b>				
	<b>General Activities</b>	<b>Multifamily Program</b>	<b>Single Family Program</b>	<b>HEMAP</b>	<b>Total</b>
Mortgage loans	\$ 9,571	\$ 440,007	\$ 5,190,771	\$ 45,527	\$ 5,685,876
Add:					
Loan premiums	-	-	-	-	-
Less:					
Loan discounts	-	-	-	-	-
Allowance for loan losses	5,743	94,918	14,707	23,600	138,968
Mortgage loans receivable	3,828	345,089	5,176,064	21,927	5,546,908
Current portion	-	2,752	139,178	3,979	145,909
Noncurrent portion	<u>\$ 3,828</u>	<u>\$ 342,337</u>	<u>\$ 5,036,886</u>	<u>\$ 17,948</u>	<u>\$ 5,400,999</u>
	<b>2023</b>				
	<b>General Activities</b>	<b>Multifamily Program</b>	<b>Single Family Program</b>	<b>HEMAP</b>	<b>Total</b>
Mortgage loans	\$ 9,262	\$ 426,989	\$ 4,287,502	\$ 48,899	\$ 4,772,652
Add:					
Loan premiums	-	-	-	-	-
Less:					
Loan discounts	-	-	-	-	-
Allowance for loan losses	4,867	95,685	14,296	24,553	139,401
Mortgage loans receivable	4,395	331,304	4,273,206	24,346	4,633,251
Current portion	-	2,471	126,233	3,874	132,578
Noncurrent portion	<u>\$ 4,395</u>	<u>\$ 328,833</u>	<u>\$ 4,146,973</u>	<u>\$ 20,472</u>	<u>\$ 4,500,673</u>

## PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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### **Securitizations, Gains on the Sale of Mortgage-Backed Securities and Mortgages Held for Sale**

During the years ended June 30, 2024 and 2023, the Agency securitized mortgage loans with a principal balance of \$5,487 and \$9,260, respectively, into MBSs through GNMA or directly to FNMA through their cash window. 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, 2024 and 2023 equaled \$48 and \$85, respectively, reported in Investment income on the Statement of Revenues, Expenses, and Changes in Net Position. 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 \$49,214 and \$56,243 at June 30, 2024 and 2023, 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, 2024 and 2023, the Agency's Single Family Program mortgage loan servicing portfolio equaled \$6.5 billion and \$5.6 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"),

**PENNSYLVANIA HOUSING FINANCE AGENCY**

## Notes to Financial Statements

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FNMA and varying other sources. At June 30, 2024 and 2023, insurance coverage associated with Single Family Program mortgage loan servicing portfolio included the following:

	<b>2024</b>		<b>2023</b>	
Commercial Insurance	\$ 159,606	2.45%	\$ 180,498	3.24%
PHFA Insurance Program	1,978,533	30.40%	1,400,808	25.12%
FHA	2,717,207	41.75%	2,487,253	44.61%
VA	182,545	2.81%	150,649	2.70%
RD	513,770	7.89%	510,377	9.15%
FNMA	225,000	3.46%	245,602	4.40%
Uninsured	730,898	11.23%	600,354	10.77%
Total Single Family Program Servicing Portfolio:	\$ 6,507,559	100.00%	\$ 5,575,541	100.00%

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, 2024 and 2023, no mortgage loans reported within General Activities were either delinquent or in pending foreclosure actions.

At June 30, 2024 and 2023, 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 \$0 and \$0, respectively, and no Multifamily Program mortgage loans were in pending foreclosure actions.

At June 30, 2024 and 2023, 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 \$151,763 and \$158,045, respectively. Included within these June 30, 2024 and 2023 balances of loans delinquent 91 days or greater were loans with pending foreclosure actions with aggregate principal balances of \$34,481 and \$44,135, respectively.

At June 30, 2024 and 2023, the principal balance of HEMAP mortgage loans delinquent 91 days or greater equaled \$17,080 and \$17,085, respectively.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

**Allowance for Loan Loss**

The allowances for loan losses at June 30, 2024 and 2023 consisted of the following:

	<b>2024</b>				
	<b>General</b>	<b>Multifamily</b>	<b>Single</b>		
	<b>Activities</b>	<b>Program</b>	<b>Family</b>	<b>HEMAP</b>	<b>Total</b>
			<b>Program</b>		
Beginning balance	\$ 4,867	\$ 95,685	\$ 14,296	\$ 24,553	\$ 139,401
Loss provision (recoveries)	876	(767)	4,120	(55)	4,174
Net losses	-	-	(3,709)	(898)	(4,607)
Ending balance	<u>\$ 5,743</u>	<u>\$ 94,918</u>	<u>\$ 14,707</u>	<u>\$ 23,600</u>	<u>\$ 138,968</u>
	<b>2023</b>				
	<b>General</b>	<b>Multifamily</b>	<b>Single</b>		
	<b>Activities</b>	<b>Program</b>	<b>Family</b>	<b>HEMAP</b>	<b>Total</b>
			<b>Program</b>		
Beginning balance	\$ 4,867	\$ 97,117	\$ 15,060	\$ 31,481	\$ 148,525
Loss provision (recoveries)	-	(874)	407	(2,947)	(3,414)
Net losses	-	(558)	(1,171)	(3,981)	(5,710)
Ending balance	<u>\$ 4,867</u>	<u>\$ 95,685</u>	<u>\$ 14,296</u>	<u>\$ 24,553</u>	<u>\$ 139,401</u>

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, 2024 and 2023 consisted of the following:

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

	2024					
	General	Multifamily	Single Family	Insurance	HEMAP	Total
	Activities	Program	Program	Program		
Loss (recoveries) provision	\$ 876	\$ (767)	\$ 4,120	\$ -	\$ (55)	\$ 4,174
Self-insured losses	-	-	-	385	-	385
Change in value of REOs	-	-	(1,239)	-	-	(1,239)
Accrued interest losses	-	180	-	-	-	180
Change in repurchase reserve	-	-	1,772	-	-	1,772
Recoveries for loan loss and real estate owned	\$ 876	\$ (587)	\$ 4,653	\$ 385	\$ (55)	\$ 5,272

  

	2023					
	General	Multifamily	Single Family	Insurance	HEMAP	Total
	Activities	Program	Program	Program		
Loss (recoveries) provision	\$ -	\$ (874)	\$ 407	\$ -	\$ (2,947)	\$ (3,414)
Self-insured losses	-	-	-	1,491	-	1,491
Change in value of REOs	-	-	1,125	-	-	1,125
Accrued interest losses	-	(3,725)	-	-	-	(3,725)
Change in repurchase reserve	-	-	635	-	-	635
Recoveries for loan loss and real estate owned	\$ -	\$ (4,599)	\$ 2,167	\$ 1,491	\$ (2,947)	\$ (3,888)

**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 \$4,319 and \$8,296 for the years ended June 30, 2024 and 2023, respectively, and the Agency’s repurchase reserve for securitized loans equaled \$2,356 and \$2,886 at June 30, 2024 and 2023, respectively.

**5. Real Estate Owned by the Agency**

Real estate owned by the Agency included 116 properties with a net realizable value of \$10,607 at June 30, 2024 and 131 properties with a net realizable value of \$11,016 at June 30, 2023.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

## Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

**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, 2024 and 2023, the Agency capitalized mortgage servicing rights/service release premiums totaling \$13,699 and \$10,026, respectively. Amortization and disposition of mortgage servicing rights/servicing release premiums totaled \$4,641 and \$4,141 for the years ended June 30, 2024 and 2023, respectively.

Unamortized mortgage servicing rights, relating to loans sold by the Agency for which the Agency retained the servicing rights, totaling \$8,280 and \$9,344 were outstanding at June 30, 2024 and 2023, respectively. Mortgage servicing rights are included within mortgage loans receivable, net on the balance sheets.

Service release premiums, relating to loans purchased by the Agency, totaling \$45,488 and \$35,366 were outstanding at June 30, 2024 and 2023, respectively. Service release premiums are included within other noncurrent assets on the balance sheets.

**7. Capital Assets**

Capital assets activity for the years ended June 30, 2024 and 2023 and a summary of balances were as follows:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2024</u>
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 2,454	\$ -	\$ -	\$ 2,454
Total nondepreciable capital assets	<u>2,454</u>	<u>-</u>	<u>-</u>	<u>2,454</u>
<b>Depreciable Capital Assets:</b>				
Building	60,659	25	-	60,684
Furniture, fixtures and equipment	12,715	250	(480)	12,485
Subscription-based information technology arrangements	7,127	3,056	-	10,183
Less accumulated depreciation:				
Building	(13,732)	(1,378)	-	(15,110)
Furniture, fixtures and equipment	(10,195)	(1,230)	480	(10,945)
Subscription-based information technology arrangements	(2,002)	(2,464)	-	(4,466)
Total depreciable capital assets, net	<u>54,572</u>	<u>(1,741)</u>	<u>-</u>	<u>52,831</u>
<b>Total Capital Assets, net</b>	<u>\$ 57,026</u>	<u>\$ (1,741)</u>	<u>\$ -</u>	<u>\$ 55,285</u>

**PENNSYLVANIA HOUSING FINANCE AGENCY**

## Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2023</u>
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 2,454	\$ -	\$ -	\$ 2,454
Total nondepreciable capital assets	<u>2,454</u>	<u>-</u>	<u>-</u>	<u>2,454</u>
<b>Depreciable Capital Assets:</b>				
Building	60,631	28	-	60,659
Furniture, fixtures and equipment	12,506	295	(86)	12,715
Subscription-based information technology arrangements	-	7,127	-	7,127
Less accumulated depreciation:				
Building	(12,354)	(1,378)	-	(13,732)
Furniture, fixtures and equipment	(8,632)	(1,649)	86	(10,195)
Subscription-based information technology arrangements	-	(2,002)	-	(2,002)
Total depreciable capital assets, net	<u>52,151</u>	<u>2,421</u>	<u>-</u>	<u>54,572</u>
<b>Total Capital Assets, net</b>	<u>\$ 54,605</u>	<u>\$ 2,421</u>	<u>\$ -</u>	<u>\$ 57,026</u>

Depreciation and amortization expense for the years ended June 30, 2024 and 2023 totaled \$5,071 and \$5,029, 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. At June 30, 2024, variable interest rates payable ranged from 3.85% to 4.88%. At June 30, 2023, variable interest rates payable ranged from 3.95% to 4.65%.

