

PENNSYLVANIA HOUSING FINANCE AGENCY
Basic Financial Statements and Supplementary Information
June 30, 2025 and 2024
(With Independent Auditors' Reports Thereon)



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PENNSYLVANIA HOUSING FINANCE AGENCY

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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, 2025 and 2024 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, 2025 and 2024 and the respective changes in financial position, and cash flows 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, 2025 and 2024 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, 2025 and 2024 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 24, 2025, 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 24, 2025

PENNSYLVANIA HOUSING FINANCE AGENCY

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)
June 30, 2025 and 2024 (amounts rounded)

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, 2025 and 2024 (amounts rounded)

Condensed Summary Balance Sheets *(In thousands)*

	2025	2024	Increase/(Decrease)	
Assets:				
Mortgage loans receivable, net	\$ 6,865,837	\$ 5,546,908	\$ 1,318,929	23.8%
Capital assets, net	56,408	55,285	1,123	2.0%
Other assets	<u>1,289,067</u>	<u>1,853,896</u>	<u>(564,829)</u>	<u>(30.5%)</u>
Total Assets	<u>8,211,312</u>	<u>7,456,089</u>	<u>755,223</u>	<u>10.1%</u>
Deferred Outflows of Resources	<u>23,545</u>	<u>40,550</u>	<u>(17,005)</u>	<u>(41.9%)</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 8,234,857</u></u>	<u><u>\$ 7,496,639</u></u>	<u><u>\$ 738,218</u></u>	<u><u>9.8%</u></u>
Liabilities:				
Current liabilities	522,996	538,068	(15,072)	(2.8%)
Noncurrent liabilities	<u>6,766,948</u>	<u>6,076,751</u>	<u>690,197</u>	<u>11.4%</u>
Total Liabilities	<u>7,289,944</u>	<u>6,614,819</u>	<u>675,125</u>	<u>10.2%</u>
Deferred Inflows of Resources	<u>54,609</u>	<u>55,191</u>	<u>(582)</u>	<u>(1.1%)</u>
Net Position				
Net Investment in Capital Assets	27,089	23,168	3,921	16.9%
Restricted	224,304	201,980	22,324	11.1%
Unrestricted	<u>638,911</u>	<u>601,481</u>	<u>37,430</u>	<u>6.2%</u>
Total Net Position	<u>890,304</u>	<u>826,629</u>	<u>63,675</u>	<u>7.7%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 8,234,857</u></u>	<u><u>\$ 7,496,639</u></u>	<u><u>\$ 738,218</u></u>	<u><u>9.8%</u></u>

PENNSYLVANIA HOUSING FINANCE AGENCY

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

June 30, 2025 and 2024 (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	1,853,896	1,892,737	(38,841)	(2.1%)
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>\$ 7,496,639</u>	<u>\$ 6,630,545</u>	<u>\$ 866,094</u>	<u>13.1%</u>
Liabilities:				
Current liabilities	538,068	504,200	33,868	6.7%
Noncurrent liabilities	6,076,751	5,287,769	788,982	14.9%
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	601,481	581,516	19,965	3.4%
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>\$ 7,496,639</u>	<u>\$ 6,630,545</u>	<u>\$ 866,094</u>	<u>13.1%</u>

PENNSYLVANIA HOUSING FINANCE AGENCY

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)
 June 30, 2025 and 2024 (amounts rounded)

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

	<u>2025</u>	<u>2024</u>	<u>Increase/(Decrease)</u>	
Revenues:				
Mortgage loan interest	\$ 274,043	\$ 199,881	\$ 74,162	37.1%
Other operating revenues	227,950	202,563	25,387	12.5%
Federal program awards	<u>832,861</u>	<u>668,177</u>	<u>164,684</u>	<u>24.6%</u>
Total Revenues	<u>1,334,854</u>	<u>1,070,621</u>	<u>264,233</u>	<u>24.7%</u>
Expenses:				
Interest and financing expenses	246,590	178,846	67,744	37.9%
Other operating expenses	191,728	175,988	15,740	8.9%
Federal program expenses	<u>832,861</u>	<u>668,177</u>	<u>164,684</u>	<u>24.6%</u>
Total Expenses	<u>1,271,179</u>	<u>1,023,011</u>	<u>248,168</u>	<u>24.3%</u>
Change in Net Position	63,675	47,610	16,065	(33.7%)
Net Position - Beginning of Year	<u>826,629</u>	<u>779,019</u>	<u>47,610</u>	<u>6.1%</u>
Net Position - End of Year	<u>\$ 890,304</u>	<u>\$ 826,629</u>	<u>\$ 63,675</u>	<u>7.7%</u>
	<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	<u>668,177</u>	<u>625,001</u>	<u>43,176</u>	<u>6.9%</u>
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	<u>668,177</u>	<u>625,001</u>	<u>43,176</u>	<u>6.9%</u>
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>

PENNSYLVANIA HOUSING FINANCE AGENCY

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)
June 30, 2025 and 2024 (amounts rounded)

Analysis of Overall Financial Position and Results of Operations

Comparison of Years Ended June 30, 2025 and 2024

Assets increased by \$755 million from \$7.456 billion to \$8.211 billion. Mortgage loans receivable increased by \$1.319 billion from \$5.547 billion to \$6.866 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 \$1 million when compared to the prior year due to normal operational purchases off-set by annual depreciation. Other assets decreased by \$565 million from \$1.854 billion to \$1.289 billion. The decrease in other assets is primarily attributable to the decrease in cash and cash equivalents and investments of \$584 million due to the purchase of single family mortgages and the disbursement of federal funds for programs administered by the Agency. The decrease in cash and cash equivalents and investments was off-set by a \$19 million net increase in various asset balances. The net increase of \$19 million was a result of the \$12 million increase in capitalized mortgage servicing rights, the increase in accrued mortgage loan interest of \$5 million due to the increase in the single family mortgage loan portfolio, the increase of \$7 million in derivative instruments – interest rate swaps due to the favorable market valuation at June 30, 2025, off-set by the \$5 million decrease in mortgages held for sale.

Deferred outflows of resources decreased by \$17 million from \$40.5 million to \$23.5 million. The decrease was a result of the decrease in pension-related deferred outflows of \$4 million due to the net difference between projected and actual earnings on investments on the current actuarial valuation, a decrease of \$4 million in OPEB-related deferred outflows due to the difference between expected and actual experience and the decrease in the discount rate, and a decrease of \$9 million in the accumulated decrease in the fair value of hedging derivatives.

Total liabilities increased by \$675 million from \$6.615 billion to \$7.290 billion. The net increase was mainly due to the increase in bonds and notes payable of \$833 million, which came as a result of the issuance of single family mortgage revenue bond series 146, 147, and 148 with total proceeds of \$1.130 billion off-set by scheduled and advance debt service of \$285 million and the reduction of original issue premium of \$12 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 single family mortgage revenue bonds. The increase in bonds and notes payable was off-set by a \$158 million net decrease in various other liabilities. Other liabilities decreased \$187 million due to the disbursement of federal funds held for programs administered by the Agency, a decrease of \$9 million in derivative instruments – interest rate swaps due to the favorable market valuation at June 30, 2025, a decrease in the net pension liability of \$5 million due to the increase in the valuation of the pension's investments at the valuation date, off-set by an increase in escrow and development reserves of \$21 million, this is due to the increase in the number of multifamily properties and single family mortgages serviced by the Agency and the amount of the required reserves, an increase in accrued interest payable of \$17 million due to the increase in bonds and notes payable and a \$5 million increase in the total OPEB liability.

PENNSYLVANIA HOUSING FINANCE AGENCY

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)
June 30, 2025 and 2024 (amounts rounded)

Deferred inflows of resources decreased by \$1 million from \$55 million to \$54 million. The decrease was due to a decrease of \$10 million in OPEB-related deferred inflows, off-set by a \$2 million increase in pension-related deferred inflows and a \$7 million increase in accumulated increase in the fair value of hedging derivatives.

Total net position as of June 30, 2025 was \$890 million, an increase of \$64 million, over the total net position of \$826 million at June 30, 2024.

Mortgage loan interest increased by \$74 million due to the significant increase in the Agency's single family portfolio of mortgage loans. Other operating revenues increased by \$25 million, primarily due to an increase in program income and fees of \$16 million due to the increase in multifamily program fees, grant funds received and disbursed, and self-insurance fees on single family mortgage loans, along with the increase in the fair value of investments of \$12 million, off-set by the decrease in investment income of \$3 million.

Interest and financing expenses increased by \$68 million due to the increase in bonds and notes payable outstanding during the fiscal year. Other operating expenses increased in total by \$16 million largely due to the \$10 million increase in origination costs and the amortization of closing costs forgivable second mortgages associated with the single family mortgage loan portfolio, the increase of \$4 million in salaries and related benefits, and the \$2 million increase in general and administrative expenses.

Federal program awards and expenses increased by \$165 million primarily resulting from federal funds disbursed for the American Rescue Plan.

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.

PENNSYLVANIA HOUSING FINANCE AGENCY

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

June 30, 2025 and 2024 (amounts rounded)

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.

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.

PENNSYLVANIA HOUSING FINANCE AGENCY

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)
 June 30, 2025 and 2024 (amounts rounded)

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.

Analysis of Capital Asset Activity *(In thousands)*

	Balances at June 30		Increase/ (Decrease)
	2025	2024	
Nondepreciable Capital Assets:			
Land	\$ 2,454	\$ 2,454	\$ -
Total nondepreciable capital assets	2,454	2,454	-
Depreciable Capital Assets:			
Building	60,685	60,685	-
Furniture, fixtures and equipment	11,822	13,283	(1,461)
Subscription based information technology arrangements	14,523	10,183	4,340
Less accumulated depreciation:			
Building	(16,312)	(15,110)	(1,202)
Furniture, fixtures and equipment	(10,253)	(11,745)	1,492
Subscription based information technology arrangements	(6,511)	(4,465)	(2,046)
Total depreciable capital assets, net	53,954	52,831	1,123
Total Capital Assets, net	\$ 56,408	\$ 55,285	\$ 1,123

PENNSYLVANIA HOUSING FINANCE AGENCY

Management's Discussion and Analysis (unaudited – see accompanying auditors' report)
June 30, 2025 and 2024 (amounts rounded)

	Balances at June 30		Increase/ (Decrease)
	2024	2023	
Nondepreciable Capital Assets:			
Land	\$ 2,454	\$ 2,454	\$ -
Total nondepreciable capital assets	<u>2,454</u>	<u>2,454</u>	<u>-</u>
Depreciable Capital Assets:			
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	<u>(4,465)</u>	<u>(2,002)</u>	<u>(2,463)</u>
Total depreciable capital assets, net	<u>52,831</u>	<u>56,574</u>	<u>(1,741)</u>
Total Capital Assets, net	<u>\$ 55,285</u>	<u>\$ 59,028</u>	<u>\$ (1,741)</u>

For the year ended June 30, 2025, the decrease in the balance of furniture, fixtures and equipment was primarily attributed to the disposal of information technology equipment and furniture; the increase in subscription-based IT arrangements (SBITA) resulted from the capitalization of costs associated with implementation of a cloud-based Financial Management software; the increases in accumulated depreciation is due to annual depreciation expense.

