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

Management's Discussion and Analysis,
Basic Financial Statements, and Supplementary Information

June 30, 2020 and 2019

(With Independent Auditors' Reports Thereon)

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(A Component Unit of the Commonwealth of Virginia)

Table of Contents

		Page
Management's Discussion and Analysis (unaudited)		2
Independent Auditors' Report		11
Basic Financial Statements:		
	Statements of Net Position – June 30, 2020 and 2019	14
	Statements of Revenues, Expenses, and Changes in Net Position – Years Ended June 30, 2020 and 2019	16
	Statements of Cash Flows – Years Ended June 30, 2020 and 2019	17
	Statements of Fiduciary Net Position – June 30, 2020 and 2019	19
	Statements of Changes in Fiduciary Net Position – Years Ended June 30, 2020 and 2019	20
Notes to Basic Financial Statements		21
Required Supplementary Information (unaudited)		
1	Retiree Healthcare Plan – Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios	65
2	Retiree Healthcare Plan – Schedule of Contributions	66
Other Supplementary Information		
3	Combining Schedule of Net Position – June 30, 2020	67
4	Combining Schedule of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2020	69
5	Combining Schedule of Fiduciary Net Position – June 30, 2020	70
6	Combining Schedule of Changes in Fiduciary Net Position – Year Ended June 30, 2020	71
7	Combining Schedule of Net Position – June 30, 2019	72
8	Combining Schedule of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2019	74
9	Combining Schedule of Fiduciary Net Position – June 30, 2019	75
10	Combining Schedule of Changes in Fiduciary Net Position – Year Ended June 30, 2019	76
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*		77

Management of the Virginia Housing Development Authority (Authority) offers readers of its financial report this overview and analysis of the Authority's financial performance for the years ended June 30, 2020 and 2019. Readers are encouraged to consider this information in conjunction with the Authority's basic financial statements, accompanying notes, and supplementary information, which follow this section.

Organization Overview

The Authority is a political subdivision of the Commonwealth of Virginia (Commonwealth), created under the Virginia Housing Development Authority Act (Act) enacted by the General Assembly in 1972, as amended. The Act empowers the Authority to finance the acquisition, construction, rehabilitation, and ownership of affordable housing for home ownership or occupancy by low-or moderate-income Virginians. To raise funds for its mortgage loan operations, the Authority sells tax-exempt and taxable notes and bonds and mortgage backed securities to investors. The notes, bonds, and other indebtedness of the Authority are not obligations of the Commonwealth and the Commonwealth is not liable for repayments of such obligations. Furthermore, as a self-sustaining organization, the Authority does not receive operational funding from the Commonwealth. Authority revenues are generated primarily from interest on mortgage loans, program administration fees, and investment income.

The Authority participates in the Government National Mortgage Association (GNMA) Mortgage-backed Securities (MBS) program. Through this MBS program, the Authority issues GNMA securities which may be held by the Authority or sold to third parties and that are backed by pools of mortgage loans. Once sold, the mortgage loans are no longer assets of the Authority nor pledged to any bond resolution. Each GNMA security represents an undivided ownership interest in a pool of homeownership mortgage loans and carries the full faith and guaranty of the United States (U.S.) government. The GNMA guaranty ensures the owner of the security issued by the Authority receives timely payment of scheduled monthly principal and interest payments at the rate provided by the securities. All mortgage loans under the GNMA MBS programs are insured or guaranteed by the Federal Housing Administration (FHA), the U.S. Department of Agriculture's Rural Development agency, or the Veterans Administration.

The Authority also participates in several Federal National Mortgage Association (FNMA) Mortgage-backed Securities (MBS) program. The Authority may sell to FNMA homeownership mortgage loans under its whole loan program or it may issue FNMA securities backed by homeownership mortgage loans which securities may be held by the Authority or sold to third parties. Once sold, the mortgage loans are no longer assets of the Authority nor pledged to any bond resolution. The FNMA guaranty ensures the owner of the security issued by the Authority receives timely payment of scheduled monthly principal and interest payments at the rate provided by the securities.

In addition to its major mortgage loan programs, the Authority also administers, on a fee basis, various other programs related to its lending activities. Such programs include the Housing Choice Voucher (HCV) program, which provides rental subsidies from federal funds, and the federal Low Income Housing Tax Credit (LIHTC) program, which awards income tax credits for the purpose of constructing or rehabilitation low-income rental housing projects.

With internally generated funds, the Authority also provided funding for its Resources Enabling Affordable Community Housing (REACH) *Virginia* initiatives, in which grants are made or the interest rates on homeownership or rental housing mortgage loans are subsidized by the Authority, to provide assistance to the elderly, disabled, homeless, and other low-income persons and increase affordable housing opportunities in the Commonwealth. The amount of change in net position each fiscal year used to provide such grants or reduced interest rates on mortgage loans or otherwise subsidize its programs is determined by VHDA's Board of Commissioners. In fiscal year 2020, to address the growing demand for REACH and the financial position of the Authority, the Board of

Commissioners approved an increase to REACH for fiscal year 2020 from 50% to 60%. The amount of REACH the Authority commits is based on the average of the Authority's change in net position, as unadjusted for the effect of Governmental Accounting Standards Board (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, for the preceding five fiscal years' multiplied by the Board approved percentage. The amounts made available to the REACH initiative are subject to periodic review by the Authority of the impact on its financial position. The Authority finances some, but not all, of such subsidized mortgage loans, in whole or in part, with funds under its various bond resolutions or mortgage loan securitization programs. During fiscal year 2020, management reallocated $8.5 million in REACH resources to business partners as COVID relief grants to support housing agencies throughout the Commonwealth.

Financial Statements

The basic financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows, the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position, and the accompanying notes to the basic financial statements.

The *Statement of Net Position* reports all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, presented in order of liquidity and using the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is presented as net position, and is displayed in three components: net investment in capital assets; restricted portion of net position; and unrestricted portion of net position. Net position is restricted when external constraints are placed upon their use, such as bond indentures, legal agreements or statutes. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* identifies all the Authority's revenues and expenses for the reporting period, distinguishing between operating and non-operating activities. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through mortgage loan income, investment income, externally funded programs and other revenue sources.

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash transactions, including receipts, payments, and net changes resulting from operations, noncapital financing, capital financing, and investing activities. This statement provides information regarding the sources and uses of cash and the change in cash during the reporting period.

The *Statement of Fiduciary Net Position* reports the assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position of pension (and other employee benefit) trust funds and custodial funds. The purpose of this statement is to report the financial position of activities the Authority has stewardship of that are not assets or liabilities of the Authority.

The *Statement of Changes in Fiduciary Net Position* reports the additions and deductions from pension (and other employee benefit) trust funds and custodial funds. The purpose of this statement is to report the financial activities which includes the receipts and disbursements of funds the Authority has stewardship of but are not included in the Authority's financial activities.

The *Notes to Basic Financial Statements* provide additional information that is essential for understanding financial data that may not be displayed on the face of the financial statements and as such, are an integral part of the Authority's financial statements.

Financial Highlights

Overview

In March 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization and began to effect the United States and the economy. As a result, the Authority quickly and effectively transitioned its operations to a remote environment and has remained fully operational throughout the crisis. The Authority also took action to support its borrowers by allowing them to take forbearances on their loans similar to the programs offered by the Federal Government. As the COVID crisis unfolds the Authority continues to operate effectively and maintain its strong financial position that still grew at a rate of 3.5% over the fiscal year to a total net position of $3.6 billion. Both Standard & Poor's Ratings Services (Standard & Poor's) and Moody's Investors Services (Moody's) rating agencies continue to rate the Authority with an AA+ issuer credit rating and Aa1 general obligation credit rating, respectively.

In its homeownership loan program, the Authority has continued to offer mortgage loans at affordable interest rates, financed through the issuance of taxable bonds and MBS guaranteed by GNMA and FNMA. Participation in the FNMA Housing Finance Agency (HFA) Preferred Risk Sharing Programs has allowed the Authority to finance homeownership mortgage loans with either no mortgage insurance or private mortgage insurance and, unlike mortgage loans finance with the proceeds of tax-exempt bonds, to permit the funding of refinancing loans and loans to borrowers who are not first time homebuyers. In addition, since inception in the spring of 2015, the Authority has issued more than 15,900 down-payment assistance (DPA) grants valued at over $82.1 million to assist qualified first time homebuyers and has issued more than 24,600 Mortgage Credit Certificates (MCC) valued at over $967 million to provide even more tax advantages to low or moderate income borrowers getting homeownership mortgage loans.

In its rental housing program, the Authority has continued to fund developments through the issuance of tax-exempt and taxable bonds along with the increased use of REACH funds to make developments financially feasible. Rental housing financing improved significantly in fiscal year 2020 due to product re-pricing measures, REACH subsidies, and strong demand for rental housing. In February 2016, the Authority was approved to originate loans using a federal risk-sharing program whereby rental housing mortgage loans will be insured by FHA and financed through the Federal Financing Bank (FFB). The Authority began to access this lower cost of capital by financing loans with this new risk-sharing/FFB program in fiscal year 2017. The FFB program was terminated by the Federal Government during fiscal year 2020.

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

As part of servicing its rental housing loans, the Authority works with its borrowers and property managers by offering forbearances and loss mitigation options during this COVID crisis. As a result, the delinquencies and foreclosures on its rental housing mortgage loans have been maintained at relatively low levels.

While the Authority continues to face challenges from uncertainty in the financial markets, the Authority's capital acquisition initiatives and loss mitigation practices have allowed the Authority to respond with new lending program opportunities and maintain a strong financial position.

Year Ended June 30, 2020

Homeownership mortgage loan originations totaled 8,558 loans for $1,822.2 million in fiscal year 2020 compared to 6,697 loans for $1,313.2 million for fiscal year 2019, an increase of 27.8% in units and 38.8% in dollars of mortgage loans over the prior year's production levels. The increase in year over year production was attributed to low interest rates, increased advertising, and strong demand for affordable homes.

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

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

Financing commitments for 5,492 rental housing units were made during fiscal year 2020, totaling $810.5 million, compared to 5,673 rental housing units totaling $727.9 million for fiscal year 2019. Recapitalization and rehabilitation of developments within the Authority's existing rental housing portfolio using new taxable and tax-exempt financing and REACH funds provided the majority of the rental housing mortgage loan production. The year over year increase in dollars was primarily the result of product re-pricing measures, availability of REACH subsidies, and strong demand for rental housing.

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

Year Ended June 30, 2019

Homeownership mortgage loan originations totaled 6,697 loans for $1,313.2 million in fiscal year 2019 compared to 7,212 loans for $1,422.0 million for fiscal year 2018, a decrease of 7.1% in units and 7.7% in dollars of mortgage loans over the prior year's production levels. The decrease in year over year production was attributed to decreased housing stock available for first time homebuyers and a general industry wide decrease of over 3%.