The aggregate principal amounts of bonds and notes payable outstanding at June 30, 2024 and 2023 maturity dates and corresponding interest rates at June 30, 2024 are illustrated in the following table.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

Bond Series	Interest Rates at June 30, 2024		Maturity Date	Amounts Outstanding at June 30,	
	Variable	Fixed		2024	2023
General Activities:					
Headquarters Bonds *	488 bps	-	2037	\$ 27,000	\$ 29,000
Multifamily Program:					
Series 2022A - Sheptytsky GON	-	-	-	-	5,250
Single Family Program:					
Bonds Payable					
Series 2007 - 98 *	-	-	-	-	1,775
Series 2007 - 100 *	-	-	-	-	1,160
Series 2013 - 115	-	-	-	-	2,760
Series 2013 - 116	-	3.20-3.45%	2026	4,600	7,185
Series 2015 - 117	-	3.25-3.90%	2040	24,620	29,830
Series 2015 - 118	-	3.10-3.80%	2040	36,600	43,120
Series 2016 - 119	-	2.40-3.50%	2041	78,090	85,630
Series 2016 - 120	-	2.00-3.50%	2046	131,995	140,050
Series 2016 - 121	-	2.00-3.50%	2046	163,930	174,410
Series 2017 - 122	-	2.65-4.00%	2046	69,805	81,205
Series 2017 - 123	-	2.65-4.00%	2039	56,185	64,410
Series 2017 - 124	-	2.10-4.00%	2042	128,790	137,780
Series 2017 - 125	-	2.375-3.70%	2047	140,405	147,905
Series 2018 - 126	-	2.70-4.00%	2048	27,195	30,265
Series 2018 - 127	-	2.65-3.55%	2033	79,550	83,870
Series 2019 - 128	-	2.85-4.75%	2034	51,640	61,355
Series 2019 - 129	-	2.10-3.40%	2049	122,000	122,000
Series 2019 - 130	-	1.45-4.00%	2049	126,465	139,040
Series 2019 - 131	-	1.65-3.50%	2049	107,050	114,950
Series 2020 -132* **	395 bps	0.95-3.50%	2051	180,270	199,280
Series 2020-133	-	1.75-5.00%	2050	184,530	193,600
Series 2021-134	-	0.80-5.00%	2049	131,740	141,020
Series 2021-135	-	1.57-5.00%	2051	157,770	166,220
Series 2021-136	-	1.80-5.00%	2051	266,275	280,905
Series 2021-137	-	1.90-5.00%	2051	234,585	244,835
Series 2022-138**	-	2.50-5.00%	2052	243,570	252,325

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

Bond Series	Interest Rates at June 30, 2024		Maturity Date	Amounts Outstanding at June 30,	
	Variable	Fixed		2024	2023
Series 2022 - 139* *	-	3.35-5.00%	2052	282,990	292,890
Series 2022 - 140* *	-	3.59-5.156%	2052	294,200	301,775
Series 2023 - 141* **	385 bps	3.10-5.75%	2053	473,125	482,500
Series 2023 - 142* *	-	3.40-5.50%	2053	454,890	458,705
Series 2023 - 143* *	-	4.70-6.458%	2053	474,725	-
Series 2024 - 144	-	3.75-6.00%	2054	264,680	-
Series 2024 - 145	-	3.90-6.00%	2054	449,965	-
Total Single Family Program Bonds Payable				<u>5,442,235</u>	<u>4,482,755</u>
Notes Payable from Direct Borrowings					
General Obligation Note	-	-	-	-	2,989
General Obligation Note	-	2.75%	2034	21,250	22,083
2009 Purchase Agreement	-	2.50%	2024	2,500	2,500
Total Single Family Program Notes Payable from Direct Borrowings				<u>23,750</u>	<u>27,572</u>
Unamortized bond premiums				<u>109,210</u>	<u>99,425</u>
Total bonds and notes payable				<u>5,602,195</u>	<u>4,644,002</u>
Current portion				<u>156,803</u>	<u>144,242</u>
Noncurrent portion				<u>\$ 5,445,392</u>	<u>\$ 4,499,760</u>

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.

\*\* - The bond series includes direct placement bonds under the SF Indenture which are secured on parity with all other outstanding bonds under the same SF Indenture and there are no terms of the SF Indenture that are unique to those direct placement bonds.

## PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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### Collateralized Borrowing

The Agency has an agreement with FHLB for collateralized borrowings in an amount equal to the market value of pledged securities less an applicable collateral discount for the security type (the “FHLB Agreement”). Such pledged securities are held in a collateral trustee account at US Bank. Borrowed amounts under the FHLB Agreement bear an interest rate that is applicable to the tenor and structure of the borrowing. Borrowing tenors available under the FHLB Agreement range from overnight to a 30 year term along with varying amortization structures such as fully amortizing or principal due at maturity. Amounts drawn under the FHLB Agreement bear interest at similar or identical rates charged by the FHLB to its member banks. The total borrowing capacity at June 30, 2024 and 2023 was \$63,023 and \$59,800. As of June 30, 2024 and 2023, the Agency had \$0 and \$2,989, respectively, of short-term debt outstanding with the FHLB.

### Assets Pledged for Collateral

The Agency has bonds outstanding under its 1982 single family bond indenture (the “SF Indenture”). The bonds issued and outstanding under the SF Indenture are general obligation bonds backed by the full faith and credit of the Agency and payable from and secured by a pledge of revenues (defined to include principal and interest due on all mortgage loans financed by such bonds, exclusive of fees payable for servicing the mortgage loans), as well as a pledge of the mortgage loans and a pledge of all amounts and investments on deposit in funds and accounts established by the SF Indenture. Such pledges are subject to the rights of the Trustee (U.S. Bank Trust Company, NA) and the Agency with respect to rights or the exercise of remedies upon events of default, defeasance, administration of the mortgage loans, the use of moneys for the making of new mortgage loans, the making of investments and the redemption of bonds, requirements of tax code, and the release of certain moneys to the Agency for its general use, all as set forth in the SF Indenture.

### 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, 2024 were as follows:

<b>Bond Issue</b>	<b>Liquidity Provider at June 30, 2024</b>	<b>Effective Date</b>	<b>Expiration Date</b>	<b>Bond Balance Outstanding at June 30, 2024</b>
2020-132B	TD Bank	6/22/2020	6/20/2025	30,000
2023-141B	RBC Bank	2/17/2023	2/16/2028	80,000
			Total	<u>\$ 110,000</u>

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

There were no failed remarketings or resultant liquidity draws during the years ended June 30, 2024 and 2023. 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, 2024, if the term-out agreements were exercised and assuming a term-out commencement date of July 1, 2024, respectively, were as follows:

<u>Liquidity Provider</u>	<u>Term-Out Provisions</u>	<u>Payment Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
TD Bank	SOFR + 2%	10/1/2024	7.33%	\$ 3,000	\$ 1,100	\$ 4,100
		4/1/2025	7.33%	3,000	990	3,990
		10/1/2025	7.33%	3,000	880	3,880
		4/1/2026	7.33%	3,000	770	3,770
		10/1/2026	7.33%	3,000	660	3,660
		4/1/2027	7.33%	3,000	550	3,550
		10/1/2027	7.33%	3,000	440	3,440
		4/1/2028	7.33%	3,000	330	3,330
		10/1/2028	7.33%	3,000	220	3,220
		4/1/2029	7.33%	3,000	110	3,110
				<u>\$ 30,000</u>	<u>\$ 6,050</u>	<u>\$ 36,050</u>
RBC Bank	10% 5yr term out	10/1/2024	10.00%	\$ 8,000	\$ 4,000	\$ 12,000
		4/1/2025	10.00%	8,000	3,600	11,600
		10/1/2025	10.00%	8,000	3,200	11,200
		4/1/2026	10.00%	8,000	2,800	10,800
		10/1/2026	10.00%	8,000	2,400	10,400
		4/1/2027	10.00%	8,000	2,000	10,000
		10/1/2027	10.00%	8,000	1,600	9,600
		4/1/2028	10.00%	8,000	1,200	9,200
		10/1/2028	10.00%	8,000	800	8,800
		4/1/2029	10.00%	8,000	400	8,400
				<u>\$ 80,000</u>	<u>\$ 22,000</u>	<u>\$ 102,000</u>

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2024 and 2023 (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, 2024 were as follows:

June 30, 2024										
Fiscal Year	General Activities		Single Family Program - Bonds - Direct Placements		Single Family Program - Bonds		Single Family Program - Notes Payable from Direct Borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 2,000	\$ 1,290	\$ 33,755	\$ 19,645	\$ 117,715	\$ 185,256	\$ 3,334	\$ 640	\$ 156,804	\$ 206,831
2026	2,000	1,191	35,360	18,324	126,305	186,258	833	558	164,498	206,331
2027	2,000	1,091	37,215	16,916	133,610	181,740	833	534	173,658	200,281
2028	2,000	995	38,845	15,431	130,945	177,085	833	513	172,623	194,024
2029	2,000	893	38,840	13,879	131,800	172,430	833	488	173,473	187,690
2030-2034	10,000	2,978	188,660	45,605	709,860	792,765	4,167	2,092	912,687	843,440
2035-2039	7,000	609	41,915	20,218	806,575	667,050	12,917	91	868,407	687,968
2040-2044	-	-	29,760	16,885	881,360	507,527	-	-	911,120	524,412
2045-2049	-	-	58,635	7,438	888,995	340,720	-	-	947,630	348,158
2050-2054	-	-	11,605	544	957,815	120,182	-	-	969,420	120,726
2055-2059	-	-	-	-	42,665	1,280	-	-	42,665	1,280
	<u>\$ 27,000</u>	<u>\$ 9,047</u>	<u>\$ 514,590</u>	<u>\$ 174,885</u>	<u>\$ 4,927,645</u>	<u>\$ 3,332,293</u>	<u>\$ 23,750</u>	<u>\$ 4,916</u>	<u>\$ 5,492,985</u>	<u>\$ 3,521,141</u>

**Early Extinguishment of Debt**

During the years ended June 30, 2024 and 2023, the Agency redeemed principal amounts of certain bonds and notes totaling \$116,070 and \$249,576, 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, 2024 and 2023 totaling \$4,405 and \$5,366, 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, 2024**

During the year ended June 30, 2024, the Agency did not have any bond refundings.