For the year ended June 30, 2024, the increase in the balance attributable to building resulted from building improvement costs incurred during the fiscal year; the increase in the balance of furniture, fixtures and equipment was primarily attributed to the purchase of information technology equipment; the increase in subscription-based IT arrangements (SBITA) resulted from the capitalization of costs associated with implementation of a cloud-based Human Capital Management software; the increases in accumulated depreciation is due to annual depreciation expense.

PENNSYLVANIA HOUSING FINANCE AGENCY

Management’s Discussion and Analysis (unaudited – see accompanying auditors’ report)
June 30, 2025 and 2024 (amounts rounded)

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

Agency Program	Long-Term Debt at June 30		Increase (Decrease)
	2025	2024	
General Activities	\$ 25,000	\$ 27,000	\$ (2,000)
Multifamily Program	-	-	-
Single Family Program	6,410,229	5,575,195	835,034
Total Long-Term Debt	\$ 6,435,229	\$ 5,602,195	\$ 833,034

Agency Program	Long-Term Debt at June 30		Increase (Decrease)
	2024	2023	
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	\$ 5,602,195	\$ 4,644,002	\$ 958,193

Year Ended June 30, 2025

Additions

Additions to Agency bonds and notes payable for the year ended June 30, 2025 included the following:

Date	Single Family Program Bond Series	Original Issue Premium	Total Proceeds	New Mortgage Loan Production Proceeds	Refunding Proceeds	Single Family Program Bond Series Refunded
8/29/24	2024-146	\$ 6,819	\$ 501,029	\$ 501,029	\$ -	\$ -
12/18/24	2024-147	4,962	301,817	301,817	-	-
2/27/25	2025-148	551	327,360	327,360	-	-
		<u>\$ 12,332</u>	<u>\$ 1,130,206</u>			

PENNSYLVANIA HOUSING FINANCE AGENCY

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

June 30, 2025 and 2024 (amounts rounded)

Reductions

Reductions to Agency bonds and notes payable for the year ended June 30, 2025 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	-	\$ -	\$ 159,118	\$ 125,550	\$ 12,504
	Total Reductions:	<u>\$ -</u>	<u>\$ 159,118</u>	<u>\$ 125,550</u>	<u>\$ 12,504</u>

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, 2025 and 2024 (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>2025</u>	<u>2024</u>
General Activities:		
Disadvantaged Developers Program	\$ 10,000	\$ 10,000
Asset building program	2,000	2,000
Home4Good	1,500	1,000
Homebuyer Counseling for education of first-time homebuyers	2,000	2,000
Multifamily Insurance for Agency insured or coinsured developments	10,000	10,000
ReCLAIM (statewide)	1,500	1,500
Total	<u>\$ 27,000</u>	<u>\$ 26,500</u>
Multifamily Housing Program:		
Penn HOMES Program to lower development costs for apartments	\$ 10,000	\$ 10,000
Preservation from physical deterioration, financial or social distress	1,500	1,500
Total	<u>\$ 11,500</u>	<u>\$ 11,500</u>
Single Family Mortgage Loan Program:		
Closing Cost Assistance	\$ 3,000	\$ 2,000
Neighborhood Homeownership Initiative	5,000	10,000
Total	<u>\$ 8,000</u>	<u>\$ 12,000</u>
Insurance Program:		
Risk Retention to provide single family mortgage insurance	<u>\$ 118,198</u>	<u>\$ 102,482</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.

PENNSYLVANIA HOUSING FINANCE AGENCY

Balance Sheets

Years Ended June 30, 2025 and 2024 (in thousands)

ASSETS	2025	2024
Current assets:		
Cash and cash equivalents	\$ 422,656	\$ 937,121
Restricted cash and cash equivalents	353,667	361,928
Investments	4,998	44,755
Restricted investments	11,030	1,000
Accrued investment interest receivable	2,965	3,972
Mortgage loans receivable, net	163,813	145,909
Accrued mortgage loan interest receivable	28,963	23,630
Mortgages held for sale	44,189	49,214
Other current assets	4,259	4,015
Total Current Assets	1,036,540	1,571,544
Noncurrent Assets:		
Investments	151,448	308,009
Restricted investments	184,081	59,355
Mortgage loans receivable, net	6,702,024	5,400,999
Derivative instrument - interest rate swaps	9,712	2,442
Real estate owned	9,595	10,607
Capital assets, net	56,408	55,285
Other noncurrent assets	61,504	47,848
Total Noncurrent Assets	7,174,772	5,884,545
TOTAL ASSETS	8,211,312	7,456,089
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-related deferred outflows	12,919	17,361
Pension-related deferred outflows	10,626	14,457
Accumulated decrease in fair value of hedging derivatives	-	8,732
TOTAL DEFERRED OUTFLOWS OF RESOURCES	23,545	40,550
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 8,234,857	\$ 7,496,639

See accompanying notes to the financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY

Balance Sheets

Years Ended June 30, 2025 and 2024 (in thousands)

LIABILITIES	2025	2024
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,460	\$ 3,320
Bonds and notes payable, net	174,363	156,803
Accrued interest payable	65,674	48,161
Escrow deposits and development reserves	104,626	92,455
Software-based IT arrangements	886	2,625
Other current liabilities	174,987	234,704
Total Current Liabilities	522,996	538,068
Noncurrent Liabilities:		
Bonds and notes payable, net	6,260,866	5,445,392
Derivative instrument - interest rate swaps	-	8,732
Development reserves	124,475	114,947
Total OPEB liability	89,502	84,962
Net pension liability	28,146	33,040
Software-based IT arrangements	3,433	2,492
Other noncurrent liabilities	260,526	387,186
Total Noncurrent Liabilities	6,766,948	6,076,751
TOTAL LIABILITIES	7,289,944	6,614,819
DEFERRED INFLOWS OF RESOURCES		
OPEB-related deferred inflows	39,969	49,891
Pension-related deferred inflows	2,829	889
Unamortized gains on bond refundings	2,099	1,969
Accumulated increase in fair value of hedging derivatives	9,712	2,442
TOTAL DEFERRED INFLOWS OF RESOURCES	54,609	55,191
NET POSITION		
Net investment in capital assets	27,089	23,168
Restricted	224,304	201,980
Unrestricted	638,911	601,481
TOTAL NET POSITION	890,304	826,629
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 8,234,857	\$ 7,496,639

See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCYStatements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2025 and 2024 (in thousands)

	<u>2025</u>	<u>2024</u>
Operating Revenues:		
Interest income on mortgage loans	\$ 274,043	\$ 199,881
Program income and fees	159,685	143,590
Investment income	51,595	54,568
Net increase in fair value of investments	11,447	-
Gain on early extinguishment of debt	5,223	4,405
	<u>501,993</u>	<u>402,444</u>
Total Operating Revenues	<u>501,993</u>	<u>402,444</u>
Operating Expenses:		
Interest expense on bonds and notes	237,362	169,883
Financing expenses	9,228	8,963
Program expenses	113,133	102,824
Salaries and related benefits	45,437	41,223
General and administrative	28,948	26,032
Net decrease in fair value of investments	-	637
Recoveries for loan loss and real estate owned	4,210	5,272
	<u>438,318</u>	<u>354,834</u>
Total Operating Expenses	<u>438,318</u>	<u>354,834</u>
Operating Income	63,675	47,610
Non-operating Revenue		
Federal program awards	832,861	668,177
Non-operating Expense		
Federal program expense	<u>832,861</u>	<u>668,177</u>
Change in Net Position	63,675	47,610
Net Position - beginning of year	<u>826,629</u>	<u>779,019</u>
Net Position - end of year	<u>\$ 890,304</u>	<u>\$ 826,629</u>

See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY

Statements of Cash Flows

Years Ended June 30, 2025 and 2024 (in thousands)

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Receipts of mortgage loan payments	\$ 340,888	\$ 289,690
Receipts of fees and other income	159,685	143,590
Receipts of interest on mortgages	268,665	192,648
Payments of escrow and reserves	(166,525)	(140,309)
Payments for mortgages and purchases	(1,652,067)	(1,202,237)
Payments for salaries and related benefits	(42,956)	(42,697)
Payments for goods, services and other	(172,563)	(147,226)
Net Cash Used In Operating Activities	<u>(1,264,873)</u>	<u>(906,541)</u>
Cash Flows From Noncapital Financing Activities		
Proceeds from the issuance of bonds and notes	1,130,206	1,210,740
Payments for retirement of bonds and notes	(282,668)	(239,507)
Payments of bonds and notes interest	(213,788)	(150,692)
Payments of financing costs	(9,228)	(8,963)
Receipts of federal program awards	832,861	668,177
Payments of federal program awards	(832,861)	(668,177)
Net Cash Provided By Noncapital Financing Activities	<u>624,522</u>	<u>811,578</u>
Cash Flows From Capital Financing Activities		
Purchases of capital assets	(4,920)	(3,331)
Payments for retirement of capital financing bond	(2,000)	(2,000)
Interest paid on capital debt	(838)	(902)
Net Cash Used In Capital Financing Activities	<u>(7,758)</u>	<u>(6,233)</u>
Cash Flows From Investing Activities		
Proceeds from the sale or maturity of investments	124,604	201,015
Investment interest receipts	52,647	54,325
Purchases of investments	(51,868)	(83,824)
Net Cash Provided By Investing Activities	<u>125,383</u>	<u>171,516</u>
Net (Decrease) Increase In Cash and Cash Equivalents	(522,726)	70,320
Cash and cash equivalents, beginning of year	<u>1,299,049</u>	<u>1,228,729</u>
Cash and cash equivalents, end of year	<u>\$ 776,323</u>	<u>\$ 1,299,049</u>

See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY

Statements of Cash Flows (continued)

Years Ended June 30, 2025 and 2024 (in thousands)