(Continued)

As of June 30, 2019, the Authority serviced for itself and for third parties a total of 75,013 first and second homeownership mortgage loans with outstanding balances totaling $8.0 billion. Approximately 31,100 of the mortgage loans were serviced for GNMA and FNMA, for which the Authority receives a servicing fee. The outstanding balances of loans serviced, increased by $685.3 million or 9.4% and the number of loans serviced increased by 4,892 loans or 7.0%, since June 30, 2018, primarily in the form of FNMA Risk Share mortgage loans and FHA insured first lien mortgage loans that have been pooled into MBS guaranteed by GMNA and originated with corresponding uninsured second lien mortgage loans.

In fiscal year 2019, there were 297 homeownership mortgage foreclosures valued at $37.4 million or 1.5% of the self-serviced homeownership mortgage loan portfolio, compared to a year ago with 357 foreclosures valued at $43.6 million or 1.6% of loan amounts. Recovery rates averaging 76.7%, representing an improvement of .9% over the prior year, somewhat mitigated the impact of loan losses. Total delinquency rates on the servicing portfolio based on loan count averaged 8.9% for the fiscal year, compared to 8.8% a year ago. Total delinquency rates on the servicing portfolio based on outstanding mortgage loan balances averaged 7.5% and 7.4% as of June 30, 2019 and 2018, respectively. Delinquencies consist of first mortgage loans over 30 days past due and foreclosures and bankruptcies.

Financing commitments for 5,673 rental housing units were made during fiscal year 2019, totaling $727.9 million, compared to 4,648 rental housing units totaling $500.7 million for fiscal year 2018. Recapitalization and rehabilitation of developments within the Authority's existing rental housing portfolio using new taxable and tax-exempt financing and REACH funds provided the majority of the rental housing mortgage loan production. The year over year increase was primarily the result of product re-pricing measures and availability of REACH subsidies.

As of June 30, 2019, the Authority serviced 1,165 rental housing mortgage loans with outstanding balances totaling $3.3 billion. Compared to June 30, 2018, the number of loans in the portfolio decreased 14 while loan balances increased $112.2 million or 3.5%. Delinquency rates based on rental housing portfolio loan count averaged 0.67% and 0.72% for the years ended June 30, 2019 and 2018, respectively. The average delinquency rates based on outstanding mortgage loan balances were 0.43% or $13.4 million for fiscal year 2019 compared to 0.56% or $17.4 million for fiscal year 2018.

Financial Analysis of the Authority

Cash is held by the trustees and banks in depository accounts and investments for a variety of purposes, including: debt service funds required by bond resolutions, escrow and reserve funds held for the benefit of homeownership mortgagors and rental housing developments, funding for new mortgage loan originations, working capital for operating costs of the Authority, governmental funds held for disbursement toward Section 8 developments, and other funds held in a fiduciary capacity to support other housing initiatives. Monies on deposit in banks located in Virginia are collateralized pursuant to the Virginia Security for Public Deposits Act of the Code of Virginia.

Investment objectives are to invest all monies at favorable rates to maximize returns while maintaining short-term liquidity and to manage investments in a prudent manner to enable the Authority to fulfill its financial commitments. Precautions are taken to minimize the risk associated with investments, including monitoring creditworthiness of the investment, as determined by ratings provided by Standard & Poor's and Moody's, concentration risk, and maturity risk.

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

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

The largest component of the Authority's liabilities is outstanding bonds payable, the majority of which is fixed rate to maturity dates that may extend into the future as much as forty years. The Authority continues to maintain strong long-term ratings of Aa1 from Moody's and AA+ from Standard & Poor's for its general credit rating as well as all bond resolutions other than the Commonwealth Mortgage Bonds resolution, which is rated Aaa and AAA, by Moody's and Standard & Poor's, respectively.

Net position is comprised of net investment in capital assets, restricted and unrestricted portions of net position. *Net investment in capital assets* represents office buildings, land, furniture and equipment, and vehicles, less the outstanding applicable debt. *Restricted portion of net position* represents the portion of net position held in trust accounts for the benefit of the respective bond owners, subject to the requirements of the various bond resolutions. *Unrestricted portion of net position* represents a portion of net position that has been designated for a broad range of initiatives, such as administration of the HCV program, support for REACH initiatives, contributions to bond issues, working capital, future operating and capital expenditures, and general financial support to the Authority's loan programs.

Condensed Statements of Net Position

(In millions)

	June 30		
	2020	**2019**	**2018**
Cash and cash equivalents	$ 1,660.9	827.6	870.7
Investments	584.9	617.5	596.0
Mortgage loans held for sale	118.1	201.1	162.6
Mortgage and other loans receivable, net	5,795.5	5,412.8	5,520.2
Other assets	128.6	128.4	124.3
Total assets	8,288.0	7,187.4	7,273.8
Deferred outflows of resources-OPEB	4.6	4.7	2.6
Notes and bonds payable, net	4,447.4	3,487.4	3,746.7
Other liabilities	255.5	238.5	244.3
Total liabilities	4,702.9	3,725.9	3,991.0
Deferred inflows of resources-OPEB	3.6	0.2	1.9

(Continued)

Invested in capital assets, net of related debt		15.2	14.6	12.2
Restricted by bond indentures		3,220.9	3,103.5	2,969.7
Unrestricted		350.0	347.9	301.6
Net position	$	3,586.1	3,466.0	3,283.5

June 30, 2020 Compared to June 30, 2019

Total assets increased $1,100.6 million, or 15.3% from the prior year. Cash and cash equivalents and investments increased $800.7 million, or 55.4% from the prior year. Mortgage and other loans receivables, net, increased by $299.7 million, or 5.3%, primarily as a result of strong mortgage originations and the issuance of $378.0 million in Commonwealth Pass-through bonds.

Total liabilities increased $977.0 million, or 26.2% from the prior year. Notes and bonds payable increased $960.0 million or 27.5%, due primarily to the Authority issuing several bonds to fund a growing rental housing portfolio and maintain high liquidity during the crisis. For the year ended June 30, 2020, the Authority issued a total of $939.6 million of Rental Housing bonds and $378.0 million of Commonwealth Pass-through bonds. Bond principal repayments and redemptions during the year totaled $158.4 million of the Commonwealth Mortgage Bond Group, $39.9 million of the Homeownership Mortgage Bond Group, $163.8 million of the Rental Housing Bond Group, and collectively included bond redemptions of $165.7 million. Proceeds from the Bond Groups and from GNMA and FNMA mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

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

June 30, 2019 Compared to June 30, 2018

Total assets decreased $86.4 million, or 1.2% from the prior year. Cash and cash equivalents and investments decreased $21.6 million, or 1.5% from the prior year. Mortgage and other loans receivables, net, decreased by $68.9 million, or 1.2%, primarily as a result of securitizations of homeownership loans through GNMA and FNMA.

Total liabilities decreased $265.1 million, or 6.6% from the prior year. Notes and bonds payable decreased $259.3 million or 6.9%, due primarily to bond redemptions and scheduled principal repayments. For the year ended June 30, 2019, the Authority issued a total of $238.2 million of tax-exempt Rental Housing bonds. Bond principal repayments and redemptions during the year totaled $213.7 million of the Commonwealth Mortgage Bond Group, $31.8 million of the Homeownership Mortgage Bond Group, $252.1 million of the Rental Housing Bond Group, and collectively included bond redemptions of $290.5 million. Proceeds from the Bond Groups and from GNMA and FNMA mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

Total assets exceeded total liabilities by $3,461.5 million, representing an increase in net position of $182.5 million, and a 5.6% return over the preceding fiscal year. As of June 30, 2019, net position invested in capital assets, net of related debt, was $14.6 million. Net position restricted by bond resolutions totaled $3,103.5 million, an increase of $133.8 million, or 4.5% from the prior year. Unrestricted net position totaled $347.9 million, an increase of $46.3 million, or 15.4%.

(Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position

(In millions)

		Year ended June 30		
		2020	**2019**	**2018**
Operating revenues:				
Interest on mortgage and other loans	$	294.7	297.9	313.5
Housing Choice Voucher program income		7.1	6.6	8.1
Other operating revenues		98.7	70.7	68.1
Total operating revenues		400.5	375.2	389.7
Operating expenses:				
Interest on notes and bonds payable		123.3	128.6	136.5
Housing Choice Voucher program expense		7.9	7.4	8.2
Other operating expenses		122.6	105.7	96.5
Grant expenses		38.3	14.7	20.5
Provision for loan losses		39.8	(8.3)	8.6
Total operating expenses		331.9	248.1	270.3
Net operating income		68.6	127.1	119.4
Nonoperating revenues:				
Investment income		49.2	56.3	15.5
Unrealized gain/(loss) on derivatives		2.3	(0.9)	(2.6)
Pass-through grants received		92.6	107.1	115.6
Pass-through grants disbursed		(92.6)	(107.1)	(115.6)
Total nonoperating revenues		51.5	55.4	12.9
Change in net assets	$	120.1	182.5	132.3

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

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

Fiscal Year 2020

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

Nonoperating revenues, net, decreased by $3.9 million or 7.0% from the prior year. The primary factor was a decrease in investment income of $7.1 million or 12.6% due to a lower interest rate environment.

Fiscal Year 2019

Operating revenues decreased $14.5 million or 3.7% from the prior year. The primarily factor was the decrease in interest on mortgage and other loans of $15.6 million or 5.0%, due to lower mortgage loan balances and increased usage of homeownership loan securitizations. Operating expenses for the year decreased $22.2 million or 8.2% from the prior year. The decrease was primarily the result of provision for loan losses which decreased $16.9 million or 196.5% from the prior year. Nonoperating revenues, net, increased by $42.5 million or 329.5% from the prior year, primarily as a result of unrealized gains on investments in the current year.

Other Economic Factors

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

The Authority's main sources of revenues include mortgage loan interest, gains on sale of mortgage loans and mortgage servicing fees. The Authority's non-mortgage loan investment portfolio generally consists of marketable securities bearing short-term maturities. Short-term investment rates in the U.S. have decreased significantly to 0.13% in June 2020 from 2.18% in June 2019.

Delinquency and foreclosure rates in the homeownership loan portfolio, and to a lesser extent the rental housing loan portfolio, are influenced by unemployment and underemployment. Virginia's seasonally adjusted unemployment rate was 8.4% and 2.9% in June 2020 and 2019, respectively. Virginia underemployment rates, which include those no longer seeking employment and those employed only part-time who desire full-time work, were 8.5% and 6.4% in the fiscal year ended June 30, 2020 and 2019, respectively.