**Year Ended June 30, 2023**

On February 17, 2023 the Agency issued Series 2023-141B single family mortgage revenue bonds in the amount of \$31,250. The proceeds of this issuance were used to refund \$31,250 of Series 2018-126B bonds. This refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to \$705 and an increase in future debt service payments equal to \$15,260.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

## Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

On June 29, 2023 the Agency issued Series 2023-142A single family mortgage revenue bonds in the amount of \$24,440. The proceeds of this issuance were used to refund \$24,440 of Series 2018-127C bonds. This refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to \$91 and a reduction of future debt service payments equal to \$2,963.

**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, 2024 are displayed in the following schedule. The following incorporates variable rate values at June 30, 2024, 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.

<b>June 30, 2024</b>				
<b>Fiscal Year</b>	<b>Hedged</b>	<b>Hedged</b>	<b>Net Swap</b>	
<b>Ending June 30</b>	<b>Variable Rate</b>	<b>Variable Rate</b>	<b>Payments</b>	<b>Total</b>
	<b>Bond Principal</b>	<b>Bond Interest</b>		
2025	\$ 2,000	\$ 2,316	\$ 1,137	\$ 5,453
2026	2,000	2,217	1,102	5,319
2027	2,000	2,117	1,067	5,184
2028	2,000	2,021	992	5,013
2029	2,000	1,919	996	4,915
2030-2034	10,000	8,109	4,469	22,578
2035-2039	7,000	5,739	3,631	16,370
2040-2044	6,430	4,942	3,273	14,645
2045-2049	66,495	2,711	1,715	70,921
2050-2054	37,075	716	193	37,984
2055-2059	-	-	-	-
	<u>\$ 137,000</u>	<u>\$ 32,807</u>	<u>\$ 18,575</u>	<u>\$ 188,382</u>

## PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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### Conduit Debt Obligations

During the year ended June 30, 2024, the Agency issued Bedford Dwellings Phase IB, Bethlehem Townhouses Series A and B, Cambridge Square Series 2023 A and B, Liberty House Preservation, Manchester Redevelopment, Mary Field Sr Apartments, and Mid City 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.

Conduit debt issued in prior years with balances outstanding at June 30, 2024 and 2023 include:

Awbury View Apartments, Series Belmont Specialty, Bennett Place, Berkshire Gardens, Breslyn House Apartments, Brinton Manor/Towers Apartments, Carl Mackley Apartments, Carson Towers Apartments, Chester County Preservation Initiative, City's Edge, Connelly Manor, Country Commons Apartments, Donora Towers, Four Freedoms House and Philip Murray House, Foxwood Manor Apartments, Glen Hazel RAD, Green National Riverview Manor, Green National Grandview Manor, Greenview Garden Apartments, Hanover Village Preservation, Harlan Senior Tower, Hershey Plaza Apartments, John Fox Towers, Karen Donnally/Iris Nydia Brown Townhomes, Keystone Terrace Associates, Lehigh Park Apartments, Linden Terrace, Maple Mount Vernon, Methodist Towers Series A and B, Monument Village Series A and B, Norris Homes Phase V, North Central CNI, Parkview Knoll Apartments, Pleasant Valley Apartments, Presbyterian Portfolio, Rafael Porrata-Doria Place, Redeemer Village, Sandy Hill, Sharswood Place, Sheptytsky Arms Apartments, Sharpsburg Towers, Sherman Hills, 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.

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, 2024 and 2023, conduit debt outstanding aggregated \$802,425 and \$702,025, 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, of which one million dollars 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

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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, 2024 and 2023.

### **Bonds Authorized But Not Yet Issued**

On May 9, 2024, the Agency Board authorized the issuance of Single Family Mortgage Revenue bonds Series 147 and 148 in an amount not to exceed \$550,000 for each series. Proceeds are expected to be used 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 or Inflows 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.

Changes in the fair value of the interest rate swaps 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.

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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, 2024 and 2023, the Agency was not required to post collateral for any of its swaps.

The Agency's swaps utilize SIFMA and SOFR Fallback Rate - 1M 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.

Balances of the fair values of the Agency's interest rate swaps at June 30, 2024 and 2023 were as follows:

2024				
<u>Interest Rate Swap Type</u>	<u>General Activities</u>	<u>Multifamily Program</u>	<u>Single Family Program</u>	<u>Total</u>
Hedging Derivatives	\$ 1,312	\$ -	\$ (7,602)	\$ (6,290)

  

2023				
<u>Interest Rate Swap Type</u>	<u>General Activities</u>	<u>Multifamily Program</u>	<u>Single Family Program</u>	<u>Total</u>
Hedging Derivatives	\$ 1,225	\$ -	\$ 2,693	\$ 3,918

Total interest rate swaps include \$2,442 and \$7,488 of derivative instrument – interest rate swap assets and \$(8,732) and \$(3,570) of derivative instrument – interest rate swap liabilities at June 30, 2024, and 2023, respectively.

#### Hedging Derivative Instruments

The change in fair value of the Agency's hedging derivative instruments for the years ended June 30, 2024 and 2023 equaled \$(10,208) and \$(1,238), respectively, and is accounted-for within the accumulated increase in fair value of hedging derivatives and accumulated decrease in fair value of hedging derivatives on the Balance Sheets. The terms and other information respective of the Agency's hedging derivative instruments outstanding at June 30, 2024 and 2023 are detailed in the following schedule:

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<u>Bond Series</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Current Notional Amount</u>	<u>2023 Fair Value</u>	<u>Change In Fair Value</u>	<u>2024 Fair Value</u>
2018-BLDG	3/2018	10/2037	3.150%	SOFR Fallback Rate - 1M	\$ 27,000	\$ 1,225	\$ 87	\$ 1,312
2020-132B	10/2020	10/2050	1.704	SIFMA Swap Index	30,000	6,263	(5,133)	1,130
2023-141B	2/2023	10/2050	3.845	SIFMA Swap Index	80,000	(3,570)	(5,161)	(8,731)
Total:					<u>\$ 137,000</u>	<u>\$ 3,918</u>	<u>\$(10,207)</u>	<u>\$ (6,289)</u>

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.

SOFR (Secured Overnight Financing Rate) Fallback Rate - 1M = the sum of the compounded SOFR calculated in arrears and the spread adjustment

### **Credit Risk**

At June 30, 2024 and 2023, the Agency was exposed to \$264 and \$226, 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 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. No swaps exposed the Agency to rollover risk at June 30, 2024.

### **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**

The Agency can exchange exercisable options, which are 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 Agency

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### Notes to Financial Statements

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did not exchange any exercisable options during the year ended June 30, 2024. At various times during the year ended June 30, 2023, the Agency exchanged exercisable options.

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, 2024 and 2023 equaled \$0 and \$163, respectively.

There was no activity related to amended hedging derivative instruments during the year ended June 30, 2024. Amended hedging derivative activity for the year ended June 30, 2023 was as follows:

<b>2023</b>	
	<b>Single Family Program</b>
Amended hedging derivative balance at July 1, 2022	\$ (2,873)
Gain on 2022/2023 swap terminations	2,710
Amortization	163
Amended hedging derivative balance at June 30, 2023	\$ -

### **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 Agency did not have any interest rate swaps classified as investment derivative instruments as of June 30, 2024.

### ***Interest rate risk***

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

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### 10. Subscription-Based Information Technology Arrangements

The Agency has entered into subscription-based information technology arrangements (SBITAs) for a cloud-based mortgage servicing system for the Agency's single family portfolio of loans, a cloud-based interactive document repository for the Agency's single family loan purchase documentation, a cloud-based application and payment processing system to administer the Pennsylvania Housing Assistance Fund (PAHAF), and Microsoft's cloud-powered productivity platform. The SBITA arrangements expire at various dates through 2027 and provide for renewal options.

SBITA assets and the related accumulated amortization as of June 30, 2024 and June 30, 2023 totaled \$10,183 and \$4,465 and \$7,127 and \$2,002, respectively.

The future subscription payments under SBITA agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,625	\$ 140	\$ 2,765
2026	1,402	62	1,464
2027	1,090	56	1,146
Total:	<u>\$ 5,117</u>	<u>\$ 258</u>	<u>\$ 5,375</u>

Some SBITA arrangements require variable payments based on the number of transactions, loans, or volume of payments disbursed and are not included in the measurement of the SBITA liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments were incurred. During the years ended June 30, 2024 and 2023, the Agency made variable payments as required by SBITA agreements totaling \$1,028 and \$788, respectively.