	<u>2025</u>	<u>2024</u>
Reconciliation of Operating Income to Net Cash Used In Operating Activities:		
Operating Income	\$ 63,675	\$ 47,610
Investment income recognized	(51,595)	(54,568)
Net change in fair value of investments	(11,447)	637
Interest expense on bonds and notes	237,362	169,883
Financing expenses	9,228	8,963
Provision for loan loss and real estate owned	4,210	5,272
Depreciation and amortization	3,796	5,072
Gain on early extinguishment of debt	(5,223)	(4,405)
Changes in Assets and Liabilities:		
Mortgage loans receivable, net	(1,320,217)	(929,573)
Mortgage loans interest receivable	(5,378)	(7,233)
Real estate owned, net	1,012	409
Other assets	(6,089)	2,030
Accounts payable and accrued expenses	(860)	(465)
Escrow deposits and development reserves	21,699	23,450
Other liabilities	(205,046)	(173,623)
Net Cash Used In Operating Activities	<u>\$ (1,264,873)</u>	<u>\$ (906,541)</u>

See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY

Statements of Fiduciary Net Position

June 30, 2025 and 2024 (in thousands)

	<u>2025</u>	<u>2024</u>
	Pennsylvania Housing Finance Agency Employees' Retirement Plan *	Pennsylvania Housing Finance Agency Employees' Retirement Plan *
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,049	\$ 5,301
Accrued income and other receivables	\$ 100	\$ 150
Total Current Assets	<u>7,149</u>	<u>5,451</u>
Noncurrent Assets:		
Investments	<u>116,021</u>	<u>106,321</u>
Total Noncurrent Assets	<u>116,021</u>	<u>106,321</u>
TOTAL ASSETS	<u>123,170</u>	<u>111,772</u>
NET POSITION		
Restricted for: PHFA Employee's Retirement Plan	<u>123,170</u>	<u>111,772</u>
TOTAL NET POSITION	<u>\$ 123,170</u>	<u>\$ 111,772</u>

* December 31, 2024 and 2023 year-end, see note 13

PENNSYLVANIA HOUSING FINANCE AGENCY
 Statements of Changes in Fiduciary Net Position
 Years Ended June 30, 2025 and 2024 (in thousands)

	<u>2025</u>	<u>2024</u>
	Pennsylvania Housing Finance Agency Employees' Retirement Plan *	Pennsylvania Housing Finance Agency Employees' Retirement Plan *
ADDITIONS		
Contributions:		
Employers	\$ 4,682	\$ 4,310
Employees	418	388
Total Contributions	<u>5,100</u>	<u>4,698</u>
Investment earnings:		
Net increase in fair value of investments	14,414	13,602
Interest, dividends, and other	884	3,853
Total Investment Earnings	<u>15,298</u>	<u>17,455</u>
Total additions:	<u>20,398</u>	<u>22,153</u>
DEDUCTIONS		
Benefit payments, including refunds of member contributions	9,000	8,451
Total Deductions	<u>9,000</u>	<u>8,451</u>
Net Increase in fiduciary net position	11,398	13,702
Net position - beginning	111,772	98,070
Net position - ending	<u>\$ 123,170</u>	<u>\$ 111,772</u>

* December 31, 2024 and 2023 year-end, see note 13
 See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

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, 2025 and 2024 (in thousands)

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, 2025 and 2024 (in thousands)

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

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

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

Fair Value Application and Measurement

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

Cash and Cash Equivalents

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

Investments

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

Restricted Cash, Cash Equivalents and Investments

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

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

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

Mortgage Loans Receivable, Net

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

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

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

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

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

Troubled Debt Restructuring

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

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

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

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

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, 2025 and 2024 (in thousands)

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, 2025 and 2024 (in thousands)

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

The liability for compensated absences reported in the government-wide statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

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. 101, *Compensated Absences*. This standard updates the recognition and measurement guidance for compensated absences aligning them under a unified model.

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 101 standard resulted in no change to the Agency's accrual of compensated absences.

In December 2023, GASB issued GASB Statement No. 102, *Certain Risk Disclosures*. This standard did not have an impact on the Agency's financial statement disclosures.

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. 103, *Financial Reporting Model Improvements*, issued April 2024, effective for the Agency's fiscal year ending June 30, 2026.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*, issued September 2024, effective for the Agency's fiscal year ending June 30, 2026.

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

3. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

Cash and cash equivalents are reported at fair value, measured by Level 1 inputs based upon quoted prices in active markets. The Agency maintains a policy whereby cash and cash equivalents must be held in insured depositories satisfactory to the Agency. Balances of cash and equivalents at June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Cash	\$ 754,077	\$ 1,278,009
Money market accounts	22,246	21,040
Total carrying amount of cash and cash equivalents	<u>\$ 776,323</u>	<u>\$ 1,299,049</u>
Bank balance of cash and cash equivalents	<u>\$ 780,204</u>	<u>\$ 1,301,197</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, 2025 and 2024, the book value of the Agency's cash deposits equaled \$754,077 and \$1,278,009 respectively, with corresponding bank balances equal to \$757,957 and \$1,280,157, respectively, of which \$756,456 and \$1,278,656, 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, 2025 and 2024, the fair value of the Agency's money market accounts, reported as cash equivalents, equaled \$22,246 and \$21,040, respectively, with corresponding bank balances equal to \$22,247 and \$21,040, 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, 2025 and 2024 (in thousands)

Fair Value

Fair value of the Agency's investments are measured by Level 2 inputs based upon quoted prices for identical or similar assets in markets that are not active or other observable inputs such as interest rates and yield curves observable at commonly quoted intervals. Balances of the Agency's investments at June 30, 2025 and 2024 were as follows:

Investment	2025 Level 2	2024 Level 2
Federal Agricultural corporate bonds	\$ 32,752	\$ 54,471
Federal Farm Credit Bank bonds	81,669	75,184
Federal Home Loan Bank bonds	67,311	115,759
Federal Home Loan Mortgage Corp corporate bonds	32,951	28,252
FNMA corporate bonds	17,013	21,556
FNMA multifamily pools	14,988	14,507
GNMA IO strips	2,523	2,800
GNMA mortgage-backed securities	27,094	29,897
Tennessee Valley Authority bonds	75,256	70,693
	\$ 351,557	\$ 413,119

In addition to the amounts listed above, the Agency held money market accounts with a fair value of \$22,246 and \$21,040 at June 30, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, \$29,617 and \$32,697, 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, 2025 and 2024 (in thousands)

Investment	Fair Value at June 30		Credit Rating
	2025	2024	
Federal Agricultural corporate bonds	\$ 32,752	\$ 54,471	N/A
Federal Farm Credit Bank bonds	81,669	75,184	Aa1
Federal Home Loan Bank bonds	67,311	115,759	Aa1
Federal Home Loan Mortgage Corp corporate bonds	32,951	28,252	Aa1
FNMA corporate bonds	17,013	21,556	Aa1
FNMA multifamily pools	14,988	14,507	Aa1
Tennessee Valley Authority bonds	75,256	70,693	Aa1
Total	<u>\$ 321,940</u>	<u>\$ 380,422</u>	

Money market accounts with fair values of \$22,246 and \$21,040 at June 30, 2025 and 2024 respectively, that were held by the Agency and reported as cash equivalents were rated as follows by Moody's or Standard and Poor's (S&P) Investors Service:

Moody's / S&P's Rating	Fair Value	
	2025	2024
AAA	\$ 22,247	\$ 21,040

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, 2025 and 2024, the Agency had the following concentrations of credit risk:

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

Investment Issuer	2025		2024	
	Fair Value	% of Total Investments	Fair Value	% of Total Investments
Federal Agricultural	\$ 32,752	9.32%	\$ 54,471	13.18%
Federal Farm Credit Bank	81,669	23.23%	75,184	18.20%
Federal Home Loan Bank	67,311	19.15%	115,759	28.02%
Federal Home Loan Mortgage Corp	32,951	9.37%	28,252	6.84%
FNMA	32,001	9.09%	36,063	8.73%
GNMA	29,617	8.43%	32,697	7.92%
Tennessee Valley Authority	75,256	21.41%	70,693	17.11%
	<u>\$ 351,557</u>	<u>100.00%</u>	<u>\$ 413,119</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, 2025 and 2024, the Agency had investments with the following maturities:

Investment Type	2025				
	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Agency Mortgage-backed Securities	\$ 44,605	\$ -	\$ -	\$ 8,464	\$ 36,141
U.S. Government Agency Securities	306,952	16,028	36,284	56,248	198,392
	<u>\$ 351,557</u>	<u>\$ 16,028</u>	<u>\$ 36,284</u>	<u>\$ 64,712</u>	<u>\$ 234,533</u>

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>

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

4. Mortgage Loans

Amounts reported as mortgage loans receivable at June 30, 2025 and 2024 consisted of the following:

	2025				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Mortgage loans	\$ 10,005	\$ 449,441	\$ 6,503,619	\$ 40,514	\$ 7,003,579
Less:					
Allowance for loan losses	6,003	94,878	15,448	21,413	137,742
Mortgage loans receivable	4,002	354,563	6,488,171	19,101	6,865,837
Current portion	-	3,015	157,232	3,566	163,813
Noncurrent portion	<u>\$ 4,002</u>	<u>\$ 351,548</u>	<u>\$ 6,330,939</u>	<u>\$ 15,535</u>	<u>\$ 6,702,024</u>
	2024				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Mortgage loans	\$ 9,571	\$ 440,007	\$ 5,190,771	\$ 45,527	\$ 5,685,876
Less:					
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>

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

During the years ended June 30, 2025 and 2024, the Agency securitized mortgage loans with a principal balance of \$5,184 and \$5,487, 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, 2025 and 2024 equaled \$42 and \$48, respectively. Mortgages held for sale are reported at fair value measured by Level 2 inputs based upon observable quoted prices of similar assets. Mortgages held for sale totaled \$44,189 and \$49,214 at June 30, 2025 and 2024, respectively.