Additional Information

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

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Independent Auditors' Report

The Board of Commissioners
Virginia Housing Development Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Virginia Housing Development Authority, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Virginia Housing Development Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the fiduciary activities of Virginia Housing Development Authority, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matter

As discussed in Note 1(c) to the financial statements, Virginia Housing Development Authority adopted Governmental Accounting Standards Board Statement No. 84 *Fiduciary Activities* on July 1, 2019 which provides new accounting guidance on identifying fiduciary activities and how those activities should be reported. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Combining Schedule of Net Position – June 30, 2020, Combining Schedule of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2020, Combining Schedule of Fiduciary Net Position – June 30, 2020, Combining Schedule of Changes in Fiduciary Net Position – Year Ended June 30, 2020, Combining Schedule of Net Position – June 30, 2019, Combining Schedule of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2019, Combining Schedule of Fiduciary Net Position –June 30, 2019, and Combining Schedule of Changes in Fiduciary Net Position – Year Ended June 30, 2019 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules 3 through 10 on pages 67 through 76 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020 on our consideration of Virginia Housing Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Virginia Housing Development Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing*

Standards in considering Virginia Housing Development Authority's internal control over financial reporting and compliance.

KPMG LLP

Richmond, Virginia
September 10, 2020

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

Statements of Net Position

June 30, 2020 and 2019

		2020	2019
Assets			
Current assets:			
Cash and cash equivalents (note 5)	$	1,660,877,163	827,632,450
Interest receivable – investments		1,794,720	2,965,253
Derivative instruments (note 11)		94,742	-
Mortgage loans held for sale (note 1)		118,078,121	201,097,363
Mortgage and other loans receivable, net (note 4)		156,757,551	160,067,281
Interest receivable – mortgage and other loans		24,048,833	23,591,799
Other real estate owned (note 1)		5,889,990	12,428,490
Other assets		10,294,477	9,254,149
Total current assets		1,977,835,597	1,237,036,785
Noncurrent assets:			
Investments (note 5)		584,906,607	617,512,151
Mortgage and other loans receivable (note 4)		5,858,692,323	5,431,359,330
Less allowance for loan loss (note 1)		174,496,556	137,237,884
Less net loan discounts		45,487,622	41,403,980
Mortgage and other loans receivable, net		5,638,708,145	5,252,717,466
Capital Assets, net of accumulated depreciation and amortization of $43,718,451 and $41,239,479 respectively (note 6)		27,134,495	27,572,387
Mortgage servicing rights, net (note 1)		42,397,723	38,026,067
Other assets		17,027,360	14,531,808
Total noncurrent assets		6,310,174,330	5,950,359,879
Total assets		8,288,009,927	7,187,396,664
Deferred outflows of resources			
Other postemployment benefits - change in assumptions (note 1)		2,362,344	2,653,422
Other postemployment benefits - difference between expected and actual experience (note 1)		2,228,265	1,200,594
Other postemployment benefits - difference between projected and actual earnings (note 1)		-	856,736
Total deferred outflows of resources		4,590,609	4,710,752

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Statements of Net Position

June 30, 2020 and 2019

Liabilities		**2020**	**2019**
Current liabilities:			
Notes and bonds payable (note 8)	$	560,378,235	557,775,484
Accrued interest payable on notes and bonds		30,184,485	27,741,304
Escrows (note 10)		32,058,237	31,413,723
Derivative instruments (note 11)		-	2,218,223
Accounts payable and other liabilities		33,749,789	21,138,725
Total current liabilities		656,370,746	640,287,459
Noncurrent liabilities:			
Bonds payable, net (note 8)		3,887,046,954	2,929,584,329
Project reserves (notes 10 and 16)		113,395,875	114,173,466
Loan participation payable to Federal Financing Bank (note 9)		36,335,719	29,160,551
Other liabilities (notes 12, 14, and 16)		9,737,352	12,697,768
Total noncurrent liabilities		4,046,515,900	3,085,616,114
Total liabilities		4,702,886,646	3,725,903,573
Deferred inflows of resources			
Other postemployment benefits - change in assumptions (note1)		583,584	-
Other postemployment benefits - difference between expected and actual experience (note 1)		166,145	186,913
Other postemployment benefits - difference between projected and actual earnings (note 1)		2,860,594	-
Total deferred inflows of resources		3,610,323	186,913
Net position (notes 1 and 15):			
Net investment in capital assets (notes 1 and 15)		15,210,206	14,637,123
Restricted by bond indentures (notes 1 and 15)		3,220,945,553	3,103,521,162
Unrestricted (notes 1 and 15)		349,947,808	347,858,645
Total net position	$	3,586,103,567	3,466,016,930

See accompanying notes to basic financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2020 and 2019

		2020	2019
Operating revenues:			
Interest on mortgage and other loans receivable	$	294,659,227	297,920,454
Housing Choice Voucher program administrative income (note 1)		7,124,917	6,570,517
Gains and recoveries on sale of other real estate owned		889,851	1,655,153
Gains on sale of single family mortgage loans		47,655,216	22,297,234
Mortgage servicing fees net of guaranty fees		40,109,949	36,882,971
Tax credit program fees earned		6,019,088	6,200,599
Other		4,063,498	3,630,694
Total operating revenues		400,521,746	375,157,622
Operating expenses:			
Interest on notes and bonds payable		123,263,072	128,573,732
Salaries and related employee benefits (notes 12 and 13)		60,079,588	58,151,563
General operating expenses		26,070,730	25,185,018
Note and bond expenses		1,021,934	513,773
Bond issuance expenses		8,367,128	2,182,331
Grant expenses		38,284,248	14,734,323
Housing Choice Voucher program expenses (note 1)		7,933,578	7,409,446
Mortgage servicing rights amortization and other servicing costs		25,739,520	18,045,135
Losses on other real estate owned (note 1)		1,336,513	1,657,844
Provision for loan losses (note 1)		39,844,305	(8,377,208)
Total operating expenses		331,940,616	248,075,957
Operating income		68,581,130	127,081,665
Nonoperating revenues (losses):			
Pass-through grant awards (note 1)		92,644,179	107,087,128
Pass-through grants expenses (note 1)		(92,644,179)	(107,087,128)
Investment income (note 12)		49,165,319	56,257,713
Unrealized gain (loss) on derivative instruments (note 11)		2,312,965	(860,762)
Other, net		27,223	1,069
Total nonoperating revenues, net		51,505,507	55,398,020
Change in net position		120,086,637	182,479,685
Total net position, beginning of year		3,466,016,930	3,283,537,245
Total net position, end of year	$	3,586,103,567	3,466,016,930

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended June 30, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Cash payments for mortgage and other loans	$	(2,595,093,017)	(1,731,110,134)
Principal repayments on mortgage and other loans		611,650,743	537,680,648
Sale of mortgage loans		1,544,528,129	1,164,409,255
Interest received on mortgage and other loans		305,107,048	302,551,488
Housing Choice Voucher payments received		8,503,642	6,577,725
Housing Choice Voucher payments disbursed		(6,768,220)	(7,682,403)
Escrow and project reserve payments received		217,382,175	205,354,966
Escrow and project reserve payments disbursed		(217,515,251)	(221,436,265)
Other operating revenues		110,933,542	79,232,254
Cash received for loan origination fees and loan discounts		15,031,320	10,239,437
Cash paid for loan origination fees and loan premiums		(15,705,524)	(11,237,162)
Cash payments for salaries and related benefits		(57,678,401)	(58,394,091)
Cash payments on grants		(38,284,248)	(14,734,323)
Cash payments for general operating expenses		(26,045,068)	(23,430,511)
Cash payments for servicing release premiums and guaranty fees		(44,115,966)	(33,107,353)
Proceeds from sale of other real estate owned		31,915,396	33,069,777
Disposition of other real estate owned property		(4,777)	(165)
Net cash (used in)/provided by operating activities		(156,158,477)	237,983,143
Cash flows from noncapital financing activities:			
Proceeds from issuance of notes and bonds		1,477,013,634	318,155,000
Proceeds from loan participation - FFB		7,850,000	6,209,561
Principal payments on notes and bonds		(517,113,828)	(577,637,882)
Principal payments on loan participation - FFB		(674,833)	(498,363)
Interest payments on notes and bonds		(120,654,322)	(131,303,398)
Cash payments for bond issuance expenses		(8,367,128)	(2,182,330)
Net cash provided by/(used in) noncapital financing activities		838,053,523	(387,257,412)
Cash flows from capital and related financing activities:			
Purchases of property, furniture, and equipment		(3,122,676)	(5,287,487)
Proceeds from the sale of property, furniture and equipment		4,110	-
Net cash used in capital and related financing activities		(3,118,566)	(5,287,487)
Cash flows from investing activities:			
Purchases of investments		-	(8,000,000)
Proceeds from sales or maturities of investments		123,133,346	79,915,212
Interest received on investments		31,334,887	39,612,157
Net cash provided by investing activities		154,468,233	111,527,369
Net increase/(decrease) in cash and cash equivalents		833,244,713	(43,034,387)
Cash and cash equivalents, at beginning of year		827,632,450	870,666,837
Cash and cash equivalents, at end of year	$	1,660,877,163	827,632,450

(Continued)

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

Statements of Cash Flows

Years ended June 30, 2020 and 2019

		2020	2019
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	68,581,130	127,081,665
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation of property, furniture, and equipment		3,560,567	3,755,391
Bond issuance costs		8,367,128	2,182,331
Interest on notes and bonds payable		123,263,072	128,573,732
Decrease/(increase) in mortgage loans held for sale		83,019,242	(38,508,921)
(Increase)/decrease in mortgage and other loans receivable		(495,046,499)	47,556,478
Increase/(decrease) in allowance for loan loss		37,258,672	(20,523,545)
Increase in net loan discounts		4,083,642	3,930,590
(Increase)/decrease in interest receivable – mortgage and other loans		(457,034)	351,683
Decrease in other real estate owned		6,538,500	1,839,343
Increase in mortgage servicing rights		(4,371,656)	(3,393,792)
(Increase)/decrease in other assets		(3,535,880)	2,103,766
Decrease/(Increase) in OPEB deferred outflows of resources		120,143	(2,137,161)
Increase/(Decrease) in OPEB deferred inflows of resources		3,423,410	(1,749,783)
Increase in accounts payable and other liabilities		9,650,648	3,158,999
Decrease in escrows and project reserves		(613,562)	(16,237,633)
Net cash (used in)/provided by operating activities	$	(156,158,477)	237,983,143
Supplemental disclosure of noncash activity:			
Increase in other real estate owned as a result of loan foreclosures	$	24,874,430	32,312,522
Decrease in mortgage and other loans receivable from transferring loans to MBS securities retained as investments	$	71,023,236	76,423,772

See accompanying notes to basic financial statements.