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**11. Liabilities**

Liability activity for the years ended June 30, 2024 and 2023 was as follows:

	<b>2024</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Accounts payable and accrued expenses	\$ 3,785	\$ 20,611	\$ 21,076	\$ 3,320	\$ 3,320
Bonds payable, net	4,616,430	1,210,740	248,725	5,578,445	153,470
Notes payable	27,572	-	3,822	23,750	3,333
Accrued interest payable	34,276	179,069	165,184	48,161	48,161
Derivative Instrument - interest rate swaps	3,570	35,541	30,379	8,732	-
Escrow deposits and Development Reserves	183,952	364,144	340,694	207,402	92,455
Net Pension Liability	39,723	-	6,683	33,040	-
Total OPEB Liability	92,761	-	7,799	84,962	-
SBITAs	5,256	825	964	5,117	2,625
Other liabilities					
Accrued vacation and sick leave	3,667	797	-	4,464	406
Bond rebate	280	1,008	-	1,288	-
Borrower suspense accounts	3,330	18,783	18,020	4,093	4,093
Commonwealth grants	64,627	71,496	68,742	67,381	57,901
Federal grants	674,160	596,716	921,014	349,862	151,424
Other grants	4,813	9,399	6,669	7,543	6,545
GNMA/FNMA payables	10,357	55,758	56,630	9,485	9,485
Pennsylvania SERS	3,769	385	-	4,154	-
PHFA Insurance Program Claims	2,824	1,955	1,648	3,131	-
Project receipts	11,918	3,900	-	15,818	1,163
Unearned revenue	257	4	168	93	-
Other	4,642	154,145	4,209	154,578	3,687
Total Other Liabilities	784,644	914,346	1,077,100	621,890	234,704
Total	<u>\$ 5,791,969</u>	<u>\$ 2,725,276</u>	<u>\$ 1,902,426</u>	<u>\$ 6,614,819</u>	<u>\$ 538,068</u>

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	<b>2023</b>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Accounts payable and accrued expenses	\$ 2,081	\$ 18,558	\$ 16,854	\$ 3,785	\$ 3,785
Bonds payable, net	3,715,111	1,270,674	369,355	4,616,430	140,420
Notes payable	31,908	-	4,336	27,572	3,822
Accrued interest payable	26,057	136,037	127,818	34,276	34,276
Derivative Instrument - interest rate swaps	3,558	3,636	3,624	3,570	-
Escrow deposits and Development Reserves	172,478	308,618	297,144	183,952	79,331
Net Pension Liability	13,012	26,711	-	39,723	-
Total OPEB Liability	127,057	-	34,296	92,761	-
SBITAs	-	6,374	1,118	5,256	3,022
Other liabilities					
Accrued vacation and sick leave	3,510	157	-	3,667	150
Bond rebate	280	-	-	280	-
Borrower suspense accounts	3,491	19,081	19,242	3,330	3,330
Commonwealth grants	72,911	93,500	101,784	64,627	26,050
Federal grants	540,608	835,450	701,898	674,160	199,657
Other grants	5,537	8,558	9,282	4,813	-
GNMA/FNMA payables	18,525	60,628	68,796	10,357	10,357
Pennsylvania SERS	3,312	457	-	3,769	-
PHFA Insurance Program Claims	1,371	1,483	30	2,824	-
Project receipts	10,098	1,820	-	11,918	-
Unearned revenue	258	21	22	257	-
Other	5,162	343	863	4,642	-
Total Other Liabilities	<u>665,063</u>	<u>1,021,498</u>	<u>901,917</u>	<u>784,644</u>	<u>239,544</u>
Total	<u>\$ 4,756,325</u>	<u>\$ 2,792,106</u>	<u>\$ 1,756,462</u>	<u>\$ 5,791,969</u>	<u>\$ 504,200</u>

**12. Restricted Net Position**

The Single Family Programs' June 30, 2024 and 2023 net position restrictions equaling \$169,733 and \$141,879, respectively, are restricted pursuant to the Agency's obligations and its bondholders; provisions are present within the Single Family Program bond indenture. Net position restrictions within HEMAP totaling \$32,247 and \$32,723 at June 30, 2024 and 2023, respectively, represent amounts restricted for the purpose of making mortgage assistance loans.

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### **13. 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 participants 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

## PENNSYLVANIA HOUSING FINANCE AGENCY

### Notes to Financial Statements

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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)	
	<u>2023</u>	<u>2022</u>
Inactive employees or beneficiaries currently receiving benefits	255	244
Inactive employees entitled to but not yet receiving benefits	85	81
Active Employees	<u>302</u>	<u>304</u>
	<u>642</u>	<u>629</u>

#### 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. Employer and Employee contributions recognized by the Pensions during the reporting periods were \$4,698 and \$5,400 for the years ended December 31, 2023 and 2022, respectively. The Agency's average contribution rates for the years ended December 31, 2023 and 2022 equaled 21.17% and 20.49% 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, 2023 and 2022:

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

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

<i>Cash Equivalents</i>	<i>Fixed Income Securities</i>
Money market mutual funds	U.S. governments
Short-term money market instruments	U.S. mortgage and asset-backed
	U.S. corporate bonds
<i>Equity Securities</i>	Taxable municipal bonds
U.S. common and preferred stocks	Fixed income mutual funds
U.S. equity mutual funds	Fixed income exchange-traded funds
Equity exchange traded funds	
International equity mutual funds	

At December 31, 2023 and 2022, 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, 2023 and 2022, the annual money-weighted rate of return on investments of the Agency's Pensions, net of investment expense, was 18.22% and (15.97)%, 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, 2023 and 2022 was invested as follows:

	<b>2023</b>	<b>2022</b>
Cash Equivalents	\$ 5,301	\$ 4,214
Equity Securities		
Equity exchange traded funds	39,621	33,365
U.S. and International equity mutual funds	7,691	6,736
U.S. common and preferred stocks	30,151	25,129
Fixed Income Securities		
Fixed income exchange traded funds	1,544	1,527
Fixed income mutual funds	27,314	27,099
Total:	<u>\$111,622</u>	<u>\$ 98,070</u>

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### Actuarial Assumptions

The Agency's net pension liability was measured as of December 31, 2023 and 2022, 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, 2023 and 2022 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Rate</u>
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, 2023 and 2022 actuarial valuation were based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the tables for the December 31, 2023 and 2022 actuarial valuations were rates projected using Scale MP 2021 to reflect mortality improvement.

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, 2023 and 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
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, 2023 and 2022 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.

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**Changes in the Net Pension Liability**

	<b>2023</b>		
	<b>Total Pension Liability (A)</b>	<b>Pension Fiduciary Net Position (B)</b>	<b>Net Pension Liability (A)-(B)</b>
Balances at January 1, 2023	\$137,793	\$ 98,070	\$ 39,723
Service Cost	1,863	-	1,863
Interest Cost	10,133	-	10,133
Changes for Experience	3,475	-	3,475
Changes of Assumptions	-	-	-
Contributions - Employer	-	4,310	(4,310)
Contributions - Member	-	388	(388)
Net Investment Gain	-	17,456	(17,456)
Benefit Payments, including refunds of member contributions	(8,452)	(8,452)	-
Net Changes	<u>7,019</u>	<u>13,702</u>	<u>(6,683)</u>
Balances at December 31, 2023	<u>\$144,812</u>	<u>\$ 111,772</u>	<u>\$ 33,040</u>
	<b>2022</b>		
	<b>Total Pension Liability (A)</b>	<b>Pension Fiduciary Net Position (B)</b>	<b>Net Pension Liability (A)-(B)</b>
Balances at January 1, 2021	\$132,355	\$ 119,343	\$ 13,012
Service Cost	1,836	-	1,836
Interest Cost	9,770	-	9,770
Changes for Experience	1,732	-	1,732
Changes of Assumptions	-	-	-
Contributions - Employer	-	5,065	(5,065)
Contributions - Member	-	335	(335)
Net Investment Loss	-	(18,773)	18,773
Benefit Payments, including refunds of member contributions	(7,900)	(7,900)	-
Net Changes	<u>5,438</u>	<u>(21,273)</u>	<u>26,711</u>
Balances at December 31, 2022	<u>\$137,793</u>	<u>\$ 98,070</u>	<u>\$ 39,723</u>

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

**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:

<b>Plan's Net</b>		<b>Current</b>	
<b>Pension Liability for</b>	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
<b>Calendar Year Ended</b>	<b>(6.50%)</b>	<b>(7.50%)</b>	<b>(8.50%)</b>
December 31, 2023	\$ 42,590	\$ 33,040	\$ 14,961
December 31, 2022	\$ 52,770	\$ 39,723	\$ 25,759

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the years ended December 31, 2023 and 2022, the Pensions recognized pension expense of \$5,346 and \$8,122, respectively. At December 31, 2023 and 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2023</u>	<u>2022</u>
<b><u>Deferred Outflows</u></b>		
Differences between Expected and Actual Experience	\$ 8,167	\$ 6,075
Changes in Assumptions	421	626
Net Difference Between Projected and Actual Earnings on Investments	4,469	13,747
Contributions made after measurement date	1,400	1,098
Gross Deferred Outflows	<u>14,457</u>	<u>21,546</u>
<b><u>Deferred Inflows</u></b>		
Differences between Expected and Actual Experience	58	116
Changes in Assumptions	831	1,104
Net Difference Between Projected and Actual Earnings on Investments	-	-
Gross Deferred Inflows	<u>889</u>	<u>1,220</u>
Net Deferred Outflows	<u>\$ 13,568</u>	<u>\$ 20,326</u>

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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

<u>Year Ended June 30</u>	
2024	\$ 2,669
2025	4,846
2026	4,955
2027	(810)
2028	744
Thereafter	1,164
	<u>\$ 13,568</u>

**14. 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, 2023 and 2021 valuation date, the following employees were covered by the benefit terms:

	<b>(not in thousands)</b>	
	<u>2023</u>	<u>2021</u>
Active Participants	312	305
Retired Participants	152	161
	<u>464</u>	<u>466</u>

## PENNSYLVANIA HOUSING FINANCE AGENCY

### Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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#### Total OPEB Liability

The Agency's total OPEB liability equaling \$84,962 and \$92,761 at June 30, 2024 and 2023, respectively, were measured as of June 30, 2023 and 2022, respectively, using an actuarial valuation as of June 30, 2023 and June 30, 2021, respectively. Update procedures were used to roll forward the total OPEB liability in the actuarial valuation at June 30, 2021 to the measurement date of June 30, 2022.

#### Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2023 and 2021 actuarial valuation were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>2023</u>	<u>2022</u>
Salary Increases (average, including inflation)	4.50%	4.50%
Discount Rate	4.13%	4.09%
Retiree' Share of Benefit Costs	10% of the premium for medical and prescription drug coverage. \$20 a month per person electing coverage for dental coverage.	8.00%
Healthcare Cost Trend Rates	7.0% in 2023 with 0.5% decrease per year until 5.5% in 2026; gradually decreasing from 5.4% in 2027 to 4.1% in 2075 and later	6.5% in 2022; 6.0% in 2023; 5.5% in 2024 - 2025; gradually decreasing from 5.4% in 2026 to 3.9% in 2075 and later

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2023 and 2022.

Mortality rates were based upon the PubG-2010 Headcount-Weighted Mortality Table, including rates for contingent survivors, incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement at June 30, 2023. Mortality rates were based upon the PubG-2010 Mortality Table, including rates for disabled retirees and contingent survivors, incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement at June 30, 2022.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

The Agency has not completed a recent experience study.

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability at June 30</b>	
	<b>2023</b>	<b>2022</b>
Beginning Balance	\$ 92,761	\$ 127,057
Changes for the year:		
Service cost	4,036	7,170
Interest	3,904	2,899
Changes of benefit terms	(1,798)	-
Differences between expected and actual experience	(5,893)	-
Changes in assumptions	(5,558)	(42,079)
Benefit payments	(2,490)	(2,286)
Net Changes	<u>(7,799)</u>	<u>(34,296)</u>
Ending Balance	<u>\$ 84,962</u>	<u>\$ 92,761</u>

Changes of benefit terms reflects a change in the cost share percentage from 8% in 2022 to 10% in 2023. Changes of assumptions reflect a change in the discount rate from 4.09% in 2022 to 4.13% in 2023, the mortality and trend assumptions were updated in 2023, the election assumption decreased from 100% in 2022 to 95% in 2023, and the marriage assumption decreased from 50% in 2022 to 45% in 2023.

**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:

<b>Total OPEB Liability</b>				
<b>at June 30</b>	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>	
2023	\$ 99,184	\$ 84,962	\$ 73,513	
2022	\$ 108,784	\$ 92,761	\$ 79,909	

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2024 and 2023 (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:

<b>Total OPEB Liability at June 30</b>	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
2023	\$ 72,197	\$ 84,962	\$ 101,203
2022	\$ 77,774	\$ 92,761	\$ 112,018

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

For the years ended June 30, 2024 and 2023, the Agency recognized OPEB expense of \$155 and \$5,514, respectively. At June 30, 2024 and 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>2024</b>	<b>2023</b>
<b><u>Deferred Outflows</u></b>		
Differences between Expected and Actual Experience	\$ 5,455	\$ 6,649
Changes in Assumptions or other inputs	9,484	13,275
Benefit payments made after measurement date	2,422	2,491
Gross Deferred Outflows	<u>17,361</u>	<u>22,415</u>
<b><u>Deferred Inflows</u></b>		
Differences between Expected and Actual Experience	9,982	7,949
Changes in Assumptions or other inputs	39,909	41,465
Gross Deferred Inflows	<u>49,891</u>	<u>49,414</u>
Net Deferred Inflows	<u>\$ (32,530)</u>	<u>\$ (26,999)</u>

## PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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

<u>Year Ended June 30</u>	
2025	\$ (3,215)
2026	(7,554)
2027	(4,571)
2028	(4,569)
2029	(4,499)
Thereafter	<u>(8,122)</u>
	<u>\$ (32,530)</u>

### 15. 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 Multifamily Housing Program loans were approximately \$441,647 and \$66,347 at June 30, 2024 and \$243,687 and \$55,256 at June 30, 2023.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2024 and 2023 (in thousands)

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**16. Significant Effects of Subsequent Events**

The Agency has evaluated subsequent events through the date the financial statements were available to be issued and determined that there have been no events that have occurred that would require adjustments to the disclosures in the Agency's financial statements.

**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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>										
Service Cost	\$ 1,863	\$ 1,836	\$ 1,790	\$ 1,814	\$ 1,839	\$ 1,817	\$ 1,795	\$ 1,786	\$ 1,812	\$ 1,545
Interest	10,133	9,770	9,472	8,920	8,482	8,146	7,652	7,318	6,896	5,826
Differences Between Expected and Actual Experience	3,475	1,732	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	(8,451)	(7,900)	(7,435)	(6,818)	(5,515)	(5,302)	(4,482)	(4,247)	(3,565)	(3,239)
<b>Net Change in Total Pension Liability</b>	<b>7,020</b>	<b>5,438</b>	<b>4,138</b>	<b>7,692</b>	<b>6,513</b>	<b>4,559</b>	<b>6,978</b>	<b>4,564</b>	<b>5,994</b>	<b>14,160</b>
<b>Total Pension Liability - Beginning</b>	<b>137,793</b>	<b>132,355</b>	<b>128,217</b>	<b>120,525</b>	<b>114,012</b>	<b>109,453</b>	<b>102,475</b>	<b>97,911</b>	<b>91,917</b>	<b>77,757</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 144,813</b>	<b>\$ 137,793</b>	<b>\$ 132,355</b>	<b>\$ 128,217</b>	<b>\$ 120,525</b>	<b>\$ 114,012</b>	<b>\$ 109,453</b>	<b>\$ 102,475</b>	<b>\$ 97,911</b>	<b>\$ 91,917</b>
<b>Pensions Fiduciary Net Position</b>										
Contributions - Employer	4,310	5,065	4,050	4,046	4,881	3,891	3,906	3,989	4,028	3,057
Contributions - Employee	388	335	283	273	244	209	194	161	123	92
Net Investment Income	17,456	(18,773)	15,542	11,547	16,381	(5,167)	12,447	3,879	281	6,071
Benefit Payments, Including Refunds of Employee Contributions	(8,451)	(7,900)	(7,435)	(6,818)	(5,515)	(5,302)	(4,482)	(4,247)	(3,565)	(3,239)
<b>Net Change in Pensions Fiduciary Net Position</b>	<b>13,703</b>	<b>(21,273)</b>	<b>12,440</b>	<b>9,048</b>	<b>15,991</b>	<b>(6,369)</b>	<b>12,065</b>	<b>3,782</b>	<b>867</b>	<b>5,981</b>
<b>Pensions Fiduciary Net Position - Beginning</b>	<b>98,070</b>	<b>119,343</b>	<b>106,903</b>	<b>97,855</b>	<b>81,864</b>	<b>88,233</b>	<b>76,168</b>	<b>72,386</b>	<b>71,519</b>	<b>65,538</b>
<b>Pensions Fiduciary Net Position - Ending (b)</b>	<b>111,773</b>	<b>98,070</b>	<b>119,343</b>	<b>106,903</b>	<b>97,855</b>	<b>81,864</b>	<b>88,233</b>	<b>76,168</b>	<b>72,386</b>	<b>71,519</b>
<b>Agency's Net Pension Liability (a) - (b)</b>	<b>\$ 33,040</b>	<b>\$ 39,723</b>	<b>\$ 13,012</b>	<b>\$ 21,314</b>	<b>\$ 22,670</b>	<b>\$ 32,148</b>	<b>\$ 21,220</b>	<b>\$ 26,307</b>	<b>\$ 25,525</b>	<b>\$ 20,398</b>
<b>Pensions Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>77.18%</b>	<b>71.17%</b>	<b>90.17%</b>	<b>83.38%</b>	<b>81.19%</b>	<b>71.80%</b>	<b>80.61%</b>	<b>74.33%</b>	<b>73.93%</b>	<b>77.81%</b>
<b>Covered Payroll</b>	<b>\$ 20,400</b>	<b>\$ 20,059</b>	<b>\$ 19,039</b>	<b>\$ 18,597</b>	<b>\$ 19,236</b>	<b>\$ 18,984</b>	<b>\$ 18,886</b>	<b>\$ 18,114</b>	<b>\$ 17,383</b>	<b>\$ 17,440</b>
<b>Pensions Fiduciary Net Pension Liability as a Percentage of Covered Payroll</b>	<b>161.96%</b>	<b>198.03%</b>	<b>68.34%</b>	<b>114.61%</b>	<b>117.85%</b>	<b>169.34%</b>	<b>112.36%</b>	<b>145.23%</b>	<b>146.84%</b>	<b>116.96%</b>

**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.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Schedules of Employer Contributions to Agency Employees' Retirement Plan and Government Excess Benefit Plan  
(unaudited – see accompanying auditors' report)

<b>Year</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions From Agency</b>	<b>Contribution Deficiency/ (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contribution as a % of Payroll</b>
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%
2022	4,110,100	5,065,172	(955,072)	20,058,903	20.49%
2023	4,317,733	4,310,139	7,594	20,400,152	21.17%

**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. Year 2022 used the PubG-2010 Mortality Table including rates for disabled retirees and contingent survivors, incorporated Scale MP-2021 to reflect mortality improvement. Year 2023 used the PubG-2010 Mortality Table including rates for disabled retirees and contingent survivors, incorporated Scale MP-2021 to reflect mortality improvement.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Schedules of Investment Returns of Agency Employees' Retirement Plan and Government Excess Benefit Plan  
(unaudited – see accompanying auditors' report)