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

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, 2025 and 2024, the Agency's Single Family Program mortgage loan servicing portfolio equaled \$7.7 billion and \$6.5 billion, respectively; this included the balances of mortgage loans reported as assets by the Agency and insured loans that have been sold through MBSs, which are not reported as Agency assets but represent loans for which the Agency purchased and retained servicing rights, see note 6. Single Family Program mortgage loans are secured by liens on the related real property, and private mortgage insurance is generally required on all mortgage loans where the loan principal amount exceeds 80% of the lesser of the purchase price or the initial appraised value of the property. Private mortgage insurance for Single Family Program mortgage loans is provided by commercial companies, the Agency's Insurance Program, certain federal programs through the Federal Housing Administration ("FHA"), United States Department of Veterans Affairs ("VA") and United States Department of Agriculture – Rural Development ("RD"), FNMA and varying other sources. At June 30, 2025 and 2024, insurance coverage associated with Single Family Program mortgage loan servicing portfolio included the following:

	2025		2024	
Commercial Insurance	\$ 140,998	1.83%	\$ 159,606	2.45%
PHFA Insurance Program	2,701,196	34.97%	1,978,533	30.40%
FHA	2,986,195	38.66%	2,717,207	41.75%
VA	221,685	2.87%	182,545	2.81%
RD	531,390	6.88%	513,770	7.89%
FNMA	204,512	2.65%	225,000	3.46%
Uninsured	937,713	12.14%	730,898	11.23%
Total Single Family				
Program Servicing	<u>\$ 7,723,689</u>	<u>100.00%</u>	<u>\$ 6,507,559</u>	<u>100.00%</u>

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, 2025 and 2024, no mortgage loans reported within General Activities were either delinquent or in pending foreclosure actions.

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

At June 30, 2025 and 2024, 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 no Multifamily Program mortgage loans were in pending foreclosure actions.

At June 30, 2025 and 2024, 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 \$166,562 and \$151,763, respectively. Included within these June 30, 2025 and 2024 balances of loans delinquent 91 days or greater were loans with pending foreclosure actions with aggregate principal balances of \$42,864 and \$34,481, respectively.

At June 30, 2025 and 2024, the principal balance of HEMAP mortgage loans delinquent 91 days or greater equaled \$14,156 and \$17,080, respectively.

Allowance for Loan Loss

The allowances for loan losses at June 30, 2025 and 2024 consisted of the following:

	2025				
	General	Multifamily	Single		
	Activities	Program	Family	HEMAP	Total
	Program	Program	Program		
Beginning balance	\$ 5,743	\$ 94,918	\$ 14,707	\$ 23,600	\$ 138,968
Loss provision (recoveries)	260	(40)	2,059	(152)	2,127
Net losses	-	-	(1,318)	(2,035)	(3,353)
Ending balance	<u>\$ 6,003</u>	<u>\$ 94,878</u>	<u>\$ 15,448</u>	<u>\$ 21,413</u>	<u>\$ 137,742</u>
	2024				
	General	Multifamily	Single		
	Activities	Program	Family	HEMAP	Total
	Program	Program	Program		
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>

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, 2025 and 2024 consisted of the following:

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

	2025					
	General	Multifamily	Single Family	Insurance	HEMAP	Total
	Activities	Program	Program	Program		
Loss (recoveries) provision	\$ 260	\$ (40)	\$ 2,059	\$ -	\$ (152)	\$ 2,127
Change in self-insured reserve	-	-	-	2,098	-	2,098
Change in value of REOs	-	-	(765)	-	-	(765)
Accrued interest losses	-	182	-	-	-	182
Change in repurchase reserve	-	-	568	-	-	568
Recoveries for loan loss and real estate owned	\$ 260	\$ 142	\$ 1,862	\$ 2,098	\$ (152)	\$ 4,210

	2024					
	General	Multifamily	Single Family	Insurance	HEMAP	Total
	Activities	Program	Program	Program		
Loss (recoveries) provision	\$ 876	\$ (767)	\$ 4,120	\$ -	\$ (55)	\$ 4,174
Change in self-insured reserve	-	-	-	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

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 \$3,662 and \$4,319 for the years ended June 30, 2025 and 2024, respectively, and the Agency’s repurchase reserve for securitized loans equaled \$2,633 and \$2,356 at June 30, 2025 and 2024, respectively.

5. Real Estate Owned by the Agency

Real estate owned by the Agency included 121 properties with a net realizable value of \$9,595 at June 30, 2025 and 116 properties with a net realizable value of \$10,607 at June 30, 2024.

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, 2025 and 2024, the Agency capitalized mortgage servicing rights/service release premiums totaling \$15,105 and \$13,699, respectively. Amortization and disposition of mortgage servicing rights/servicing release premiums totaled \$4,519 and \$4,641 for the years ended June 30, 2025 and 2024, respectively.

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

Unamortized mortgage servicing rights, relating to loans sold by the Agency for which the Agency retained the servicing rights, totaling \$7,316 and \$8,280 were outstanding at June 30, 2025 and 2024, 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 \$58,579 and \$45,488 were outstanding at June 30, 2025 and 2024, 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, 2025 and 2024 and a summary of balances were as follows:

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2025</u>
Nondepreciable Capital Assets:				
Land	\$ 2,454	\$ -	\$ -	\$ 2,454
Total nondepreciable capital assets	<u>2,454</u>	<u>-</u>	<u>-</u>	<u>2,454</u>
Depreciable Capital Assets:				
Building	60,684	-	-	60,684
Furniture, fixtures and equipment	13,285	580	(1,241)	12,624
Subscription-based information technology arrangements	10,183	4,341	-	14,524
Less accumulated depreciation:				
Building	(15,110)	(1,202)	-	(16,312)
Furniture, fixtures and equipment	(11,746)	(549)	1,241	(11,054)
Subscription-based information technology arrangements	(4,466)	(2,045)	-	(6,511)
Total depreciable capital assets, net	<u>52,830</u>	<u>1,125</u>	<u>-</u>	<u>53,955</u>
Total Capital Assets, net	<u>\$ 55,284</u>	<u>\$ 1,125</u>	<u>\$ -</u>	<u>\$ 56,409</u>

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2024</u>
Nondepreciable Capital Assets:				
Land	\$ 2,454	\$ -	\$ -	\$ 2,454
Total nondepreciable capital assets	<u>2,454</u>	<u>-</u>	<u>-</u>	<u>2,454</u>
Depreciable Capital Assets:				
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	<u>(2,002)</u>	<u>(2,464)</u>	<u>-</u>	<u>(4,466)</u>
Total depreciable capital assets, net	<u>54,572</u>	<u>(1,741)</u>	<u>-</u>	<u>52,831</u>
Total Capital Assets, net	<u>\$ 57,026</u>	<u>\$ (1,741)</u>	<u>\$ -</u>	<u>\$ 55,285</u>

Depreciation and amortization expense for the years ended June 30, 2025 and 2024 totaled \$3,796 and \$5,071, 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, 2025, variable interest rates payable ranged from 2.00% to 4.04%. At June 30, 2024, variable interest rates payable ranged from 3.85% to 4.88%.

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

The aggregate principal amounts of bonds and notes payable outstanding at June 30, 2025 and 2024 maturity dates and corresponding interest rates at June 30, 2025 are illustrated in the following table.

Bond Series	Interest Rates at June 30, 2025		Maturity Date	Amounts Outstanding at June 30,	
	Variable	Fixed		2025	2024
General Activities:					
Headquarters Bonds *	404 bps	-	2037	\$ 25,000	\$ 27,000
Single Family Program:					
Bonds Payable					
Series 2013 - 116	-	3.30-3.45%	2026	2,225	4,600
Series 2015 - 117	-	3.45-3.90%	2035	21,940	24,620
Series 2015 - 118	-	3.20-3.80%	2040	30,650	36,600
Series 2016 - 119	-	2.60-3.50%	2041	71,145	78,090
Series 2016 - 120	-	2.15-3.50%	2046	124,235	131,995
Series 2016 - 121	-	2.10-3.50%	2046	153,260	163,930
Series 2017 - 122	-	2.85-4.00%	2046	60,660	69,805
Series 2017 - 123	-	2.90-4.00%	2039	48,865	56,185
Series 2017 - 124	-	2.20-4.00%	2042	121,125	128,790
Series 2017 - 125	-	2.375-3.70%	2047	133,055	140,405
Series 2018 - 126	-	2.90-4.00%	2048	24,355	27,195
Series 2018 - 127	-	2.70-3.55%	2033	75,025	79,550
Series 2018 - 128	-	3.50-4.75%	2034	34,685	51,640
Series 2019 - 129	-	2.10-3.40%	2049	122,000	122,000
Series 2019 - 130	-	1.55-4.00%	2049	113,970	126,465
Series 2019 - 131	-	1.80-3.50%	2049	99,585	107,050
Series 2020 - 132 * **	200 bps	1.25-3.50%	2051	164,100	180,270
Series 2020 - 133	-	1.75-5.00%	2050	173,055	184,530
Series 2021 - 134	-	0.80-5.00%	2049	122,830	131,740
Series 2021 - 135	-	1.57-5.00%	2051	149,005	157,770
Series 2021 - 136	-	1.80-5.00%	2051	253,950	266,275
Series 2021 - 137	-	1.90-5.00%	2051	225,700	234,585
Series 2022 - 138 **	-	2.50-5.00%	2052	231,660	243,570
Series 2022 - 139 **	-	3.35-5.00%	2052	269,465	282,990
Series 2022 - 140 **	-	3.59-5.156%	2052	282,585	294,200
Series 2023 - 141 * **	-	3.10-5.75%	2053	455,175	473,125
Series 2023 - 142 **	-	3.40-5.50%	2053	441,415	454,890
Series 2023 - 143 **	-	4.70-6.458%	2053	452,050	474,725
Series 2024 - 144	-	3.75-6.00%	2054	261,240	264,680

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Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

Bond Series	Interest Rates at		Maturity	Amounts Outstanding at	
	June 30, 2025			June 30,	
	Variable	Fixed	Date	2025	2024
Series 2024 - 145	-	3.90-6.00%	2054	446,345	449,965
Series 2024 - 146	-	3.875-6.25%	2054	492,205	-
Series 2024 - 147	-	3.20-6.25%	2054	296,405	-
Series 2025 - 148	-	3.00-6.25%	2055	326,810	-
Total Single Family Program Bonds Payable				6,280,775	5,442,235
Notes Payable from Direct Borrowings					
General Obligation Note	-	2.75%	2034	20,417	21,250
2009 Purchase Agreement	-	-	-	-	2,500
Total Single Family Program Notes Payable				20,417	23,750
Unamortized bond premiums				109,037	109,210
Total bonds and notes payable				6,435,229	5,602,195
Current portion				174,363	156,803
Noncurrent portion				<u>\$ 6,260,866</u>	<u>\$ 5,445,392</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.

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, 2025 and 2024 was \$66,441 and \$63,023. As of June 30, 2025 and 2024, the Agency had \$0, of short-term debt outstanding with the FHLB.