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

Statements of Fiduciary Net Position
Fiduciary Funds
June 30, 2020 and 2019

	2020		2019	
	Pension (and Other Employee Benefit) Trust Funds *	**Custodial Funds**	**Pension (and Other Employee Benefit) Trust Funds ***	**Custodial Funds**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,448	150,785,838	1,176	70,610,464
Interest receivable - investments	-	419	-	11,902
Interest receivable - mortgage and other loans	-	28,338	-	17,605
Other assets	-	68,137	-	69,633
Total current assets	1,448	150,882,732	1,176	70,709,604
Noncurrent assets:				
Mortgage and other loans receivable	-	19,782,583	-	14,837,869
Investments	40,639,151	-	32,966,925	-
Total noncurrent assets	40,639,151	19,782,583	32,966,925	14,837,869
Total assets	40,640,599	170,665,315	32,968,101	85,547,473
LIABILITIES				
Accounts payable	640,795	-	630,078	-
Other liabilities	-	5,879,033	-	5,824,600
Total liabilities	640,795	5,879,033	630,078	5,824,600
NET POSITION				
Restricted for:				
Other postemployment benefit plan other than pension	39,999,804	-	32,338,023	-
Funds held in escrow	-	141,673,339	-	61,704,008
Other governmental agency	-	23,112,943	-	18,018,865
Total Net Position	$ 39,999,804	164,786,282	32,338,023	79,722,873

* December 31, 2019 and 2018 year-end, see note 15
See accompanying notes to basic financial statements.

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

Statements of Changes in Fiduciary Net Position
Fiduciary Funds
Years ended June 30, 2020 and 2019

	2020		2019	
	Pension (and Other Employee Benefit) Trust Funds *	**Custodial Funds**	**Pension (and Other Employee Benefit) Trust Funds ***	**Custodial Funds**
ADDITIONS				
Contribution:				
Borrower payments	$ -	1,867,261,825	-	1,072,721,615
Employers	2,111,960	115,355	1,952,210	72,118
Other governmental agency	-	5,029,903	-	3,179,973
Total Contributions	2,111,960	1,872,407,083	1,952,210	1,075,973,706
Investment earnings:				
Net increase/(decrease) in fair value of investments	4,683,522	-	(3,409,967)	-
Interest, dividends, and other	976,865	133,047	876,856	153,822
Securities lending income (gain on sales)	702,406	-	1,667,379	-
Total investment earnings	6,362,793	133,047	(865,732)	153,822
Total additions	8,474,753	1,872,540,130	1,086,478	1,076,127,528
DEDUCTIONS				
Benefits paid to participants or beneficiaries	640,795	-	630,078	-
Other governmental agency	-	85,189	-	340,000
Disbursement of escrow funds	-	1,787,292,494	-	1,066,844,078
Administrative expense	172,177	99,038	186,925	115,355
Total deductions	812,972	1,787,476,721	817,003	1,067,299,433
Net increase in fiduciary net position	7,661,781	85,063,409	269,475	8,828,095
Net position - beginning	32,338,023	79,722,873	32,068,548	70,894,778
Net position - ending	$ 39,999,804	164,786,282	32,338,023	79,722,873

* December 31, 2019 and 2018 year-end, see note 15
See accompanying notes to basic financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Virginia Housing Development Authority (Authority) was created under the Virginia Housing Development Authority Act, as amended (Act) enacted by the 1972 Session of the Virginia General Assembly. The Act empowers the Authority, among other authorized activities, to finance the acquisition, construction, rehabilitation and ownership of housing intended for occupancy or ownership, or both, by families of low or moderate income. Mortgage loans are generally financed by the proceeds of notes, bonds, or other debt obligations of the Authority or by Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) guaranteed mortgage backed securities (see Note 1 (h)). The notes, bonds and other debt obligations do not constitute a debt or grant or loan of credit of the Commonwealth of Virginia (Commonwealth), and the Commonwealth is not liable for the repayment of such obligations.

For financial reporting purposes, the Authority is a component unit of the Commonwealth. The accounts of the Authority, along with other component units, are combined to form the component units of the Commonwealth. The Authority reports all of its activities as a single enterprise fund, in accordance with U.S. generally accepted accounting principles (GAAP). See Note 2 for further discussion.

(b) Measurement Focus and Basis of Accounting

The Authority utilizes the economic resources measurement focus and accrual basis of accounting in preparing its basic financial statements where revenues are recognized when earned and expenses when incurred. The accounts are organized on the basis of funds and groups of funds, which are set up in accordance with the Act and the various note and bond resolutions.

(c) Adoption of New Accounting Standards

During the fiscal year ended June 30, 2020, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 84, *Fiduciary Activities.* The Authority's implementation of GASB Statement No. 84 resulted in a change in accounting and financial report for the Authority's fiduciary activities which is disclosed in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position.

The change in accounting and financial reporting will affect the June 30, 2019 balances which have now been reclassified and disclosed on the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position.

(d) Use of Estimates

The preparation of basic financial statements, in conformity with GAAP, requires management to make estimates and judgments that affect reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosures of contingencies at the date of the basic financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

(e) Fair Value Hierarchy

Fair value measurements not valued at net asset value using the practical expedient are categorized into a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset. Classification of assets within the hierarchy considers the markets in which assets are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available.

The levels of the hierarchy are defined as follows:

- Level 1 - Valuation is based on quoted prices (unadjusted) for identical assets in an active market.
- Level 2 - Valuation is based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active and assets valued based on observable market data and market-corroborated inputs for similar instruments.
- Level 3 - Valuation is based upon various techniques that use assumptions that are not observable in the market and are significant to the fair value measurement.

In determining which hierarchy level a financial instrument is classified, the Authority considers all available information, including observable market data and indications of market liquidity. Assets and liabilities that are valued at fair value on a recurring basis include investments and derivative instruments. Assets that are measured on a non-recurring basis include other real estate owned and mortgage loans held for sale as these are carried at the lower of cost or fair value.

(f) Investments

Investments include various debt and asset backed securities which are reported at fair value in the Statements of Net Position, with changes in fair value recognized in investment income in the Statements of Revenues, Expenses, and Changes in Net Position. The fair value of the debt securities is derived from management's review of third party pricing services that use various models that are based on quoted market prices when available or on adjusted values in relation to observable prices on similar investments. The fair value of asset backed securities which include agency-mortgage backed securities are also derived from management's review of third party pricing services that use various models that are based on quoted market prices when available or on adjusted values in relation to observable prices on similar investments.

(g) Derivative Instruments

Forward sales securities commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At June 30, 2020, the Authority had outstanding 53 forward sales transactions with a $244.2 million notional amount with seven counterparties with concentrations and ratings (Standard & Poor's, Moody's Investors Service) as shown in Note 11. At June 30, 2019, the Authority had outstanding 71 forward sales transactions with a $423.5 million notional amount with five counterparties with concentrations and ratings (Standard & Poor's, Moody's Investors Service). The 2020 forward sales contacts will settle by September 21, 2020. These contracts are treated as investment derivative instruments and the change in fair value is reported on the Statement of Revenues, Expenses, and Changes in Net Position as unrealized gain (loss) on derivative instruments.

(h) Mortgage Loans Held for Sale

The Authority is an authorized issuer of GNMA and FNMA Mortgage-Backed Securities (MBS). Through the MBS programs, GNMA and FNMA guarantee securities that are backed by pools of mortgage loans originated or purchased by the Authority. These mortgage loan securitizations are treated as sales for accounting and reporting purposes. Upon the sale, the Authority no longer recognizes the mortgage loans receivable in the Statements of Net Position.

Mortgage loans originated or acquired with the intent to sell through the MBS programs are carried at the lower of cost or fair value. The fair values of the loans are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of mortgage loans held for sale is classified as Level 2 in the fair value hierarchy. Any gains or losses on loan sales are reported in the Statements of Revenues, Expenses, and Changes in Net Position.

(i) Mortgage and Other Loans Receivable

Mortgage and other loans receivable are stated at their unpaid principal balance, net of premiums and discounts and an allowance for loan losses. Pricing premiums and discounts are deferred and amortized, using the interest method, over the contractual life of the loans as an adjustment to yield. The interest method is computed on a loan-by-loan basis and any unamortized premiums and discounts on loans fully repaid are recognized as income in the year in which such loans are repaid.

(j) Allowance for Loan Losses

The Authority provides for expected losses when a specific need for an allowance is identified. The provision for loan losses charged or credited to operating expense is the amount necessary, in management's judgment, to maintain the allowance at a level it believes sufficient to cover losses in collection of its mortgage loans. Estimates of future losses involve the exercise of management's judgment and assumptions with respect to future conditions. The principal factors considered by management in determining the adequacy of the allowance are the composition of the loan portfolio, historical loss experience and delinquency statistics, the value and adequacy of collateral, and economic conditions.

The allowance for loan losses was increased by $37,258,672 for the year ended June 30, 2020 and decreased by $20,523,545 for the year ended June 30, 2019.

		Year ended June 30	
		2020	2019
Beginning balance, July 1	$	137,237,884	157,761,429
Provision:			
Homeownership		20,491,636	(1,874,076)
Rental Housing		19,352,669	(6,503,132)
Provision		39,844,305	(8,377,208)
Net (charge-offs)/recoveries:			
Homeownership		(2,470,898)	(4,194,274)
Rental Housing		(114,735)	(7,952,063)
Net charge-offs		(2,585,633)	(12,146,337)
Net change		37,258,672	(20,523,545)
Ending balance, June 30	$	174,496,556	137,237,884

(k) Mortgage servicing rights

The Authority pays mortgage servicing release premiums when purchasing homeownership mortgage loans from participating lenders. These premiums are capitalized at cost and amortized on a loan-by-loan basis over the estimated life of the related mortgage loans using the sum-of-years-digits method. Mortgage servicing rights are recorded when those mortgage loans are securitized through either GNMA or FNMA and the Authority remains the servicer of the loans. Estimated life is determined to be 7 years.

(l) Other Real Estate Owned

Other real estate owned represents current investments in homeownership dwellings and rental housing developments, acquired primarily through foreclosure, and is stated at the lower of cost or fair value less estimated disposal costs. On a non-recurring basis, fair values of the real properties are assessed by comparing them to similar properties. The Authority's portfolio of real estate owned is classified as a Level 2 in the fair value hierarchy. Gains and losses from the disposition of other real estate owned are reported separately in the Statements of Revenues, Expenses, and Changes in Net Position.