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

<b>Year ended</b>	
<b>December 31</b>	<b>Rate</b>
2023	18.22%
2022	(15.97%)
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								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total OPEB Liability</b>									
Service Cost	\$ 4,036	\$ 7,170	\$ 5,996	\$ 5,590	\$ 5,087	\$ 4,976	\$ 6,143	\$ 4,498	\$ 4,230
Interest	3,904	2,899	2,909	2,792	2,801	2,748	3,003	3,197	3,023
Changes in Benefit Terms	(1,798)	-	-	-	-	-	(2,591)	-	-
Differences Between Expected and Actual Experience	(5,892)	-	5,428	-	4,641	-	(21,717)	-	(6,396)
Changes of Assumptions	(5,558)	(42,079)	10,201	2,144	(5,264)	(19)	(5,137)	17,252	3,252
Benefit Payments	(2,490)	(2,287)	(1,791)	(1,570)	(1,747)	(1,521)	(1,561)	(1,384)	(1,149)
<b>Net Change in Total OPEB Liability</b>	(7,798)	(34,297)	22,743	8,956	5,518	6,184	(21,860)	23,563	2,960
<b>Total OPEB Liability - Beginning</b>	92,760	127,057	104,314	95,358	89,840	83,656	105,516	81,953	78,993
<b>Total OPEB Liability - Ending</b>	<u>\$ 84,962</u>	<u>\$ 92,760</u>	<u>\$ 127,057</u>	<u>\$ 104,314</u>	<u>\$ 95,358</u>	<u>\$ 89,840</u>	<u>\$ 83,656</u>	<u>\$ 105,516</u>	<u>\$ 81,953</u>
<b>Covered-Employee Payroll</b>	\$ 24,807	\$ 21,006	\$ 21,006	\$ 20,944	\$ 20,944	\$ 20,204	\$ 20,204	\$ 18,523	\$ 18,523
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	342.49%	441.59%	604.86%	498.06%	455.31%	444.66%	414.06%	569.66%	442.44%

**Notes to Schedules:**

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
2023	4.13%	7.0% in 2023 with 0.5% decrease per year until 5.5% in 2026; gradually decreasing from 5.4% in 2027 to 4.1% in 2075 and later
2022	4.09%	6.5% in 2022, 6.0% in 2023, 5.5% in 2024 – 2025; gradually decreasing to 5.4% in 2026 to 3.9% in 2075 and later
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%

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Schedules of Changes in Total OPEB Liability and Related Ratios  
(in thousands) (unaudited – see accompanying auditors’ report)

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<u>Year</u>	<u>Discount Rate</u>	<u>Healthcare Cost Trend Rate</u>
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, 2024 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash and cash equivalents	\$ (32,131)	\$ 157,177	\$ 723,512	\$ 66,934	\$ 21,629	\$ -	\$ 937,121
Restricted cash and cash equivalents	93,809	84,634	183,485	-	-	-	361,928
Investments	36,897	-	2,879	4,979	-	-	44,755
Restricted investments	-	-	1,000	-	-	-	1,000
Accrued investment interest receivable	1,967	(285)	2,290	-	-	-	3,972
Mortgage loans receivable, net	-	2,752	139,178	-	3,979	-	145,909
Accrued mortgage loan interest receivable	-	68	23,263	-	299	-	23,630
Mortgages held for sale	-	-	49,214	-	-	-	49,214
Other current assets	4,014	1	-	-	-	-	4,015
<b>Total Current Assets</b>	<b>104,556</b>	<b>244,347</b>	<b>1,124,821</b>	<b>71,913</b>	<b>25,907</b>	<b>-</b>	<b>1,571,544</b>
<b>Noncurrent Assets:</b>							
Investments	147,622	6,826	118,861	34,700	-	-	308,009
Restricted investments	-	-	59,355	-	-	-	59,355
Mortgage loans receivable, net	3,828	342,337	5,036,886	-	17,948	-	5,400,999
Derivative instrument - interest rate swaps	1,312	-	1,130	-	-	-	2,442
Real estate owned	-	-	10,607	-	-	-	10,607
Capital assets, net	55,285	-	-	-	-	-	55,285
Intra-agency receivables	284,827	27,701	-	-	-	(312,528)	-
Other noncurrent assets	9,654	-	47,822	-	-	(9,628)	47,848
<b>Total Noncurrent Assets</b>	<b>502,528</b>	<b>376,864</b>	<b>5,274,661</b>	<b>34,700</b>	<b>17,948</b>	<b>(322,156)</b>	<b>5,884,545</b>
<b>TOTAL ASSETS</b>	<b>607,084</b>	<b>621,211</b>	<b>6,399,482</b>	<b>106,613</b>	<b>43,855</b>	<b>(322,156)</b>	<b>7,456,089</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
OPEB-related deferred outflows	17,361	-	-	-	-	-	17,361
Pension-related deferred outflows	14,457	-	-	-	-	-	14,457
Accumulated decrease in fair value of hedging derivatives	-	-	8,732	-	-	-	8,732
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>31,818</b>	<b>-</b>	<b>8,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,550</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 638,902</b>	<b>\$ 621,211</b>	<b>\$ 6,408,214</b>	<b>\$ 106,613</b>	<b>\$ 43,855</b>	<b>\$ (322,156)</b>	<b>\$ 7,496,639</b>
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>							
Accounts payable and accrued expenses	\$ 2,233	\$ -	\$ 721	\$ -	\$ 366	\$ -	\$ 3,320
Bonds and notes payable, net	2,000	-	154,803	-	-	-	156,803
Accrued interest payable	71	-	48,090	-	-	-	48,161
Escrow deposits and development reserves	686	30,084	61,685	-	-	-	92,455
Software-based IT arrangements	2,625	-	-	-	-	-	2,625
Other current liabilities	212,205	410	22,089	-	-	-	234,704
<b>Total Current Liabilities</b>	<b>219,820</b>	<b>30,494</b>	<b>287,388</b>	<b>-</b>	<b>366</b>	<b>-</b>	<b>538,068</b>
<b>Noncurrent Liabilities:</b>							
Bonds and notes payable, net	25,000	-	5,420,392	-	-	-	5,445,392
Derivative instrument - interest rate swaps	-	-	8,732	-	-	-	8,732
Development reserves	-	114,947	-	-	-	-	114,947
Intra-agency payables	-	-	312,528	-	-	(312,528)	-
Total OPEB liability	84,962	-	-	-	-	-	84,962
Net pension liability	33,040	-	-	-	-	-	33,040
Software-based IT arrangements	2,492	-	-	-	-	-	2,492
Other noncurrent liabilities	142,699	238,742	-	4,131	11,242	(9,628)	387,186
<b>Total Noncurrent Liabilities</b>	<b>288,193</b>	<b>353,689</b>	<b>5,741,652</b>	<b>4,131</b>	<b>11,242</b>	<b>(322,156)</b>	<b>6,076,751</b>
<b>TOTAL LIABILITIES</b>	<b>508,013</b>	<b>384,183</b>	<b>6,029,040</b>	<b>4,131</b>	<b>11,608</b>	<b>(322,156)</b>	<b>6,614,819</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
OPEB-related deferred inflows	49,891	-	-	-	-	-	49,891
Pension-related deferred inflows	889	-	-	-	-	-	889
Unamortized gains on bond refundings	-	-	1,969	-	-	-	1,969
Accumulated increase in fair value of hedging derivatives	1,312	-	1,130	-	-	-	2,442
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>52,092</b>	<b>-</b>	<b>3,099</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,191</b>
<b>NET POSITION</b>							
Net investment in capital assets	23,168	-	-	-	-	-	23,168
Restricted	-	-	169,733	-	32,247	-	201,980
Unrestricted	55,629	237,028	206,342	102,482	-	-	601,481
<b>TOTAL NET POSITION</b>	<b>78,797</b>	<b>237,028</b>	<b>376,075</b>	<b>102,482</b>	<b>32,247</b>	<b>-</b>	<b>826,629</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 638,902</b>	<b>\$ 621,211</b>	<b>\$ 6,408,214</b>	<b>\$ 106,613</b>	<b>\$ 43,855</b>	<b>\$ (322,156)</b>	<b>\$ 7,496,639</b>

See accompanying independent auditors' report.

## PENNSYLVANIA HOUSING FINANCE AGENCY

### Combining Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2024 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
<b>Operating Revenues:</b>						
Interest income on mortgage loans	\$ -	\$ 4,059	\$ 195,633	\$ -	\$ 189	\$ 199,881
Program income and fees	131,986	549	1	10,908	146	143,590
Investment income	22,759	77	28,433	2,301	998	54,568
Increase in the fair value of swaps	-	-	-	-	-	-
Gain on early extinguishment of debt	-	-	4,405	-	-	4,405
<b>Total Operating Revenues</b>	<b>154,745</b>	<b>4,685</b>	<b>228,472</b>	<b>13,209</b>	<b>1,333</b>	<b>402,444</b>
<b>Operating Expenses:</b>						
Interest expense on bonds and notes	897	164	168,822	-	-	169,883
Financing expenses	-	-	8,963	-	-	8,963
Program expenses	78,869	2,061	21,894	-	-	102,824
Salaries and related benefits	40,504	-	-	-	719	41,223
General and administrative	16,909	542	7,436	-	1,145	26,032
Decrease in fair value of investments	(969)	128	1,312	166	-	637
Provision (recoveries) for loan loss and real estate owned	876	(587)	4,653	385	(55)	5,272
<b>Total Operating Expenses</b>	<b>137,086</b>	<b>2,308</b>	<b>213,080</b>	<b>551</b>	<b>1,809</b>	<b>354,834</b>
<b>Operating Income (Loss)</b>	<b>17,659</b>	<b>2,377</b>	<b>15,392</b>	<b>12,658</b>	<b>(476)</b>	<b>47,610</b>
<b>Non-operating Revenue</b>						
Federal program awards	114,563	551,316	2,298	-	-	668,177
<b>Non-operating Expense</b>						
Federal program expense	114,563	551,316	2,298	-	-	668,177
<b>Income (Loss) Before Transfers</b>	<b>17,659</b>	<b>2,377</b>	<b>15,392</b>	<b>12,658</b>	<b>(476)</b>	<b>47,610</b>
Intra-agency transfers	(4,777)	(379)	5,156	-	-	-
<b>Change in Net Position</b>	<b>12,882</b>	<b>1,998</b>	<b>20,548</b>	<b>12,658</b>	<b>(476)</b>	<b>47,610</b>
<b>Net Position - beginning of year</b>	<b>65,915</b>	<b>235,030</b>	<b>355,527</b>	<b>89,824</b>	<b>32,723</b>	<b>779,019</b>
<b>Net Position - end of year</b>	<b>\$ 78,797</b>	<b>\$ 237,028</b>	<b>\$ 376,075</b>	<b>\$ 102,482</b>	<b>\$ 32,247</b>	<b>\$ 826,629</b>

See accompanying independent auditors' report.