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

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, 2025 were as follows:

<u>Bond Issue</u>	<u>Liquidity Provider at June 30, 2025</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Bond Balance Outstanding at June 30, 2025</u>
2020-132B	TD Bank	9/29/2020	6/20/2030	30,000
2023-141B	RBC Bank	2/17/2023	2/16/2028	80,000
			Total	<u>\$ 110,000</u>

There were no failed remarketings or resultant liquidity draws during the years ended June 30, 2025 and 2024. 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, 2025, if the term-out agreements were exercised and assuming a term-out commencement date of July 1, 2025, respectively, were as follows:

PENNSYLVANIA HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

Liquidity Provider	Term-Out Provisions	Payment Date	Interest Rate	Principal		Interest		Total Payment	
TD Bank	SOFR + 2%	10/1/2025	6.33%	\$	3,000	\$	950	\$	3,950
		4/1/2026	6.33%		3,000		855		3,855
		10/1/2026	6.33%		3,000		760		3,760
		4/1/2027	6.33%		3,000		665		3,665
		10/1/2027	6.33%		3,000		570		3,570
		4/1/2028	6.33%		3,000		475		3,475
		10/1/2028	6.33%		3,000		380		3,380
		4/1/2029	6.33%		3,000		285		3,285
		10/1/2029	6.33%		3,000		190		3,190
		4/1/2030	6.33%		3,000		95		3,095
				<u>\$</u>	<u>30,000</u>	<u>\$</u>	<u>5,225</u>	<u>\$</u>	<u>35,225</u>
RBC Bank	10% 5yr term out	10/1/2025	10.00%	\$	16,000	\$	4,000	\$	20,000
		4/1/2026	10.00%		16,000		3,200		19,200
		10/1/2026	10.00%		16,000		2,400		18,400
		4/1/2027	10.00%		16,000		1,600		17,600
		10/1/2027	10.00%		16,000		800		16,800
						<u>\$</u>	<u>80,000</u>	<u>\$</u>	<u>12,000</u>

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, 2025 were as follows:

June 30, 2025

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
2026	\$ 2,000	\$ 991	\$ 35,360	\$ 18,324	\$ 136,170	\$ 238,404	\$ 833	\$ 558	\$ 174,363	\$ 258,277
2027	2,000	908	37,215	16,916	144,915	233,428	833	534	184,963	251,786
2028	2,000	828	38,845	15,431	143,160	228,323	833	513	184,838	245,095
2029	2,000	743	38,840	13,879	144,820	223,196	833	488	186,493	238,306
2030	2,000	660	38,765	12,292	143,185	218,031	833	465	184,783	231,448
2031-2035	10,000	2,065	168,565	36,986	830,105	1,011,474	16,250	1,718	1,024,920	1,052,243
2036-2040	5,000	259	23,245	16,847	950,855	859,873	-	-	979,100	876,979
2041-2045	-	-	46,075	13,953	1,036,560	659,576	-	-	1,082,635	673,529
2046-2050	-	-	49,655	4,560	1,132,975	441,380	-	-	1,182,630	445,940
2051-2055	-	-	4,270	79	1,117,790	156,244	-	-	1,122,060	156,323
2056-2060	-	-	-	-	19,405	498	-	-	19,405	498
	<u>\$ 25,000</u>	<u>\$ 6,454</u>	<u>\$ 480,835</u>	<u>\$ 149,267</u>	<u>\$ 5,799,940</u>	<u>\$ 4,270,427</u>	<u>\$ 20,417</u>	<u>\$ 4,276</u>	<u>\$ 6,326,192</u>	<u>\$ 4,430,424</u>

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Early Extinguishment of Debt

During the years ended June 30, 2025 and 2024, the Agency redeemed principal amounts of certain bonds and notes totaling \$125,550 and \$116,070, 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, 2025 and 2024 totaling \$5,223 and \$4,405, 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, 2025

During the year ended June 30, 2025, the Agency did not have any bond refundings.

Year Ended June 30, 2024

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

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, 2025 are displayed in the following schedule. The following incorporates variable rate values at June 30, 2025, which are subject to change in future periods. The net swap payment equals the difference between the fixed rate of interest paid to the counterparties and the variable rate of interest received by the Agency. See note 9 Derivatives for further information relative to derivative instruments.

June 30, 2025				
Fiscal Year	Hedged	Hedged	Net Swap	
Ending June 30	Variable Rate	Variable Rate	Payments	Total
	Bond Principal	Bond Interest		
2026	2,000	4,773	1,822	8,595
2027	2,000	4,688	1,804	8,492
2028	2,000	4,604	1,649	8,253
2029	2,000	4,524	1,768	8,292
2030	2,000	4,436	1,750	8,186
2031-2035	10,000	20,966	8,475	39,441
2036-2040	5,000	19,153	8,076	32,229
2041-2045	9,810	17,121	6,834	33,765
2046-2050	87,830	13,826	4,588	106,244
2051-2055	12,360	221	505	13,086
2056-2060	-	-	-	-
	<u>\$ 135,000</u>	<u>\$ 94,312</u>	<u>\$ 37,271</u>	<u>\$ 266,583</u>

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Conduit Debt Obligations

During the year ended June 30, 2025, the Agency issued First and Market, Maple Village, New Pennley Revitalization, Skyview Park, and TC5 LP 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, 2025 and 2024 include:

Awbury View Apartments, Bedford Dwellings, Belmont Specialty, Bennett Place, Berkshire Gardens, Breslyn House Apartments, Bethlehem Townhouses Series A and B, Brinton Manor/Towers Apartments, Cambridge Square Series 2023 A and B, Cap Fund Securitization Rev Bonds Series 2005A, 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, Greenview Garden Apartments, Hanover Village Preservation, Harlan Sharswood Redevelopment, Hershey Plaza Apartments, John Fox Towers, Keystone Terrace Associates, Lehigh Park Apartments, Liberty House Preservation, Linden Terrace, Manchester Redevelopment, Mary Field Sr Apartments, Methodist Towers Series A and B, Mid City Apartments, Monument Village Series A, Norris Homes Phase V, North Central CNI, Northside Residences III, Parkview Knoll Apartments, Pleasant Valley Apartments, Presbyterian Portfolio, Rafael Porrata-Doria Place, Redeemer Village, Sandy Hill, Sharswood Place III Part 1, 2, and 3, Sharpsburg Towers, Sheptytsky Arms Apartments, Urban Allied Portfolio Series M1 and M2, 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, 2025 and 2024, conduit debt outstanding aggregated \$612,850 and \$802,425, 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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Notes to Financial Statements

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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, 2025 and 2024.

Bonds Authorized But Not Yet Issued

On December 19, 2024, the Agency Board authorized the issuance of Single Family Mortgage Revenue bonds Series 150 in an amount not to exceed \$550,000. 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, 2025 and 2024, 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, 2025 and 2024 were as follows:

2025				
<u>Interest Rate Swap Type</u>	<u>General Activities</u>	<u>Multifamily Program</u>	<u>Single Family Program</u>	<u>Total</u>
Hedging Derivatives	\$ 683	\$ -	\$ 9,029	\$ 9,712

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)

Total interest rate swaps include \$9,712 and \$2,442 of derivative instrument – interest rate swap assets and \$0 and \$(8,732) of derivative instrument – interest rate swap liabilities at June 30, 2025, and 2024, respectively.

Hedging Derivative Instruments

The change in fair value of the Agency's hedging derivative instruments for the years ended June 30, 2025 and 2024 equaled \$16,002 and \$(10,208), 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, 2025 and 2024 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>2024 Fair Value</u>	<u>Change In Fair Value</u>	<u>2025 Fair Value</u>
2018-BLDG	3/2018	10/2037	3.150%	SOFR Fallback Rate - 1M	\$ 25,000	\$ 1,311	\$ (628)	\$ 683
2020-132B	10/2020	10/2050	1.704	SIFMA Swap Index	30,000	1,130	6,870	8,000
2023-141B	2/2023	10/2050	3.845	SIFMA Swap Index	80,000	(8,731)	9,760	1,029
Total:					<u>\$ 135,000</u>	<u>\$ (6,290)</u>	<u>\$ 16,002</u>	<u>\$ 9,712</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, 2025 and 2024, the Agency was exposed to \$0 and \$264, 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, 2025.

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 did not exchange any exercisable options during the years ended June 30, 2025 and 2024.

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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, 2025 and 2024 equaled \$0.

There was no activity related to amended hedging derivative instruments during the years ended June 30, 2025 and 2024.

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 June 30, 2025.

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), Microsoft's cloud-powered productivity platform, and a cloud-based HR and Financial Management software. The SBITA arrangements expire at various dates through 2033 and provide for renewal options.

As of June 30, 2025 and June 30, 2024, SBITA assets and the related accumulated amortization totaled \$14,524 and \$10,183 and \$6,511 and \$4,465, respectively.

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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>
2026	951	52	1,003
2027	866	47	913
2028	382	22	404
2029	382	22	404
2030 and Thereafter	1,912	109	2,021
Total:	<u>\$ 4,493</u>	<u>\$ 252</u>	<u>\$ 4,745</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, 2025 and June, 30, 2024, the Agency made variable payments as required by SBITA agreements totaling \$1,544 and \$1,028, respectively.