(m) Capital Assets

Capital assets are capitalized at cost and depreciation is provided on the straight-line basis over the estimated useful lives, which are 30 years for buildings, and from 3 to 10 years for furniture and equipment, and 5 years for vehicles. The capitalization threshold for property, furniture, and equipment is $1,000.

Certain costs associated with internally generated computer software are accounted for as capital assets. The capitalization threshold for internally generated computer software is $1,000,000. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's expected useful life of 3 to 5 years.

(n) Leases

On July 1, 2018 the Authority entered into an agreement to lease an office building. The lease asset is reported as a capital asset, net of accumulated amortization, and as a current and non-current lease liability. Both the lease asset and lease liability are reported in the Statement of Net Position. Leasehold improvements are capitalized and amortized over the remaining life of the lease term. Further disclosure for the building lease are discussed in Note 7.

(o) Bond Issuance Expense

Bond issuance costs are expensed in the period incurred.

(p) Notes and Bonds Payable

Notes and bonds payable are stated at their unpaid balance less any unamortized premiums or discounts. Bond premiums and discounts are amortized over the lives of the issues using the interest method. The Authority generally has the right to specially redeem bonds, without premium, upon the occurrence of certain specified events, such as the prepayment of a mortgage loan. The Authority also has the right to optionally redeem the various bonds. The optional redemptions generally cannot be exercised until the bonds have been outstanding for approximately ten years. All issues generally have term bonds, which are subject to partial redemption, without premium, from mandatory sinking fund installments.

(q) Retirement Plans and Other Postemployment Benefit Plans

The Authority has three defined contribution retirement savings plans covering substantially all employees. Retirement expense is fully funded as incurred. To the extent terminating employees are less than 100% vested in the Authority's contributions, the unvested portion is forfeited and redistributed to the remaining participating employees.

The Authority also provides postretirement healthcare benefits administered through a trust under a defined benefit plan to all employees who have met the years of service requirement and who retire from the Authority on or after attaining age 55 or become permanently disabled. Effective for the plan year ended December 31, 2017, the Plan adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and the Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended June 30, 2018. For purposes of measuring the net OPEB liability (asset), deferred outflows or inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Virginia Housing Development Authority Retiree Health Care Plan (the Plan) and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognized benefit payments when due and payable in accordance with the benefit terms of the Plan. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at cost, which approximates fair value.

(r) Compensated Absences

Authority employees are granted vacation and sick pay in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination, or death, may be compensated for certain amounts at their then current rates of pay. The amount of vacation and sick pay recognized as expense is the amount earned each year.

(s) Related Party Transactions

The Authority provides split dollar life insurance as a form of compensation to retain talented key associates.

(t) Pass-Through Revenues and Expenses

U.S. Department of Housing and Urban Development – Tenant Based Section 8

The Authority serves as an administrator for the U.S. Department of Housing and Urban Development's (HUD) Section 8 Housing Choice Voucher program, consisting of the voucher program as well as other tenant-based assistance programs. The Authority requisitions Section 8 funds, makes disbursements of funds to eligible participants, and recognizes administrative fee income. Program income and program expenses that are recognized as pass-through grants based upon the amount of allowable Housing Assistance Payments (HAP) disbursements, totaled $73,252,566 and $74,420,231 during the years ended June 30, 2020 and 2019, respectively.

Excess HAP or administrative funds disbursed to the Authority were recorded as revenue and unrestricted net position in the Statements of Revenues, Expenses and Changes in Net Position and Statements of Net Position. Cumulative excess HAP funds totaled $2,108,691 and $600,694 as of June 30, 2020 and 2019, respectively. Cumulative excess administrative funds totaled $332,256 and $390,917 as of June 30, 2020 and 2019, respectively. HUD monitors the utilization of these excess funds and adjusts funding levels prospectively to assure all funds are being used to serve families up to the maximum number of vouchers authorized for the program.

U.S. Department of Housing and Urban Development – Project Based Section 8

As the Commonwealth's administrator for HUD's Section 8 New Construction and Substantial Rehabilitation program, the Authority makes requisitions of Section 8 funds, makes disbursements of HAP funds to landlords of eligible multi-family developments, and recognizes administrative fee income.

The Authority received and disbursed pass-through grants totaling $18,580,392 and $32,056,755 during the years ended June 30, 2020 and 2019, respectively. For the year ended June 30, 2020 and 2019 the Authority did not receive nor disburse Section 236 Interest Reduction Payments from HUD.

U.S. Department of Housing and Urban Development – Housing Counseling Assistance Program

The Authority serves as an administrator for 36 HUD-approved Housing Counseling Agencies in the Commonwealth. The Housing Counseling Assistance Program provides counseling to consumers on seeking, financing, maintaining, renting, or owning a home. The Authority did receive pass-through grants of $811,220 and $610,142 during the year ended June 30, 2020 and 2019, respectively.

(u) Commonwealth Priority Housing Fund, Housing Trust Fund, & National Housing Trust Fund

The Commonwealth Priority Housing Fund (Fund), established by the 1988 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. The Virginia Department of Housing and Community Development (DHCD) develops the program guidelines and the Authority acts as administrator for the Fund. Due to the Authority's implementation of the GASB Statement No. 84, *Fiduciary Activities,* these funds are now accounted for as fiduciary activities and disclosed on the Authority's Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

The Housing Trust Fund (Trust Fund), established by the 2013 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. DHCD develops the program guidelines and the Authority acts as administrator for the Trust Fund. Due to the Authority's implementation of the GASB Statement No. 84, *Fiduciary Activities,* these funds are now accounted for as fiduciary activities and disclosed on the Authority's Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

The National Housing Trust Fund (National Trust) is a federal fund established through the Housing and Economic Recovery Act of 2008, it exclusively targets to help build, preserve, rehabilitate, and operate housing that is affordable to people with the lowest incomes. DHCD administers the program through the Affordable and Special Needs Housing application process. Due to the Authority's implementation of the GASB Statement No. 84, *Fiduciary Activities,* these funds are now accounted for as fiduciary activities and disclosed on the Authority's Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

(v) Cash Equivalents

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

(w) Rebatable Arbitrage

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

(x) Statements of Net Position

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

(y) Operating and Nonoperating Revenues and Expenses

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

For the year ended June 30, 2020 and 2019, grant expenses has been removed from the general operating caption and added as a new caption within the Operating Expenses section of the Statement of Revenues, Expenses, and Changes in Net Position under grant expenses.

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

The Authority reports deferred outflows of resources and deferred inflows of resources on its Statements of Net Position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period. See Note 15 for further discussion regarding deferred outflows of resources and deferred inflows of resources associated with the Authority's other postemployment benefits plan.

(aa) Reclassifications

Certain reclassifications have been made in the June 30, 2019 financial statements to confirm to the June 30, 2020 presentation.

(2) Basis of Presentation

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

(a) General Operating Accounts

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

(b) Rental Housing Bond Group

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

(c) Commonwealth Mortgage Bond Group

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

(d) Homeownership Mortgage Bond Group

The Homeownership Mortgage Bond group was established to encompass the Authority's participation in the U.S. Department of the Treasury's New Issue Bond Program, which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. The proceeds of Homeownership Mortgage Bonds are used to purchase or make long-term mortgage loans to owner occupants of homeownership dwellings.

(3) Restricted Assets

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

Restricted assets as of June 30, 2020 and 2019 were as follows:

	June 30	
	2020	**2019**
Restricted current assets:		
Cash and cash equivalents	$ 1,501,927,200	806,878,529
Interest receivable – investments	192,183	1,042,211
Derivative instruments	94,742	-
Mortgage loans held for sale	118,078,121	201,097,363
Mortgage and other loans receivable	149,420,540	153,701,535
Interest receivable – mortgage and other loans	23,505,597	23,081,032
Other real estate owned	2,566,406	5,334,509
Other assets	75,796	20,096
Total restricted current assets	1,795,860,585	1,191,155,275
Restricted noncurrent assets:		
Investments	582,275,486	614,508,216
Mortgage and other loans receivable	5,630,705,844	5,245,250,768
Less allowance for loan loss	123,165,735	103,492,640
Less net loan discounts	43,830,270	41,288,759
Mortgage and other loans receivable, net	5,463,709,839	5,100,469,369
Net OPEB asset	6,361,885	1,479,348
Capital assets, net accumulated depreciation and amortization of $20,547,902 and $19,961,349 respectively	9,012,528	9,709,599
Total restricted noncurrent assets	6,061,359,738	5,726,166,532
Total restricted assets	$ 7,857,220,323	6,917,321,807

(4) Mortgage and Other Loans Receivable

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

Loan program/bond group	Interest rates	Initial loan terms
General Operating Accounts	0% to 8.75%	Thirty to forty years
Rental Housing Bond Group	0% to 12.00%	Thirty to forty years
Commonwealth Mortgage Bond Group	0% to 9.38%	Thirty years
Homeownership Mortgage Bond Group	2.00% to 5.75%	Thirty years

Commitments to fund new loans were as follows at June 30, 2020:

		Committed
Rental Housing Bond Group	$	988,256,501
Commonwealth Mortgage Bond Group		285,391,755
Total	$	1,273,648,256

(5) Cash, Cash Equivalents, and Investments

Cash includes cash on hand and amounts in checking accounts, which are insured by the Federal Depository Insurance Corporation or are collateralized under provisions of the Virginia Security for Public Deposits Act. At June 30, 2020 and 2019, the carrying amount of the Authority's deposits was $98,749,077 and $56,256,915, respectively. The associated bank balance of the Authority's deposits was $92,932,101 and $38,257,727 at June 30, 2020 and 2019, respectively. The difference between the carrying amount and the bank balance is due to outstanding checks, deposits in transit, and other reconciling items.

Cash equivalents include investments with original maturities of three months or less from date of purchase. Investments consist of U.S. government and agency securities, repurchase agreements, asset-backed securities, agency-mortgage backed securities, money market securities and other interest-bearing securities held at the FHLB Atlanta. Investments in the bond funds consist of those permitted by the various resolutions adopted by the Authority. At June 30, 2020 and 2019, total cash equivalents were $1,562,128,086 and $771,375,535, respectively.

The Investment of Public Funds Act of the Code of Virginia as well as the various bond resolutions establishes permitted investments for the Authority. Within the permitted statutory framework, the Authority's investment policy is to fully invest all monies and maximize the return thereon, by investing and managing investments in a prudent manner that will enable the Authority to fulfill its financial commitments. Approved investments include but are not limited to: direct obligations of the U.S. government, direct obligations of any state or political subdivision of the U.S. government, obligations unconditionally guaranteed by the U.S. government or other political subdivisions, bonds, debentures, certificates of deposit, repurchase agreements, swap contracts, futures contracts, and forward contracts. No more than 3.0% of the Authority's total assets may be invested in any one entity, excluding obligations issued or guaranteed by the U.S. government and repurchase agreement transactions. However, repurchase agreements cannot be no more than 10% of the Authority's total assets and must mature in less than one month. Such agreements must be collateralized with U.S. Treasury or Agency securities with a fair value at least equal to 102% of the principal amount of the agreement.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy is to generally hold all investments to maturity and to limit the length of an investment at purchase, to coincide with expected timing of its use.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in market rates of interest will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. As a means of communicating interest rate risk, the Authority has elected the segmented time distribution method of disclosure, which requires the grouping of investment cash flows into sequential time periods in tabular form.