# PENNSYLVANIA HOUSING FINANCE AGENCY

## Combining Statement of Cash Flows

Year Ended June 30, 2024 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
<b>Cash Flows From Operating Activities</b>						
Receipts of mortgage loan payments	\$ 66	\$ 17,987	\$ 265,855	\$ -	\$ 5,782	\$ 289,690
Receipts from fees and other income	131,986	549	1	10,908	146	143,590
Receipts from interest on mortgages	-	4,061	188,398	-	189	192,648
(Payments) receipts of escrows and reserves	(171,452)	26,789	4,434	(80)	-	(140,309)
Payments for mortgages and purchases	(375)	(31,185)	(1,167,369)	-	(3,308)	(1,202,237)
Payments for salaries and related benefits	(42,697)	-	-	-	-	(42,697)
Payments for goods, services and other	(88,935)	(2,576)	(52,746)	-	(2,969)	(147,226)
<b>Net Cash (Used In) Provided By Operating Activities</b>	<u>(171,407)</u>	<u>15,625</u>	<u>(761,427)</u>	<u>10,828</u>	<u>(160)</u>	<u>(906,541)</u>
<b>Cash Flows From Noncapital Financing Activities</b>						
Proceeds from the issuance of bonds and notes	-	-	1,210,740	-	-	1,210,740
Payments for retirement of bonds and notes	-	(5,250)	(234,257)	-	-	(239,507)
Payments for bonds and notes interest	-	(256)	(150,436)	-	-	(150,692)
Payments of financing costs	-	-	(8,963)	-	-	(8,963)
Receipts (repayments) of program advances	(10,519)	(379)	10,898	-	-	-
Receipts of federal program awards	114,563	551,316	2,298	-	-	668,177
Payments of federal program awards	(114,563)	(551,316)	(2,298)	-	-	(668,177)
<b>Net Cash Provided By (Used In) Noncapital Financing Activities</b>	<u>(10,519)</u>	<u>(5,885)</u>	<u>827,982</u>	<u>-</u>	<u>-</u>	<u>811,578</u>
<b>Cash Flows From Capital Financing Activities</b>						
Purchases of capital assets	(3,331)	-	-	-	-	(3,331)
Payments for retirement of capital financing bond	(2,000)	-	-	-	-	(2,000)
Payments for interest on capital financing bond	(902)	-	-	-	-	(902)
<b>Net Cash Used In Capital Financing Activities</b>	<u>(6,233)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,233)</u>
<b>Cash Flows From Investing Activities</b>						
Proceeds from the sale or maturity of investments	185,993	5,001	10,021	-	-	201,015
Receipts of investment interest	22,963	603	27,454	2,301	1,004	54,325
Payments for purchases of investments	(62,934)	(17)	(14,714)	(6,159)	-	(83,824)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>146,022</u>	<u>5,587</u>	<u>22,761</u>	<u>(3,858)</u>	<u>1,004</u>	<u>171,516</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	(42,137)	15,327	89,316	6,970	844	70,320
<b>Cash and cash equivalents, beginning of year</b>	<u>103,815</u>	<u>226,484</u>	<u>817,681</u>	<u>59,964</u>	<u>20,785</u>	<u>1,228,729</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 61,678</u>	<u>\$ 241,811</u>	<u>\$ 906,997</u>	<u>\$ 66,934</u>	<u>\$ 21,629</u>	<u>\$ 1,299,049</u>

See accompanying independent auditors' report.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Combining Statement of Cash Flows

Year Ended June 30, 2024 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
<b>Reconciliation of Operating Income to</b>						
<b>Net Cash Provided By Operating Activities:</b>						
Operating Income (Loss)	\$ 17,659	\$ 2,377	\$ 15,392	\$ 12,658	\$ (476)	\$ 47,610
Investment income recognized	(22,759)	(77)	(28,433)	(2,301)	(998)	(54,568)
Net change in fair value of investments	(969)	128	1,312	166	-	637
Net change in fair value of swaps	-	-	-	-	-	-
Interest expense on bonds and notes	897	164	168,822	-	-	169,883
Financing expenses	-	-	8,963	-	-	8,963
Provision for loan loss and real estate owned	876	(587)	4,653	385	(55)	5,272
Depreciation	5,072	-	-	-	-	5,072
Early extinguishment of debt	-	-	(4,405)	-	-	(4,405)
Loss on disposal of capital assets	(1)	-	-	-	-	(1)
Changes in Assets and Liabilities:						
Mortgage loans receivable, net	(308)	(13,198)	(918,540)	-	2,474	(929,572)
Mortgage loans interest receivable	-	2	(7,235)	-	-	(7,233)
Real Estate Owned, Net	-	-	409	-	-	409
Other assets	13,939	27	(11,936)	-	-	2,030
Accounts payable and accrued expenses	114	-	4	-	(583)	(465)
Escrow deposits and development reserves	(85)	17,098	6,437	-	-	23,450
Other liabilities	(185,842)	9,691	3,130	(80)	(522)	(173,623)
<b>Net Cash (Used In) Provided By Operating Activities</b>	<b>\$ (171,407)</b>	<b>\$ 15,625</b>	<b>\$ (761,427)</b>	<b>\$ 10,828</b>	<b>\$ (160)</b>	<b>\$ (906,541)</b>

See accompanying independent auditors' report.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Combining Balance Sheet

June 30, 2023 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash and cash equivalents	\$ (116,482)	\$ 156,425	\$ 685,017	\$ 59,964	\$ 20,785	\$ -	\$ 805,709
Restricted cash and cash equivalents	220,297	70,059	132,664	-	-	-	423,020
Restricted investments	-	1	1,000	-	-	-	1,001
Accrued investment interest receivable	2,171	240	1,311	-	-	-	3,722
Mortgage loans receivable, net	-	2,471	126,233	-	3,874	-	132,578
Accrued mortgage loan interest receivable	-	70	16,028	-	305	-	16,403
Mortgages held for sale	-	-	56,243	-	-	-	56,243
Other current assets	4,694	28	-	-	-	-	4,722
<b>Total Current Assets</b>	<b>110,680</b>	<b>229,294</b>	<b>1,018,496</b>	<b>59,964</b>	<b>24,964</b>	<b>-</b>	<b>1,443,398</b>
<b>Noncurrent Assets:</b>							
Investments	306,609	11,937	95,672	33,686	-	-	447,904
Restricted investments	-	-	79,623	-	-	-	79,623
Mortgage loans receivable, net	4,395	328,833	4,146,973	-	20,472	-	4,500,673
Derivative instrument - interest rate swaps	1,225	-	6,263	-	-	-	7,488
Real estate owned	-	-	11,016	-	-	-	11,016
Capital assets, net	57,026	-	-	-	-	-	57,026
Intra-agency receivables	279,085	27,701	-	-	-	(306,786)	-
Other noncurrent assets	10,770	-	35,886	-	-	(10,770)	35,886
<b>Total Noncurrent Assets</b>	<b>659,110</b>	<b>368,471</b>	<b>4,375,433</b>	<b>33,686</b>	<b>20,472</b>	<b>(317,556)</b>	<b>5,139,616</b>
<b>TOTAL ASSETS</b>	<b>769,790</b>	<b>597,765</b>	<b>5,393,929</b>	<b>93,650</b>	<b>45,436</b>	<b>(317,556)</b>	<b>6,583,014</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
OPEB-related deferred outflows	22,415	-	-	-	-	-	22,415
Pension-related deferred outflows	21,546	-	-	-	-	-	21,546
Accumulated decrease in fair value of hedging derivatives	-	-	3,570	-	-	-	3,570
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>43,961</b>	<b>-</b>	<b>3,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,531</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 813,751</b>	<b>\$ 597,765</b>	<b>\$ 5,397,499</b>	<b>\$ 93,650</b>	<b>\$ 45,436</b>	<b>\$ (317,556)</b>	<b>\$ 6,630,545</b>
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>							
Accounts payable and accrued expenses	\$ 2,119	\$ -	\$ 717	\$ -	\$ 949	\$ -	\$ 3,785
Bonds and notes payable, net	2,000	-	142,242	-	-	-	144,242
Accrued interest payable	76	91	34,109	-	-	-	34,276
Escrow deposits and development reserves	771	23,312	55,248	-	-	-	79,331
Software-based IT arrangements	3,022	-	-	-	-	-	3,022
Other current liabilities	215,004	448	24,092	-	-	-	239,544
<b>Total Current Liabilities</b>	<b>222,992</b>	<b>23,851</b>	<b>256,408</b>	<b>-</b>	<b>949</b>	<b>-</b>	<b>504,200</b>
<b>Noncurrent Liabilities:</b>							
Bonds and notes payable, net	27,000	5,250	4,467,510	-	-	-	4,499,760
Derivative instrument - interest rate swaps	-	-	3,570	-	-	-	3,570
Development reserves	-	104,621	-	-	-	-	104,621
Intra-agency payables	-	-	306,786	-	-	(306,786)	-
Total OPEB liability	92,761	-	-	-	-	-	92,761
Net pension liability	39,723	-	-	-	-	-	39,723
Software-based IT arrangements	2,234	-	-	-	-	-	2,234
Other noncurrent liabilities	311,267	229,013	-	3,826	11,764	(10,770)	545,100
<b>Total Noncurrent Liabilities</b>	<b>472,985</b>	<b>338,884</b>	<b>4,777,866</b>	<b>3,826</b>	<b>11,764</b>	<b>(317,556)</b>	<b>5,287,769</b>
<b>TOTAL LIABILITIES</b>	<b>695,977</b>	<b>362,735</b>	<b>5,034,274</b>	<b>3,826</b>	<b>12,713</b>	<b>(317,556)</b>	<b>5,791,969</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
OPEB-related deferred inflows	49,414	-	-	-	-	-	49,414
Pension-related deferred inflows	1,220	-	-	-	-	-	1,220
Unamortized gains on bond refundings	-	-	1,435	-	-	-	1,435
Accumulated increase in fair value of hedging derivatives	1,225	-	6,263	-	-	-	7,488
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>51,859</b>	<b>-</b>	<b>7,698</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59,557</b>
<b>NET POSITION</b>							
Net investment in capital assets	22,901	-	-	-	-	-	22,901
Restricted	-	-	141,879	-	32,723	-	174,602
Unrestricted	43,014	235,030	213,648	89,824	-	-	581,516
<b>TOTAL NET POSITION</b>	<b>65,915</b>	<b>235,030</b>	<b>355,527</b>	<b>89,824</b>	<b>32,723</b>	<b>-</b>	<b>779,019</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 813,751</b>	<b>\$ 597,765</b>	<b>\$ 5,397,499</b>	<b>\$ 93,650</b>	<b>\$ 45,436</b>	<b>\$ (317,556)</b>	<b>\$ 6,630,545</b>

See accompanying independent auditors' report.