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Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

11. Liabilities

Liability activity for the years ended June 30, 2025 and 2024 was as follows:

	2025				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accounts payable and accrued expenses	\$ 3,320	\$ 18,570	\$ 19,430	\$ 2,460	\$ 2,460
Bonds payable, net	5,578,445	1,130,207	293,840	6,414,812	173,530
Notes payable	23,750	-	3,333	20,417	833
Accrued interest payable	48,161	246,847	229,334	65,674	65,674
Derivative Instrument - interest rate swaps	8,732	9,605	18,337	-	-
Escrow deposits and Development Reserves	207,402	410,596	388,897	229,101	104,626
Net Pension Liability	33,040	-	4,894	28,146	-
Total OPEB Liability	84,962	-	(4,540)	89,502	-
SBITAs	5,117	2,198	2,996	4,319	886
Other liabilities					
Accrued vacation and sick leave	4,464	-	-	4,464	450
Bond rebate	1,288	1,909	409	2,788	-
Borrower suspense accounts	4,093	17,140	18,525	2,708	2,708
Commonwealth grants	67,381	77,906	69,976	75,311	66,699
Federal grants	349,862	678,416	807,943	220,335	85,443
Other grants	7,543	10,490	10,047	7,986	7,002
GNMA/FNMA payables	9,485	50,396	52,421	7,460	7,460
Pennsylvania SERS	4,154	512	-	4,666	-
PHFA Insurance Program Claims	3,131	17,787	15,902	5,016	-
Project receipts	15,818	4,109	1,555	18,372	1,264
Unearned revenue	93	5	-	98	-
Other	154,578	84,370	152,639	86,309	3,961
Total Other Liabilities	621,890	943,040	1,129,417	435,513	174,987
Total	<u>\$ 6,614,819</u>	<u>\$ 2,761,063</u>	<u>\$ 2,085,938</u>	<u>\$ 7,289,944</u>	<u>\$ 522,996</u>

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	2024				
	<u>Beginning</u>			<u>Ending</u>	<u>Current</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>
Accounts payable and accrued expense:	\$ 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	<u>784,644</u>	<u>914,346</u>	<u>1,077,100</u>	<u>621,890</u>	<u>234,704</u>
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>

12. Restricted Net Position

The Single Family Programs' June 30, 2025 and 2024 net position restrictions equaling \$194,084 and \$169,733, respectively, are restricted pursuant to the Agency's obligations to HUD and its bondholders; provisions are present within the Single Family Program bond indenture. Net position restrictions within HEMAP totaling \$30,220 and \$32,247 at June 30, 2025 and 2024, 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 Plan do not exceed the limitation imposed by IRC Section 415, provided such funding has been

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Notes to Financial Statements

June 30, 2025 and 2024 (in thousands)

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>2024</u>	<u>2023</u>
Inactive employees or beneficiaries currently receiving benefits	264	255
Inactive employees entitled to but not yet receiving benefits	90	85
Active Employees	<u>295</u>	<u>302</u>
	<u>649</u>	<u>642</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 \$5,100 and \$4,698 for the years ended December 31, 2024 and 2023, respectively. The Agency's average contribution rates for the years ended December 31, 2024 and 2023 equaled 21.23% and 21.17% 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, 2024 and 2023:

<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, 2024 and 2023, 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, 2024 and 2023, the annual money-weighted rate of return on investments of the Agency's Pensions, net of investment expense, was 14.31% and 18.22%, 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, 2024 and 2023 was invested as follows:

	<u>2025</u>	<u>2024</u>
Cash Equivalents	\$ 7,049	\$ 5,301
Equity Securities		
Equity exchange traded funds	43,476	39,621
U.S. and International equity mutual funds	8,076	7,691
U.S. common and preferred stocks	32,070	30,151
Fixed Income Securities		
Fixed income exchange traded funds	1,642	1,544
Fixed income mutual funds	30,757	27,314
Total:	<u>\$ 123,070</u>	<u>\$ 111,622</u>

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June 30, 2025 and 2024 (in thousands)

Actuarial Assumptions

The Agency's net pension liability was measured as of December 31, 2024 and 2023, 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, 2024 and 2023 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, 2024 and 2023 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, 2024 and 2023 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, 2024 and 2023 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, 2024 and 2023 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

	2024		
	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
Balances at January 1, 2024	\$ 144,812	\$ 111,772	\$ 33,040
Service Cost	1,940	-	1,940
Interest Cost	10,668	-	10,668
Changes for Experience	2,896	-	2,896
Changes of Assumptions	-	-	-
Contributions - Employer	-	4,682	(4,682)
Contributions - Member	-	418	(418)
Net Investment Income	-	15,298	(15,298)
Benefit Payments, including refunds of member contributions	(9,000) -	(9,000) -	 -
Net Changes	<u>6,504</u>	<u>11,398</u>	<u>(4,894)</u>
Balances at December 31, 2024	<u>\$ 151,316</u>	<u>\$ 123,170</u>	<u>\$ 28,146</u>

	2023		
	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (A)-(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 Loss	-	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>

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

Plan's Net		Current	
Pension Liability for	1% Decrease	Discount Rate	1% Increase
Calendar Year Ended	(6.50%)	(7.50%)	(8.50%)
December 31, 2024	\$ 34,772	\$ 28,146	\$ 6,462
December 31, 2023	\$ 42,590	\$ 33,040	\$ 14,961

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

For the years ended December 31, 2024 and 2023, the Pensions recognized pension expense of \$5,558 and \$5,346, respectively. At December 31, 2024 and 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2024</u>	<u>2023</u>
<u>Deferred Outflows</u>		
Differences between Expected and Actual Experience	\$ 9,009	\$ 8,167
Changes in Assumptions	217	421
Net Difference Between Projected and Actual Earnings on Investments	-	4,469
Contributions made after measurement date	<u>1,400</u>	<u>1,400</u>
Gross Deferred Outflows	<u>10,626</u>	<u>14,457</u>
<u>Deferred Inflows</u>		
Differences between Expected and Actual Experience	-	58
Changes in Assumptions	559	831
Net Difference Between Projected and Actual Earnings on Investments	<u>2,270</u>	<u>-</u>
Gross Deferred Inflows	<u>2,829</u>	<u>889</u>
Net Deferred Outflows	<u>\$ 7,797</u>	<u>\$ 13,568</u>

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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>	
2025	\$ 2,398
2026	3,907
2027	(1,858)
2028	(305)
2029	1,053
Thereafter	1,202
	<u>\$ 6,397</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.

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Employees Covered by Benefit Terms

At the June 30, 2023 valuation date, the following employees were covered by the benefit terms:

	(not in thousands)
	2023
Active Participants	312
Retired Participants	152
	<u>464</u>

Total OPEB Liability

The Agency's total OPEB liability equaling \$89,502 and \$84,962 at June 30, 2025 and 2024, respectively, were measured as of June 30, 2024 and 2023, respectively, using an actuarial valuation as of June 30, 2023. Update procedures were used to roll forward the total OPEB liability in the actuarial valuation at June 30, 2023 to the measurement date of June 30, 2024.

Actuarial Methods and Assumptions

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

	2024	2023
Salary Increases (average, including inflation)	4.50%	4.50%
Discount Rate	4.21%	4.13%
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.	10% of the premium for medical and prescription drug coverage. \$20 a month per person electing coverage for dental coverage.
Healthcare Cost Trend Rates	7.0% in 2024 with 0.5% decrease per year until 5.5% in 2027; gradually decreasing from 5.4% in 2028 to 4.0% in 2075 and later.	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.

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2024 and 2023.

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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 both June 30, 2024 and June 30, 2023.

The Agency has not completed a recent experience study.

Changes in the Total OPEB Liability

	Total OPEB Liability at June 30	
	2024	2023
Beginning Balance	\$ 84,962	\$ 92,761
Changes for the year:		
Service cost	3,741	4,036
Interest	3,609	3,904
Changes of benefit terms	-	(1,798)
Differences between expected and actual experience	-	(5,893)
Changes in assumptions or other inputs	(388)	(5,558)
Benefit payments	(2,422)	(2,490)
Net Changes	4,540	(7,799)
Ending Balance	<u>\$ 89,502</u>	<u>\$ 84,962</u>

Changes of benefit terms in 2023 reflects a change in the cost share percentage from 8% in 2022 to 10% in 2023. Changes of assumptions or other inputs reflects a change in the discount rate of 4.09% in 2022, 4.13% in 2023, and to 4.21% in 2024; the mortality and trend assumptions were updated in 2023; the election assumption decreased from 10% 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:

Total OPEB Liability				
at June 30	1% Decrease	Discount Rate	1% Increase	
2024	\$ 104,203	\$ 89,502	\$ 77,635	
2023	\$ 99,184	\$ 84,962	\$ 73,513	

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

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

Total OPEB Liability	Healthcare		
at June 30	1% Decrease	Cost Trend Rate	1% Increase
2024	\$ 75,554	\$ 89,502	\$ 107,287
2023	\$ 72,197	\$ 84,962	\$ 101,203

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

For the years ended June 30, 2025 and 2024, the Agency recognized OPEB expense of \$1,664 and \$155, respectively. At June 30, 2025 and 2024, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025	2024
<u>Deferred Outflows</u>		
Differences between Expected and Actual Experience	\$ 4,261	\$ 5,455
Changes in Assumptions or other inputs	6,053	9,484
Benefit payments made after measurement date	2,605	2,422
Gross Deferred Outflows	<u>12,919</u>	<u>17,361</u>
<u>Deferred Inflows</u>		
Differences between Expected and Actual Experience	6,832	9,982
Changes in Assumptions or other inputs	33,137	39,909
Gross Deferred Inflows	<u>39,969</u>	<u>49,891</u>
Net Deferred Inflows	<u>\$ (27,050)</u>	<u>\$ (32,530)</u>

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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>	
2026	\$ (7,603)
2027	(4,619)
2028	(4,617)
2029	(4,548)
2030	(6,740)
Thereafter	<u>(1,528)</u>
	<u>\$ (29,655)</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.

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Commitments

Outstanding commitments by the Agency to make or acquire Single Family Mortgage Program and Multifamily Housing Program loans were approximately \$371,278 and \$69,832 at June 30, 2025 and \$441,647 and \$66,347 at June 30, 2024.

16. Significant Effects of Subsequent Events

On August 14, 2025, the Agency Board authorized the issuance of Single Family Mortgage Revenue bonds Series 151, 152, and 153 in an amount not to exceed \$650,000 for each series. Proceeds are expected to be used for purchasing new single family mortgage loans.