As of June 30, 2020, the Authority had the following investments (including cash equivalents) and maturities:

Investment type		Less than 1 year	1-5 years	6-10 years	Over 10 years	Total
U.S. government and agency	$	629,858,685	-	-	-	629,858,685
Repurchase agreements		750,000,000				750,000,000
Asset-backed securities		-	-	-	2,631,120	2,631,120
Agency-mortgage backed securities		-	-	1,055,429	581,220,058	582,275,487
Money market securities		182,269,401	-	-	-	182,269,401
Total investments	$	1,562,128,086	-	1,055,429	583,851,178	2,147,034,693

As of June 30, 2019, the Authority had the following investments (including cash equivalents) and maturities:

Investment type		Less than 1 year	1-5 years	6-10 years	over 10 years	Total
U.S. government and agency	$	124,280,050	-	-	-	124,280,050
Repurchase agreements		365,000,000				365,000,000
Asset-backed securities		-	-	-	3,003,936	3,003,936
Agency-mortgage backed securities		-	-	457,936	614,050,279	614,508,215
Money market securities		282,095,485	-	-	-	282,095,485
Total investments	$	771,375,535	-	457,936	617,054,215	1,388,887,686

On December 21, 2018, the Authority extended a pledge and security agreement with FNMA that requires the Authority to post collateral to secure its repurchase obligations with respect to the HFA

Preferred Risk Sharing mortgage loans during the recourse period. The amount of required collateral is $47.0 million through December 31, 2020, compared to $64.0 million required collateral a year ago. To comply with the collateral requirement, the Authority elected to pledge agency-mortgage backed securities valued at $57.9 million and held in trust by a custodian agent for FNMA.

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparties to an investment will not fulfill its obligations. The Authority places emphasis on securities of high credit quality and marketability. The following table presents investment (including cash equivalents) exposure to credit risk by investment type as of June 30, 2020:

	Amount	S & P/ Moody's rating	Percentage of total investments
Agency-Mortgage Backed Securities	$ 582,275,487	Aaa	27.12 %
Repurchase Agreements	550,000,000	BBB-	25.62
Repurchase Agreements	200,000,000	Baa2	9.31
US Government & Agency	629,858,685	Aaa	29.33
Money Market Securities	177,903,115	P-1	8.29
Money Market Securities	4,000,000	NR	0.18
Asset-Backed Securities	1,655,486	Ca	0.08
Asset-Backed Securities	642,072	WR	0.03
Asset-Backed Securities	215,893	A1	0.01
Asset-Backed Securities	117,669	A3	0.01
Money Market Securities	366,286	Aaa-mf	0.02
Total investments	$ 2,147,034,693		100.00 %

The following table presents investment (including cash equivalents) exposure to credit risk by investment type as of June 30, 2019:

		Amount	S & P/ Moody's rating	Percentage of total investments	
Agency-Mortgage Backed Securities	$	614,508,215	Aaa	44.24	%
Repurchase Agreements		365,000,000	BBB-	26.28	
US Government & Agency		124,280,050	Aaa	8.95	
Money Market Securities		277,800,350	P-1	20.00	
Money Market Securities		4,000,000	NR	0.29	
Asset-Backed Securities		275,844	A1	0.02	
Asset-Backed Securities		1,802,034	Ca	0.13	
Asset-Backed Securities		148,982	A3	0.01	
Asset-Backed Securities		777,076	Caa3	0.06	
Money Market Securities		295,135	Aaa-mf	0.02	
Total investments	$	1,388,887,686		100.00	%

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to investments held by a single issuer. The Authority only makes large investments with issuers who are either insured by the government, have strong credit ratings or who post collateral. The Authority had the following issuers that represent 5% or more of the total investments as of June 30, 2020 and 2019:

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

Investment	S&P/Moody's rating		June 30, 2019 Amount	June 30, 2019 Percentage of total investments
Agency-Mortgage Backed Securities				
GNMA	Aaa	$	614,508,215	44.2%
Repurchase Agreements				
Cantor Fitzgerald	BBB-		365,000,000	26.3%
Money Market Securities				
US Bank Commercial Paper	P-1		203,273,767	14.6%
Toyota Motor Credit Commercial Paper	P-1		74,526,583	5.3%
		$	1,257,308,565	90.4%

(d) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Authority will not be able to recover the value of its investment of collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Authority may not recover its deposits. The Authority's deposits are insured by the federal depository insurance or collateralized under the provisions of the Virginia Security for Public Deposits Act. For investments, custodial risk is the risk that in the event of a failure of a counterparty, the Authority will not be able to recover the value of its investments. The Authority's market value of securities that were uninsured and held by a counterparty at June 30, 2020 and 2019:

Investment		Amount as of June 30, 2020	Amount as of June 30, 2019
Asset Backed Securities - Held by US Bank	$	2,631,120	3,003,936
Money Market Securities - Held by Broker-Dealer		182,269,401	281,800,350
	$	184,900,521	284,804,286

(e) Fair Value Hierarchy

As of June 30, 2020, the Authority had the following investments, excluding cash equivalents valued at cost, measured at fair value on a recurring basis using the following fair value hierarchy categories:

			Fair value measurement using		
Investment type		**June 30, 2020**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Agency-mortgage backed securities	$	582,275,487	-	582,275,487	-
Asset-backed securities		2,631,120	-	2,631,120	-
Total investments	$	584,906,607	-	584,906,607	-

As of June 30, 2019, the Authority had the following investments (excluding cash equivalents) measured using the following fair value hierarchy categories:

			Fair value measurement using		
Investment type		**June 30, 2019**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Agency-mortgage backed securities	$	614,508,215	-	614,508,215	-
Asset-backed securities		3,003,936	-	3,003,936	-
Total investments	$	617,512,151	-	617,512,151	-

(Continued)

(6) Capital Assets

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

		Balance June 30, 2019	Additions	Disposals	Transfers	Balance June 30, 2020
Land	$	2,935,815	-	-	-	2,935,815
Construction in process		3,263,635	3,122,675	-	(490,190)	5,896,120
Building		38,261,618	-	-	-	38,261,618
Leased Building		3,587,582	-	-	-	3,587,582
Furniture and equipment		20,152,420	411,975	(1,081,595)	-	19,482,800
Motor vehicles		610,796	78,215	-	-	689,011
	$	68,811,866	3,612,865	(1,081,595)	(490,190)	70,852,946

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

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

Activity in the capital assets' accounts for the year ended June 30, 2019 was as follows:

		Balance June 30, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Land	$	2,935,815	-	-	-	2,935,815
Construction in process		76,214	5,287,487	-	(2,100,066)	3,263,635
Building		38,261,618	-	-	-	38,261,618
Leased Building		-	3,437,256	-	150,326	3,587,582
Furniture and equipment		18,622,606	-	(394,368)	1,924,182	20,152,420
Motor vehicles		614,076	-	(28,838)	25,558	610,796
	$	60,510,329	8,724,743	(423,206)	-	68,811,866

(Continued)

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2019 was as follows:

		Balance June 30, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Building	$	(21,505,112)	(1,325,532)	-	-	(22,830,644)
Leased Building		-	(687,824)	-	-	(687,824)
Furniture and equipment		(15,882,313)	(1,691,054)	394,368	-	(17,178,999)
Motor vehicles		(519,869)	(50,981)	28,838	-	(542,012)
	$	(37,907,294)	(3,755,391)	423,206	-	(41,239,479)

(7) Leases

On July 1, 2018 the Authority entered into an agreement to lease an office building. The lease term is 5 years, with two options to renew at one year each. The Authority does not plan to exercise the renewal options. Annual rent expense for year ended June 30, 2020 is $760,059. As of June 30, 2020 the leased asset is valued as a depreciable capital asset at $2,106,705 including accumulated amortization of $1,330,551, and excluding the effects of leasehold improvements. The carrying amount of leasehold improvements as of June 30, 2020 are $97,713.

The principal payment obligations and associated interest related to the building lease commencing July 1, 2020 and thereafter are as follows:

Year ending June 30	Principal	Interest	Total
2021	680,152	71,323	751,475
2022	724,086	46,340	770,426
2023	770,008	19,756	789,764
2024	134,315	599	134,914
Total	$ 2,308,561	138,018	2,446,579

(8) Notes and Bonds Payable

Notes and bonds payable at June 30, 2019 and June 30, 2020 and changes for the year ended June 30, 2020 were as follows:

Description	Balance at June 30, 2019	Issued	Retired	Balance at June 30, 2020
		(Dollars in thousands)		
General operating accounts:				
Revolving line of credit:				
Bank of America floating daily rate (rate of 0.88% at June 30, 2020) termination date of December 1, 2020	$ —	160,000	155,000	5,000
Federal Home Loan Bank varying fixed rate notes with 90-day maturities (average of 0.29% as of June 30, 2020 and 2.51% at June 30,2019), maturities range from July 7, 2020 to September 3, 2020	445,300	—	—	445,300
Total general operating accounts	$ 445,300	160,000	155,000	450,300

(Continued)

Description	Balance at June 30, 2019	Issued	Retired	Balance at June 30, 2020
		(Dollars in thousands)		
Rental housing bond group:				
2010 Series A, dated March 23, 2010, 4.79% effective interest rate, final due date April 1, 2045	$ 18,670	—	18,670	—
2010 Series B, dated April 27, 2010, 4.74% effective interest rate, final due date June 1, 2045	19,810	—	19,810	—
2010 Series C, dated July 28, 2010, 4.61% effective interest rate, final due date August 1, 2045	10,430	—	10,430	—
2010 Series D, dated August 26, 2010, 4.31% effective interest rate, final due date September 1, 2040	27,745	—	27,745	—
2010 Series E, dated October 7, 2010, 4.19% effective interest rate, final due date October 1, 2045	33,255	—	33,255	—
2010 Series F, dated December 2, 2010, 4.86% effective interest rate, final due date January 1, 2041	16,975	—	465	16,510
2011 Series A, dated May 24, 2011, 4.92% effective interest rate, final due date May 1, 2041	9,990	—	270	9,720
2011 Series B, dated September 27, 2011, 4.27% effective interest rate, final due date October 1, 2041	13,065	—	365	12,700
2011 Series C, dated December 8, 2011, 4.24% effective interest rate, final due date December 1, 2038	16,510	—	570	15,940
2011 Series D, dated December 8, 2011, 4.93% effective interst rate, final due date January 1, 2039	131,370	—	4,170	127,200
2012 Series A, dated February 28, 2012, 3.60% effective interest rate, final due date March 1, 2042	30,240	—	915	29,325
2012 Series B/C, dated August 21, 2012, 3.64% effective interest rate, final due date August 1, 2042	101,080	—	2,810	98,270
2012 Series D dated October 30, 2012, 4.02% effective interest rate, final due date October 1, 2042	196,015	—	5,380	190,635