## PENNSYLVANIA HOUSING FINANCE AGENCY

### Combining Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2023 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
<b>Operating Revenues:</b>						
Interest income on mortgage loans	\$ -	\$ 3,313	\$ 142,708	\$ -	\$ 195	\$ 146,216
Program income and fees	119,201	1,007	1	7,915	154	128,278
Investment income	16,075	217	14,368	1,619	701	32,980
Increase in the fair value of swaps	-	-	1,449	-	-	1,449
Increase in the fair value of mortgage service rights	-	-	-	-	-	-
Gain on early extinguishment of debt	-	-	5,366	-	-	5,366
<b>Total Operating Revenues</b>	<b>135,276</b>	<b>4,537</b>	<b>163,892</b>	<b>9,534</b>	<b>1,050</b>	<b>314,289</b>
<b>Operating Expenses:</b>						
Interest expense on bonds and notes	959	536	115,171	-	-	116,666
Financing expenses	18	5	7,269	-	-	7,292
Program expenses	67,580	-	15,043	-	-	82,623
Salaries and related benefits	47,909	-	-	-	(1,900)	46,009
General and administrative	17,481	420	5,847	-	911	24,659
Decrease in fair value of investments (Recoveries) provision for loan loss and real estate owned	4,250	660	11,051	1,766	-	17,727
	-	(4,599)	2,167	1,491	(2,947)	(3,888)
<b>Total Operating Expenses</b>	<b>138,197</b>	<b>(2,978)</b>	<b>156,548</b>	<b>3,257</b>	<b>(3,936)</b>	<b>291,088</b>
<b>Operating Income (Loss)</b>	<b>(2,921)</b>	<b>7,515</b>	<b>7,344</b>	<b>6,277</b>	<b>4,986</b>	<b>23,201</b>
<b>Non-operating Revenue</b>						
Federal program awards	106,284	515,511	3,206	-	-	625,001
<b>Non-operating Expense</b>						
Federal program expense	106,284	515,511	3,206	-	-	625,001
<b>Income (Loss) Before Transfers</b>	<b>(2,921)</b>	<b>7,515</b>	<b>7,344</b>	<b>6,277</b>	<b>4,986</b>	<b>23,201</b>
Intra-agency transfers	(48,191)	(255)	3,446	45,000	-	-
<b>Change in Net Position</b>	<b>(51,112)</b>	<b>7,260</b>	<b>10,790</b>	<b>51,277</b>	<b>4,986</b>	<b>23,201</b>
<b>Net Position - beginning of year</b>	<b>117,027</b>	<b>227,770</b>	<b>344,737</b>	<b>38,547</b>	<b>27,737</b>	<b>755,818</b>
<b>Net Position - end of year</b>	<b>\$ 65,915</b>	<b>\$ 235,030</b>	<b>\$ 355,527</b>	<b>\$ 89,824</b>	<b>\$ 32,723</b>	<b>\$ 779,019</b>

See accompanying independent auditors' report.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Combining Statement of Cash Flows

Year Ended June 30, 2023 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
<b>Cash Flows From Operating Activities</b>						
Receipts of mortgage loan payments	\$ 60	\$ 12,099	\$ 387,656	\$ -	\$ 6,111	\$ 405,926
Receipts from fees and other income	119,201	1,007	1	7,915	154	128,278
Receipts from interest on mortgages	-	3,341	143,366	-	195	146,902
Receipts of escrows and reserves	121,249	16,383	(8,131)	962	-	130,463
Payments for mortgages and purchases	(872)	(29,389)	(987,089)	-	(1,972)	(1,019,322)
Payments for salaries and related benefits	(40,925)	-	-	-	-	(40,925)
Payments for goods, services and other	(78,459)	(397)	(35,995)	-	(3,324)	(118,175)
<b>Net Cash (Used In) Provided By Operating Activities</b>	<u>120,254</u>	<u>3,044</u>	<u>(500,192)</u>	<u>8,877</u>	<u>1,164</u>	<u>(366,853)</u>
<b>Cash Flows From Noncapital Financing Activities</b>						
Proceeds from the issuance of bonds and notes	-	5,250	1,265,424	-	-	1,270,674
Payments for retirement of bonds and notes	-	(7,898)	(297,056)	-	-	(304,954)
Payments for refundings of bonds	-	-	(55,690)	-	-	(55,690)
Payments for bonds and notes interest	-	(685)	(101,433)	-	-	(102,118)
Payments of financing costs	(18)	(5)	(7,269)	-	-	(7,292)
Receipts (repayments) of program advances	(156,531)	99,745	11,786	45,000	-	-
Receipts of federal program awards	106,284	515,511	3,206	-	-	625,001
Payments of federal program awards	(106,284)	(515,511)	(3,206)	-	-	(625,001)
<b>Net Cash Provided By (Used In) Noncapital Financing Activities</b>	<u>(156,549)</u>	<u>96,407</u>	<u>815,762</u>	<u>45,000</u>	<u>-</u>	<u>800,620</u>
<b>Cash Flows From Capital Financing Activities</b>						
Purchases of capital assets	(323)	-	-	-	-	(323)
Payments for retirement of capital financing bond	(2,000)	-	-	-	-	(2,000)
Payments for interest on capital financing bond	(964)	-	-	-	-	(964)
<b>Net Cash Used In Capital Financing Activities</b>	<u>(3,287)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,287)</u>
<b>Cash Flows From Investing Activities</b>						
Proceeds from the sale or maturity of investments	64	1	24,005	-	-	24,070
Receipts of investment interest	14,117	(5)	13,869	1,619	722	30,322
Payments for purchases of investments	(208,089)	(8,017)	(30,399)	(9,028)	-	(255,533)
<b>Net Cash (Used in) Provided By Investing Activities</b>	<u>(193,908)</u>	<u>(8,021)</u>	<u>7,475</u>	<u>(7,409)</u>	<u>722</u>	<u>(201,141)</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<u>(233,490)</u>	<u>91,430</u>	<u>323,045</u>	<u>46,468</u>	<u>1,886</u>	<u>229,339</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>337,305</u>	<u>135,054</u>	<u>494,636</u>	<u>13,496</u>	<u>18,899</u>	<u>999,390</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 103,815</u>	<u>\$ 226,484</u>	<u>\$ 817,681</u>	<u>\$ 59,964</u>	<u>\$ 20,785</u>	<u>\$ 1,228,729</u>

See accompanying independent auditors' report.

**PENNSYLVANIA HOUSING FINANCE AGENCY**

Combining Statement of Cash Flows

Year Ended June 30, 2023 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
<b>Reconciliation of Operating Income to</b>						
<b>Net Cash Provided By Operating Activities:</b>						
Operating Income (Loss)	\$ (2,921)	\$ 7,515	\$ 7,344	\$ 6,277	\$ 4,986	\$ 23,201
Investment income recognized	(15,990)	(217)	(14,368)	(1,619)	(701)	(32,895)
Net change in fair value of investments	4,250	660	11,051	1,766	-	17,727
Net change in fair value of swaps	-	-	(1,449)	-	-	(1,449)
Interest expense on bonds and notes	959	536	115,171	-	-	116,666
Financing expenses	18	5	7,269	-	-	7,292
Provision for loan loss and real estate owned	-	(4,599)	2,167	1,491	(2,947)	(3,888)
Depreciation	5,029	-	-	-	-	5,029
Early extinguishment of debt	-	-	(5,366)	-	-	(5,366)
Loss on disposal of capital assets	-	-	-	-	-	-
Net change in fair value of mortgage servicing rights	-	-	-	-	-	-
Changes in Assets and Liabilities:						
Mortgage loans receivable, net	(813)	(17,290)	(602,059)	-	4,139	(616,023)
Mortgage loans interest receivable	-	28	658	-	-	686
Real Estate Owned, Net	-	-	(4,503)	-	-	(4,503)
Other assets	(9,833)	23	(7,156)	-	1	(16,965)
Accounts payable and accrued expenses	1,057	-	49	-	598	1,704
Escrow deposits and development reserves	(716)	11,307	883	-	-	11,474
Other liabilities	139,299	5,076	(9,883)	962	(4,912)	130,542
<b>Net Cash (Used In) Provided By Operating Activities</b>	<b>\$ 120,339</b>	<b>\$ 3,044</b>	<b>\$ (500,192)</b>	<b>\$ 8,877</b>	<b>\$ 1,164</b>	<b>\$ (366,768)</b>

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**

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 Pennsylvania Housing Finance Agency (the Agency), as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise Pennsylvania Housing Finance Agency's basic financial statements, and have issued our report thereon dated September 27, 2024.

***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.

***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**

Pittsburgh, Pennsylvania  
September 27, 2024