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									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	\$ 1,940	\$ 1,863	\$ 1,836	\$ 1,790	\$ 1,814	\$ 1,839	\$ 1,817	\$ 1,795	\$ 1,786	\$ 1,812
Interest	10,668	10,133	9,770	9,472	8,920	8,482	8,146	7,652	7,318	6,896
Differences Between Expected and Actual Experience	2,896	3,475	1,732	83	3,538	2,676	120	2,489	634	(604)
Changes of Assumptions	-	-	-	228	238	(969)	(222)	(476)	(927)	1,455
Benefit Payments, Including										
Refunds of Employee Contributions	(9,000)	(8,451)	(7,900)	(7,435)	(6,818)	(5,515)	(5,302)	(4,482)	(4,247)	(3,565)
Net Change in Total Pension Liability	6,504	7,020	5,438	4,138	7,692	6,513	4,559	6,978	4,564	5,994
Total Pension Liability - Beginning	144,812	137,793	132,355	128,217	120,525	114,012	109,453	102,475	97,911	91,917
Total Pension Liability - Ending (a)	\$ 151,316	\$ 144,812	\$ 137,793	\$ 132,355	\$ 128,217	\$ 120,525	\$ 114,012	\$ 109,453	\$ 102,475	\$ 97,911
Pensions Fiduciary Net Position										
Contributions - Employer	4,682	4,310	5,065	4,050	4,046	4,881	3,891	3,906	3,989	4,028
Contributions - Employee	418	388	335	283	273	244	209	194	161	123
Net Investment Income	15,298	17,456	(18,773)	15,542	11,547	16,381	(5,167)	12,447	3,879	281
Benefit Payments, Including										
Refunds of Employee Contributions	(9,000)	(8,451)	(7,900)	(7,435)	(6,818)	(5,515)	(5,302)	(4,482)	(4,247)	(3,565)
Net Change in Pensions Fiduciary Net Position	11,398	13,703	(21,273)	12,440	9,048	15,991	(6,369)	12,065	3,782	867
Pensions Fiduciary Net Position - Beginning	111,772	98,070	119,343	106,903	97,855	81,864	88,233	76,168	72,386	71,519
Pensions Fiduciary Net Position - Ending (b)	123,170	111,772	98,070	119,343	106,903	97,855	81,864	88,233	76,168	72,386
Agency's Net Pension Liability (a) - (b)	\$ 28,146	\$ 33,040	\$ 39,723	\$ 13,012	\$ 21,314	\$ 22,670	\$ 32,148	\$ 21,220	\$ 26,307	\$ 25,525
Pensions Fiduciary Net Position as a Percentage of Total Pension Liability	81.40%	77.18%	71.17%	90.17%	83.38%	81.19%	71.80%	80.61%	74.33%	73.93%
Covered Payroll	\$ 22,060	\$ 20,400	\$ 20,059	\$ 19,039	\$ 18,597	\$ 19,236	\$ 18,984	\$ 18,886	\$ 18,114	\$ 17,383
Pensions Fiduciary Net Pension Liability as a Percentage of Covered Payroll	127.59%	161.96%	198.03%	68.34%	114.61%	117.85%	169.34%	112.36%	145.23%	146.84%

Notes to Schedules: The change of assumption reflected above for the period ended December 31, 2024 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, 2023 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, 2022 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, 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.

PENNSYLVANIA HOUSING FINANCE AGENCY

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

Year	Actuarially Determined Contribution	Contributions From Agency	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contribution as a % of Payroll
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%
2024	4,663,872	4,682,419	(18,547)	22,059,547	21.14%

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 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 through 2024 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)

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

Year ended	
December 31	Rate
2024	14.06%
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%

PENNSYLVANIA HOUSING FINANCE AGENCY

Schedules of Changes in Total OPEB Liability and Related Ratios

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

	June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total OPEB Liability										
Service Cost	\$ 3,741	\$ 4,036	\$ 7,170	\$ 5,996	\$ 5,590	\$ 5,087	\$ 4,976	\$ 6,143	\$ 4,498	\$ 4,230
Interest	3,609	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	(388)	(5,558)	(42,079)	10,201	2,144	(5,264)	(19)	(5,137)	17,252	3,252
Benefit Payments	(2,422)	(2,490)	(2,287)	(1,791)	(1,570)	(1,747)	(1,521)	(1,561)	(1,384)	(1,149)
Net Change in Total OPEB Liability	4,540	(7,798)	(34,297)	22,743	8,956	5,518	6,184	(21,860)	23,563	2,960
Total OPEB Liability - Beginning	84,962	92,760	127,057	104,314	95,358	89,840	83,656	105,516	81,953	78,993
Total OPEB Liability - Ending	\$ 89,502	\$ 84,962	\$ 92,760	\$ 127,057	\$ 104,314	\$ 95,358	\$ 89,840	\$ 83,656	\$ 105,516	\$ 81,953
Covered-Employee Payroll	\$ 24,807	\$ 24,807	\$ 21,006	\$ 21,006	\$ 20,944	\$ 20,944	\$ 20,204	\$ 20,204	\$ 18,523	\$ 18,523
Total OPEB Liability as a Percentage of Covered-Employee Payroll	360.79%	342.49%	441.59%	604.86%	498.06%	455.30%	444.66%	414.06%	596.66%	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:

PENNSYLVANIA HOUSING FINANCE AGENCY

Schedules of Changes in Total OPEB Liability and Related Ratios

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

<u>Year</u>	<u>Discount Rate</u>	<u>Healthcare Cost Trend Rate</u>
2024	4.21%	7.0% in 2024 with 0.5% decrease per year until 5.5% in 2027; gradually decreasing from 5.4% in 2028 to 4.0% in 2075 and later
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

PENNSYLVANIA HOUSING FINANCE AGENCY

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

<u>Year</u>	<u>Discount Rate</u>	<u>Healthcare Cost Trend Rate</u>
2019	2.79%	5.5% in 2019 – 2021; gradually decreasing to 3.8% in 2075 and later
2018	2.98%	6.0% in 2018; 5.5% in 2019 - 2021; gradually decreasing to 3.8% in 2075 and later
2017	3.13%	6.0% in 2017; 5.5% in 2018 - 2023; gradually decreasing to 3.9% in 2075 and later
2016	2.71%	6.5% in 2016; 6.0% in 2017; 5.5% in 2018 - 2020; gradually decreasing to 3.8% in 2075 and later
2015	4.00%	6.0% in 2015; 5.5% in 2016 - 2020; gradually decreasing to 3.8% in 2075 and later

SUPPLEMENTARY INFORMATION

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Balance Sheet

June 30, 2025 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ (57,317)	\$ 162,683	\$ 226,567	\$ 68,037	\$ 22,686	\$ -	\$ 422,656
Restricted cash and cash equivalents	22,825	94,626	236,216	-	-	-	353,667
Investments	4,998	-	-	-	-	-	4,998
Restricted investments	-	-	11,030	-	-	-	11,030
Accrued investment interest receivable	303	75	2,587	-	-	-	2,965
Mortgage loans receivable, net	-	3,015	157,232	-	3,566	-	163,813
Accrued mortgage loan interest receivable	-	70	28,639	-	254	-	28,963
Mortgages held for sale	-	-	44,189	-	-	-	44,189
Other current assets	4,257	2	-	-	-	-	4,259
Total Current Assets	(24,934)	260,471	706,460	68,037	26,506	-	1,036,540
Noncurrent Assets:							
Investments	95,285	-	-	56,163	-	-	151,448
Restricted investments	-	7,015	177,066	-	-	-	184,081
Mortgage loans receivable, net	4,002	351,548	6,330,939	-	15,535	-	6,702,024
Derivative instrument - interest rate swaps	683	-	9,029	-	-	-	9,712
Real estate owned	-	-	9,595	-	-	-	9,595
Capital assets, net	56,408	-	-	-	-	-	56,408
Intra-agency receivables	286,405	27,701	-	-	-	(314,106)	-
Other noncurrent assets	10,111	-	61,483	-	-	(10,090)	61,504
Total Noncurrent Assets	452,894	386,264	6,588,112	56,163	15,535	(324,196)	7,174,772
TOTAL ASSETS	427,960	646,735	7,294,572	124,200	42,041	(324,196)	8,211,312
DEFERRED OUTFLOWS OF RESOURCES							
OPEB-related deferred outflows	12,919	-	-	-	-	-	12,919
Pension-related deferred outflows	10,626	-	-	-	-	-	10,626
Accumulated decrease in fair value of hedging derivatives	-	-	-	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	23,545	-	-	-	-	-	23,545
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 451,505	\$ 646,735	\$ 7,294,572	\$ 124,200	\$ 42,041	\$ (324,196)	\$ 8,234,857

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Balance Sheet

June 30, 2025 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
LIABILITIES							
Current Liabilities:							
Accounts payable and accrued expenses	\$ 1,996	\$ -	\$ 96	\$ -	\$ 368	\$ -	\$ 2,460
Bonds and notes payable, net	2,000	-	172,363	-	-	-	174,363
Accrued interest payable	63	-	65,611	-	-	-	65,674
Escrow deposits and development reserves	800	35,638	68,188	-	-	-	104,626
Software-based IT arrangements	886	-	-	-	-	-	886
Other current liabilities	153,348	253	21,386	-	-	-	174,987
Total Current Liabilities	159,093	35,891	327,644	-	368	-	522,996
Noncurrent Liabilities:							
Bonds and notes payable, net	23,000	-	6,237,866	-	-	-	6,260,866
Derivative instrument - interest rate swaps	-	-	-	-	-	-	-
Development reserves	-	124,475	-	-	-	-	124,475
Intra-agency payables	-	-	314,106	-	-	(314,106)	-
Total OPEB liability	89,502	-	-	-	-	-	89,502
Net pension liability	28,146	-	-	-	-	-	28,146
Software-based IT arrangements	3,433	-	-	-	-	-	3,433
Other noncurrent liabilities	9,140	244,021	-	6,002	11,453	(10,090)	260,526
Total Noncurrent Liabilities	153,221	368,496	6,551,972	6,002	11,453	(324,196)	6,766,948
TOTAL LIABILITIES	312,314	404,387	6,879,616	6,002	11,821	(324,196)	7,289,944
DEFERRED INFLOWS OF RESOURCES							
OPEB-related deferred inflows	39,969	-	-	-	-	-	39,969
Pension-related deferred inflows	2,829	-	-	-	-	-	2,829
Unamortized gains on bond refundings	-	-	2,099	-	-	-	2,099
Accumulated increase in fair value of hedging derivatives	683	-	9,029	-	-	-	9,712
TOTAL DEFERRED INFLOWS OF RESOURCES	43,481	-	11,128	-	-	-	54,609
NET POSITION							
Net investment in capital assets	27,089	-	-	-	-	-	27,089
Restricted	-	-	194,084	-	30,220	-	224,304
Unrestricted	68,621	242,348	209,744	118,198	-	-	638,911
TOTAL NET POSITION	95,710	242,348	403,828	118,198	30,220	-	890,304
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 451,505	\$ 646,735	\$ 7,294,572	\$ 124,200	\$ 42,041	\$ (324,196)	\$ 8,234,857