Description		Balance at June 30, 2019	Issued	Retired	Balance at June 30, 2020
			(Dollars in thousands)		
2012 Series E dated November 2, 2042, 3.16% effective interest rate, final due date November 1, 2042	$	9,430	—	275	9,155
2013 Series A/B dated April 11, 2013, 3.95% effective interest rate, final due date April 1, 2043		30,265	—	880	29,385
2013 Series C dated May 2, 2013, 3.82% effective interest rate, final due date February 1, 2043		144,205	—	4,125	140,080
2013 Series D dated May 30, 2013, 4.06% effective interest rate, final due date June 1, 2043		99,845	—	2,575	97,270
2013 Series E dated July 11, 2013, 4.15% effective interest rate, final due date July 1, 2043		18,985	—	520	18,465
2013 Series F dated October 10, 2013, 4.98% effective interest rate, final due date October 1, 2043		54,325	—	1,245	53,080
2013 Series G dated December 3, 2013, 4.39% effective interest rate, final due date December 1, 2043		9,630	—	230	9,400
2014 Series A dated August 19, 2014, 3.75% effective interest rate, final due date August 1, 2049		12,080	—	225	11,855
2014 Series B dated October 28, 2014, 3.30% effective interest rate, final due date October 1, 2044		8,365	—	220	8,145
2014 Series C dated November 20, 2014, 4.29% effective interest rate, final due date November 1, 2044		123,795	—	3,065	120,730
2015 Series A dated March 18, 2015, 3.50% effective interest rate, final due date March 1, 2045		36,780	—	955	35,825
2015 Series B dated May 12, 2015, 3.44% effective interest rate, final due date May 1, 2045		10,945	—	290	10,655
2015 Series C dated August 5, 2015, 3.68% effective interest rate, final due date August 1, 2045		21,735	—	550	21,185

(Continued)

Description	Balance at June 30, 2019	Issued	Retired	Balance at June 30, 2020
		(Dollars in thousands)		
2015 Series D dated November 10, 2015, 3.55% effective interest rate, final due date November 1, 2045	$ 33,535	—	855	32,680
2015 Series E/F dated December 8, 2015, 3.94% effective interest rate, final due date December 1, 2045	79,170	—	1,845	77,325
2016 Series A dated March 8, 2016, 2.99% effective interest rate, final due date March 1, 2046	4,620	—	120	4,500
2016 Series B dated May 17, 2016, 3.35% effective interest rate, final due date May 1, 2046	67,425	—	1,780	65,645
2016 Series C dated July 19, 2016, 2.72% effective interest rate, final due date July 1, 2046	4,565	—	115	4,450
2016 Series D dated October 18, 2016, 2.89% effective interest rate, final due date October 1, 2046	7,710	—	135	7,575
2017 Series A dated March 14, 2017, 3.66% effective interest rate, final due date March 1, 2049	27,960	—	590	27,370
2017 Series B dated June 13, 2017, 3.35% effective interest rate, final due date June 1, 2047	14,170	—	7,480	6,690
2017 Series C dated September 13, 2017, 3.24% effective interest rate, final due date September 1, 2047	2,860	—	35	2,825
2017 Series D dated October 19, 2017, 3.21% effective interest rate, final due date October 1, 2047	5,600	—	70	5,530
2017 Series E dated December 5, 2017, 3.28% effective interest rate, final due date December 1, 2050	54,130	—	6,250	47,880
2018 Series A dated March 27, 2018, 3.43% effective interest rate, final due date March 1, 2053	48,750	—	375	48,375
2018 Series B dated June 5, 2018, 3.76% effective interest rate, final due date June 1, 2053	30,455	—	3,100	27,355

Description	Balance at June 30, 2019	Issued	Retired	Balance at June 30, 2020
		(Dollars in thousands)		
2018 Series C dated August 28, 2018, 3.51% effective interest rate, final due date August 1, 2053	$ 23,145	—	—	23,145
2018 Series D dated October 2, 2018, 3.74% effective interest rate, final due date October 1, 2053	74,395	—	—	74,395
2018 Series E dated December 4, 2018, 3.90% effective interest rate, final due date December 1, 2049	43,090	—	1,000	42,090
2019 Series A dated March 26, 2019, 3.53% effective interest rate, final due date March 1, 2054	80,425	—	—	80,425
2019 Series B dated May 22, 2019, 3.10% effective interest rate, final due date May 1, 2054	17,100	—	—	17,100
2019 Series C dated August 21, 2019 3.13% effective interest rate, final due date August 1, 2054	—	50,000	—	50,000
2019 Series D dated October 16, 2019 3.12% effective interest rate, final due date October 1, 2054	—	50,000	—	50,000
2019 Series E dated December 12, 2019 2.89% effective interest rate, final due date December 1, 2054	—	63,700	—	63,700
2020 Series A dated March 25, 2020 2.74% effective interest rate, final due date March 1, 2055	—	75,000	—	75,000
2020 Series B dated March 25, 2020 2.30% effective interest rate, final due date March 1, 2055	—	75,905	—	75,905
2020 Series C dated April 28, 2020 3.57% effective interest rate, final due date April 1, 2055	—	200,000	—	200,000
2020 Series D dated May 27 2020 3.58 effective interest rate, final due date Jun 1, 2055	—	425,000	—	425,000
	1,824,645	939,605	163,760	2,600,490
Unamortized premium	—	—	(540)	(540)
Total rental housing bonds	$ 1,824,645			2,599,950

Description	Balance at June 30, 2019	Issued	Retired	Balance at June 30, 2020
		(Dollars in thousands)		
Commonwealth mortgage bonds group:				
2002 Series E/F/G, dated December 17, 2002, 5.27% effective interest rate, final due date December 25, 2032	$ 6,454	—	956	5,498
2004 Series B, dated June 10, 2004, 5.79% effective interest rate, final due date June 25, 2034	1,394	—	165	1,229
2006 Series C, dated June 8, 2006, 6.28% effective interest rate, final due date June 25, 2034	9,008	—	1,113	7,895
2008 Series A, dated March 25, 2008, 6.11% effective interest rate, final due March 25, 2038	15,292	—	2,513	12,779
2008 Series B, dated April 10, 2008, 6.16% effective interest rate, final due date March 25, 2038	24,568	—	5,095	19,473
2008 Series C, dated November 18, 2008, 6.50% effective interest rate, final due date June 25, 2038	7,537	—	1,075	6,462
2012 Series A, dated December 20, 2012, 2.10% effective interest rate, final due date July 1, 2026	61,600	—	8,400	53,200
2012 Series B/C, dated December 20, 2012, 3.21% effective interest rate, final due date July 1, 2039.	427,020	—	55,770	371,250

Description	Balance at June 30, 2019	Issued	Retired	Balance at June 30, 2020
		(Dollars in thousands)		
2013 Series B, dated May 21, 2013, 2.75% effective interest rate, final due date April 25, 2042	$ 37,507	—	6,149	31,358
2013 Series C, dated October 24, 2013, 4.25% effective interest rate, final due date October 25, 2043	61,928	—	10,483	51,445
2013 Series D, dated December 19, 2013, 4.30% effective interest rate, final due date December 25, 2043	50,964	—	6,876	44,088
2014 Series A, dated December 11, 2014, 3.50% effective interest rate, final due date October 25, 2037	64,621	—	10,085	54,536
2015 Series A, dated November 10, 2015, 3.25% effective interest rate, final due date June 25, 2045	89,303	—	11,025	78,278
2016 Series A, dated June 9, 2016, 3.10% effective interest rate, final due date June 25, 2041	94,413	—	13,731	80,682
2017 Series A, dated June 13, 2017, 3.13% effective interest rate, final due date November 25, 2039	108,840	—	16,428	92,412
2019 Series A, dated November 5, 2019, 2.95% effective interest rate, final due date October 25, 2049	—	106,478	3,402	103,076
2020 Series A, dated February 12, 2020, 2.85% effective interest rate, final due date December 25, 2049	—	120,814	1,307	119,507
2020 Series B, dated April 21, 2020, 2.75% effective interest rate, final due date October 25, 2046	—	150,659	3,855	146,804
	1,060,449	377,951	158,428	1,279,972
Unamortized premium	(985)	-	163	(822)
Total commonwealth mortgage bonds group	$ 1,059,464			1,279,150

Description	Balance at June 30, 2019	Issued	Retired	Balance at June 30, 2020
		(Dollars in thousands)		
Homeownership mortgage bonds group:				
2010 Series A, dated February 10, 2010, 4.00% effective interest rate, final due date March 1, 2020	$ 13,230	—	13,230	—
2010 Series B, dated October 29, 2010, 3.54% effective interest rate, final due date March 1, 2022	16,000	—	8,000	8,000
2011 Series A, dated June 14, 2011, 3.58% effective interest rate, final due date March 1, 2024	20,800	—	2,900	17,900
2011 Series B, dated September 27, 2011, 3.41% effective interest rate, final due date September 1, 2024	25,950	—	3,100	22,850
2013 Series A, dated March 27, 2013, 3.25% effective interest rate, final due date August 25, 2042	81,971	—	12,696	69,275
Total homeownership mortgage bonds group	157,951	—	39,926	118,025
Total	$ 3,487,360			4,447,425

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

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

Notes and bonds payable at June 30, 2018 and June 30, 2019 and changes for the year ended June 30, 2019 were summarized as follows (amounts in thousands):

Description		Balance at June 30, 2018	Increases	Decreases	Balance at June 30, 2019	Due within one year
Notes from direct borrowings	$	445,300	80,000	80,000	445,300	445,300
Rental housing bonds group direct placements		250,525	-	6,475	244,050	6,700
Rental housing bonds group		1,588,166	238,155	245,726	1,580,595	32,655
Commonwealth mortgage bonds group		1,272,945	224	213,705	1,059,464	53,799
Homeownership mortgage bonds group		189,744	-	31,793	157,951	19,321
Total	$	3,746,680	318,379	577,699	3,487,360	557,775

Current and noncurrent amounts of notes and bonds payable at June 30, 2020 and 2019 were as follows:

		June 30	
		2020	2019
Notes and bonds payable - current	$	560,378,235	557,775,484
Bonds payable - noncurrent		3,887,046,954	2,929,584,329
Total	$	4,447,425,189	3,487,359,813

From time to time, the Authority has participated in refundings, in which new debt is issued and the proceeds are used to redeem, generally within ninety days, previously issued debt. Related discounts or premiums previously deferred are recognized in income or expense, respectively. There were no refundings during the years ended June 30, 2020 and 2019. The Authority had redemptions of $165,705,000 and $290,540,000 during the years ended June 30, 2020 and 2019, respectively.