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2025 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Operating Revenues:						
Interest income on mortgage loans	\$ -	\$ 5,701	\$ 268,143	\$ -	\$ 199	\$ 274,043
Program income and fees	144,291	222	-	15,031	141	159,685
Investment income	15,441	58	32,071	3,017	1,008	51,595
Increase (decrease) in fair value of investments	5,505	171	6,019	(248)	-	11,447
Gain on early extinguishment of debt	-	-	5,223	-	-	5,223
Total Operating Revenues	165,237	6,152	311,456	17,800	1,348	501,993
Operating Expenses:						
Interest expense on bonds and notes	830	-	236,532	-	-	237,362
Financing expenses	34	-	9,194	-	-	9,228
Program expenses	80,066	161	32,906	-	-	113,133
Salaries and related benefits	42,893	-	-	-	2,544	45,437
General and administrative	18,013	440	9,512	-	983	28,948
Provision (recoveries) for loan loss and real estate owned	260	142	1,862	2,098	(152)	4,210
Total Operating Expenses	142,096	743	290,006	2,098	3,375	438,318
Operating Income (Loss)	23,141	5,409	21,450	15,702	(2,027)	63,675
Non-operating Revenue						
Federal program awards	230,939	598,131	3,791	-	-	832,861
Non-operating Expense						
Federal program expense	230,939	598,131	3,791	-	-	832,861
Income (Loss) Before Transfers	23,141	5,409	21,450	15,702	(2,027)	63,675
Intra-agency transfers	(6,228)	(89)	6,303	14	-	-
Change in Net Position	16,913	5,320	27,753	15,716	(2,027)	63,675
Net Position - beginning of year	78,797	237,028	376,075	102,482	32,247	826,629
Net Position - end of year	\$ 95,710	\$ 242,348	\$ 403,828	\$ 118,198	\$ 30,220	\$ 890,304

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Cash Flows

Year Ended June 30, 2025 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Cash Flows From Operating Activities						
Receipts of mortgage loan payments	\$ 60	\$ 10,407	\$ 324,494	\$ -	\$ 5,927	\$ 340,888
Receipts from fees and other income	144,291	222	-	15,031	141	159,685
Receipts from interest on mortgages	-	5,699	262,767	-	199	268,665
(Payments) receipts of escrows and reserves	(192,302)	20,204	5,800	(227)	-	(166,525)
Payments for mortgages and purchases	(494)	(20,023)	(1,628,758)	-	(2,792)	(1,652,067)
Payments for salaries and related benefits	(42,956)	-	-	-	-	(42,956)
Payments for goods, services and other	(96,017)	(602)	(72,473)	-	(3,471)	(172,563)
Net Cash (Used In) Provided By Operating Activities	<u>(187,418)</u>	<u>15,907</u>	<u>(1,108,170)</u>	<u>14,804</u>	<u>4</u>	<u>(1,264,873)</u>
Cash Flows From Noncapital Financing Activities						
Proceeds from the issuance of bonds and notes	-	-	1,130,206	-	-	1,130,206
Payments for retirement of bonds and notes	-	-	(282,668)	-	-	(282,668)
Payments for bonds and notes interest	-	-	(213,788)	-	-	(213,788)
Payments of financing costs	(34)	-	(9,194)	-	-	(9,228)
Receipts (repayments) of program advances	(7,806)	(89)	7,881	14	-	-
Receipts of federal program awards	230,939	598,131	3,791	-	-	832,861
Payments of federal program awards	(230,939)	(598,131)	(3,791)	-	-	(832,861)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(7,840)</u>	<u>(89)</u>	<u>632,437</u>	<u>14</u>	<u>-</u>	<u>624,522</u>
Cash Flows From Capital Financing Activities						
Purchases of capital assets	(4,920)	-	-	-	-	(4,920)
Payments for retirement of capital financing bond	(2,000)	-	-	-	-	(2,000)
Payments for interest on capital financing bond	(838)	-	-	-	-	(838)
Net Cash Used In Capital Financing Activities	<u>(7,758)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,758)</u>
Cash Flows From Investing Activities						
Proceeds from the sale or maturity of investments	89,776	-	34,828	-	-	124,604
Receipts of investment interest	17,105	(302)	31,774	3,017	1,053	52,647
Payments for purchases of investments	(35)	(18)	(35,083)	(16,732)	-	(51,868)
Net Cash Provided By (Used in) Investing Activities	<u>106,846</u>	<u>(320)</u>	<u>31,519</u>	<u>(13,715)</u>	<u>1,053</u>	<u>125,383</u>
Net (Decrease) Increase In Cash and Cash Equivalents	<u>(96,170)</u>	<u>15,498</u>	<u>(444,214)</u>	<u>1,103</u>	<u>1,057</u>	<u>(522,726)</u>
Cash and cash equivalents, beginning of year	<u>61,678</u>	<u>241,811</u>	<u>462,783</u>	<u>68,037</u>	<u>21,629</u>	<u>1,299,049</u>
Cash and cash equivalents, end of period	<u>\$ (34,492)</u>	<u>\$ 257,309</u>	<u>\$ 18,569</u>	<u>\$ 69,140</u>	<u>\$ 22,686</u>	<u>\$ 776,323</u>

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Cash Flows

Year Ended June 30, 2025 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Reconciliation of Operating Income to						
Net Cash Provided By Operating Activities:						
Operating Income (Loss)	\$ 23,141	\$ 5,409	\$ 21,450	\$ 15,702	\$ (2,027)	\$ 63,675
Investment income recognized	(15,441)	(58)	(32,071)	(3,017)	(1,008)	(51,595)
Net change in fair value of investments	(5,505)	(171)	(6,019)	248	-	(11,447)
Interest expense on bonds and notes	830	-	236,532	-	-	237,362
Financing expenses	34	-	9,194	-	-	9,228
Provision (recoveries) for loan loss and real estate owned	260	142	1,862	2,098	(152)	4,210
Depreciation and amortization	3,796	-	-	-	-	3,796
Gain on early extinguishment of debt	-	-	(5,223)	-	-	(5,223)
Changes in Assets and Liabilities:						
Mortgage loans receivable, net	(433)	(9,616)	(1,313,146)	-	2,978	(1,320,217)
Mortgage loans interest receivable	-	(2)	(5,376)	-	-	(5,378)
Real estate owned, net	-	-	1,012	-	-	1,012
Other assets	7,573	(1)	(13,661)	-	-	(6,089)
Accounts payable and accrued expenses	(237)	-	(625)	-	2	(860)
Escrow deposits and development reserves	114	15,082	6,503	-	-	21,699
Other liabilities	(201,550)	5,122	(8,602)	(227)	211	(205,046)
Net Cash (Used In) Provided By Operating Activities	\$ (187,418)	\$ 15,907	\$ (1,108,170)	\$ 14,804	\$ 4	\$ (1,264,873)

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Balance Sheet

June 30, 2024 (in thousands)

ASSETS	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
Current assets:							
Cash and cash equivalents	\$ (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
Total Current Assets	<u>104,556</u>	<u>244,347</u>	<u>1,124,821</u>	<u>71,913</u>	<u>25,907</u>	<u>-</u>	<u>1,571,544</u>
Noncurrent Assets:							
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
Total Noncurrent Assets	<u>502,528</u>	<u>376,864</u>	<u>5,274,661</u>	<u>34,700</u>	<u>17,948</u>	<u>(322,156)</u>	<u>5,884,545</u>
TOTAL ASSETS	<u>607,084</u>	<u>621,211</u>	<u>6,399,482</u>	<u>106,613</u>	<u>43,855</u>	<u>(322,156)</u>	<u>7,456,089</u>
DEFERRED OUTFLOWS OF RESOURCES							
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
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>31,818</u>	<u>-</u>	<u>8,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,550</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 638,902</u>	<u>\$ 621,211</u>	<u>\$ 6,408,214</u>	<u>\$ 106,613</u>	<u>\$ 43,855</u>	<u>\$ (322,156)</u>	<u>\$ 7,496,639</u>

See accompanying independent auditors' report.

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
LIABILITIES							
Current Liabilities:							
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
Total Current Liabilities	219,820	30,494	287,388	-	366	-	538,068
Noncurrent Liabilities:							
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
Total Noncurrent Liabilities	288,193	353,689	5,741,652	4,131	11,242	(322,156)	6,076,751
TOTAL LIABILITIES	508,013	384,183	6,029,040	4,131	11,608	(322,156)	6,614,819
DEFERRED INFLOWS OF RESOURCES							
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
TOTAL DEFERRED INFLOWS OF RESOURCES	52,092	-	3,099	-	-	-	55,191
NET POSITION							
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
TOTAL NET POSITION	78,797	237,028	376,075	102,482	32,247	-	826,629
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 638,902	\$ 621,211	\$ 6,408,214	\$ 106,613	\$ 43,855	\$ (322,156)	\$ 7,496,639

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
Operating Revenues:						
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
Gain on early extinguishment of debt	-	-	4,405	-	-	4,405
Total Operating Revenues	154,745	4,685	228,472	13,209	1,333	402,444
Operating Expenses:						
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 (Recoveries) provision for loan loss and real estate owned	(969)	128	1,312	166	-	637
	876	(587)	4,653	385	(55)	5,272
Total Operating Expenses	137,086	2,308	213,080	551	1,809	354,834
Operating Income (Loss)	17,659	2,377	15,392	12,658	(476)	47,610
Non-operating Revenue						
Federal program awards	114,563	551,316	2,298	-	-	668,177
Non-operating Expense						
Federal program expense	114,563	551,316	2,298	-	-	668,177
Income (Loss) Before Transfers	17,659	2,377	15,392	12,658	(476)	47,610
Intra-agency transfers	(4,777)	(379)	5,156	-	-	-
Change in Net Position	12,882	1,998	20,548	12,658	(476)	47,610
Net Position - beginning of year	65,915	235,030	355,527	89,824	32,723	779,019
Net Position - end of year	\$ 78,797	\$ 237,028	\$ 376,075	\$ 102,482	\$ 32,247	\$ 826,629

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
Cash Flows From Operating Activities						
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)
Net Cash (Used In) Provided By Operating Activities	<u>(171,407)</u>	<u>15,625</u>	<u>(761,427)</u>	<u>10,828</u>	<u>(160)</u>	<u>(906,541)</u>
Cash Flows From Noncapital Financing Activities						
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)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(10,519)</u>	<u>(5,885)</u>	<u>827,982</u>	<u>-</u>	<u>-</u>	<u>811,578</u>
Cash Flows From Capital Financing Activities						
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)
Net Cash Used In Capital Financing Activities	<u>(6,233)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,233)</u>
Cash Flows From Investing Activities						
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)
Net Cash (Used in) Provided By Investing Activities	<u>146,022</u>	<u>5,587</u>	<u>22,761</u>	<u>(3,858)</u>	<u>1,004</u>	<u>171,516</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>(42,137)</u>	<u>15,327</u>	<u>89,316</u>	<u>6,970</u>	<u>844</u>	<u>70,320</u>
Cash and cash equivalents, beginning of year	<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>
Cash and cash equivalents, end of period	<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
Reconciliation of Operating Income to						
Net Cash Provided By Operating Activities:						
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
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)
Net Cash (Used In) Provided By Operating Activities	\$ (171,407)	\$ 15,625	\$ (761,427)	\$ 10,828	\$ (160)	\$ (906,541)

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, 2025 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 24, 2025.

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
September 24, 2025



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