The principal payment obligations and associated interest related to all note and bond indebtedness (excluding the effect of unamortized discounts and premium) commencing July 1, 2020 and thereafter are as follows:

		Bonds		Direct Placements & Direct Borrowings		
Year ending June 30		**Outstanding principal**	**Current interest**	**Outstanding principal**	**Current interest**	**Total debt service**
2021	$	103,148,235	129,347,334	457,230,000	10,570,965	700,296,534
2022		94,855,000	126,803,253	7,170,000	8,962,088	237,790,341
2023		130,075,000	124,078,579	7,415,000	8,679,066	270,247,645
2024		119,240,000	120,796,337	7,670,000	8,386,227	256,092,564
2025		90,445,000	117,826,365	7,930,000	8,083,470	224,284,835
2026-2030		416,190,000	550,839,628	43,965,000	35,495,258	1,046,489,886
2031-2035		472,389,984	476,537,925	52,090,000	26,188,678	1,027,206,587
2036-2040		634,679,702	375,702,869	61,745,000	15,154,038	1,087,281,609
2041-2045		800,439,675	226,948,415	42,435,000	2,955,080	1,072,778,170
2046-2050		625,129,660	113,200,816	-	-	738,330,476
2051-2055		274,545,000	27,805,557	-	-	302,350,557
Total	$	3,761,137,256	2,389,887,078	687,650,000	124,474,870	6,963,149,204

The principal payment obligations related to all note and bond indebtedness (excluding the effect of unamortized discounts and premium) commencing July 1, 2020 and thereafter are as follows:

Year ending June 30		General fund notes	Rental housing bonds	Rental housing bonds direct placement	Commonwealth mortgage bonds	Homeownership mortgage bonds	Total principal
2021	$	450,300,000	32,180,000	6,930,000	59,740,335	11,227,900	560,378,235
2022		-	51,355,000	7,170,000	32,200,000	11,300,000	102,025,000
2023		-	84,975,000	7,415,000	32,500,000	12,600,000	137,490,000
2024		-	76,770,000	7,670,000	29,870,000	12,600,000	126,910,000
2025		-	57,420,000	7,930,000	29,875,000	3,150,000	98,375,000
2026-2030		-	310,485,000	43,965,000	105,705,000	-	460,155,000
2031-2035		-	369,250,000	52,090,000	103,139,984	-	524,479,984
2036-2040		-	437,435,000	61,745,000	197,244,702	-	696,424,702
2041-2045		-	404,745,000	42,435,000	328,547,171	67,147,504	842,874,675
2046-2050		-	263,980,000	-	361,149,660	-	625,129,660
2051-2055		-	274,545,000	-	-	-	274,545,000
Total	$	450,300,000	2,363,140,000	237,350,000	1,279,971,852	118,025,404	4,448,787,256

The associated interest related to all note and bond indebtedness commencing July 1, 2020 and thereafter are as follows:

Year ending June 30		General fund interest	Rental housing interest	Rental housing bonds direct placement	Commonwealth interest	Homeownership interest	Total interest
2021	$	1,335,283	82,669,316	9,235,682	42,679,646	3,998,372	139,918,299
2022		-	82,413,705	8,962,088	40,777,255	3,612,293	135,765,340
2023		-	80,969,150	8,679,066	39,964,885	3,144,544	132,757,645
2024		-	79,035,700	8,386,227	39,087,618	2,673,019	129,182,565
2025		-	77,350,702	8,083,470	38,231,944	2,243,719	125,909,835
2026-2030		-	359,421,469	35,495,258	180,506,690	10,911,469	586,334,886
2031-2035		-	300,997,409	26,188,678	164,629,047	10,911,469	502,726,603
2036-2040		-	223,371,174	15,154,038	141,420,226	10,911,469	390,856,907
2041-2045		-	137,007,495	2,955,080	85,067,130	4,873,790	229,903,495
2046-2050		-	75,615,318	-	37,585,498	-	113,200,816
2051-2055		-	27,805,557	-	-	-	27,805,557
Total	$	1,335,283	1,526,656,995	123,139,587	809,949,939	53,280,144	2,514,361,948

The Authority has bonds outstanding under three general bond resolutions. All are general obligation bonds backed by the full faith and credit of the Authority. Interest and principal payments are secured by a pledge of the assets and revenues pledged to the bond resolution under which the bonds are issued, to the extent provided for in such resolution. The direct placement bonds are general obligation bonds which are secured on parity with other outstanding bonds from the same bond resolution, and there are no terms of the indentures that are unique to those placements.

The assets and revenues pledged to each bond resolution secure only the bonds issued under that resolution. For each resolution, assets and revenues in excess of the liability to bondholders is available to support the general obligations of the Authority. The Authority has the option to redeem various bonds pursuant the terms of each bond issue. The redemptions generally cannot be exercised without condition until the bonds have been outstanding for nine years or more, as fully described in various bond documents. Further discussion of the resolutions is in Note 2.

Direct borrowings include an uncollateralized revolving credit agreement with the Bank of America and a credit agreement with the Federal Home Loan Bank (FHLB) of Atlanta.

The Authority entered into a $100 million revolving credit agreement on December 1, 2015 with the Bank of America to provide funds for general corporate purposes specifying a scheduled expiration date after one year, which may be extended from time to time but in no event later than December 1, 2025. The revolving credit agreement was amended on October 31, 2018 to specify the next scheduled expiration date as December 1, 2019. On January 1, 2020 the line of credit was increased to $150.0 million. The revolving credit agreement was amended on April 1, 2020 to increase the line of credit to $250.0 million. Under the terms of this agreement, interest on any advances is charged at a rate equal to the daily floating LIBOR rate for deposits with one month maturity plus a margin ranging from 70 to 105 basis points per annum based upon the Authority's long-term credit ratings. As of June 30, 2019, the borrowing rate was 0.88%; however, there was no outstanding balance as of June 30, 2020 and as of June 30, 2019. The Authority is in compliance with all debt covenant requirements.

The Authority maintains a $1.3 billion credit agreement with the FHLB of Atlanta, whereby FHLB of Atlanta may advance funds that are secured by cash, mortgage loans and government agency securities held in FHLB of Atlanta as collateral. As of June 30, 2020, there was $485.6 million in mortgage backed securities pledged to FHLB Atlanta. As of June 30, 2019, there was $498.0 million in mortgage backed securities pledged to FHLB Atlanta. Interest on any advance can be charged either under a floating daily rate or a fixed rate with a stated maturity not to exceed either one year for daily rate or twenty years for fixed rate loans. As of June 30, 2020 there were ten 90 day fixed rate borrowings: five for a total of $227.5 million at 0.33% and five for a total of $217.8 million at 0.24%. The Authority is in compliance with all debt covenant requirements. At June 30, 2020 and 2019, there was $445.3 million outstanding.

(9) Loan Participation Payable to Federal Financing Bank

On March 23, 2015, the Authority was designated as a "qualified Housing Finance Agency" under the Risk-Sharing Act and entered into a Risk-Sharing Agreement with HUD. In conjunction with the Risk-Sharing Agreement, the Authority elected to participate in a program offered by the Federal Financing Bank (FFB) for the financing of rental housing mortgage loans. The FFB is a government corporation, under the general supervision and direction of the Secretary of the Treasury, created by Congress with statutory authority to purchase any obligation that is fully guaranteed by another federal agency. To the extent that FFB proceeds are utilized to finance certain mortgage loans, such mortgage loans would not be available to be financed under the Rental Housing Bond Group other than on a temporary basis prior to such FFB financing. In February 2016, the Authority executed the necessary agreements to allow the Authority to participate in such FFB financing.

Under the program established by the Risk-Sharing Act (the "Risk-Sharing Program"), the Authority retains underwriting, mortgage loan management and property disposition functions and responsibility for defaulted loans. Following default under a mortgage loan subject to a HUD contract of mortgage insurance under the Risk-Sharing Program, HUD agrees to make an initial claim payment of 100% of the loan's unpaid principal balance and accrued interest, subject to certain adjustments that passes through the Authority to FFB. After a period during which the Authority may work toward curing the default, foreclosing the mortgage, or reselling the related project, any losses are calculated and apportioned between the Authority and HUD according to a specified risk-sharing percentage determined at the time of its endorsement for insurance. At its issuance, the Authority may choose a risk percentage ranging from 50% to 90%, which in turn determines its reimbursement obligation to HUD. During the intervening period prior to the final loss settlement, the Authority is obligated to pay interest on the amount of the initial claim payment under a debenture required to be issued to HUD at the time of the initial claim payment.

For each rental housing mortgage loan to be financed by the FFB, the Authority will sell to the FFB a certificate representing a participation interest in the rental housing mortgage loan consisting of all principal payments due thereon and all interest payments due thereon, whereby the rate to FFB will be less than the mortgage loan interest rate. The participation proceeds from the FFB are recorded as a debt obligation payable to the FFB.

Under these agreements, the Authority will retain responsibility for originating, closing and servicing the rental housing mortgage loans underlying the certificates sold to the FFB. As servicer, the Authority will remit the balance of each mortgage payment to U.S. Bank, N.A. ("Custodian"). The Custodian will fund any required account and pay the amounts due to the FFB, deduct their fees, then remit any amount remaining to the Authority as servicing fees.

Under the terms of the agreements in the Risk-Sharing Program, the Authority has sold certificates representing the beneficial interest in the following mortgage loans to FFB:

Description	Balance at June 30, 2019	Issued	Retired	Balance at June 30, 2020
Participation Certificates Outstanding:				
Colonnade at Rocktown - Note rate of 4.68%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.45%				
Maturity date of May 1, 2047	$ 2,907,546	—	51,803	2,855,743
Wilsondale II - Note rate of 4.47%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.12%				
Maturity date of July 1, 2047	7,552,475	—	137,795	7,414,680
Baker Woods - Note rate of 3.91%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.89%				
Maturity date of December 1, 2052	5,484,355	—	80,944	5,403,411
Twin Canal Village - Note rate of 3.82%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.18%				
Maturity date of April 1, 2043	7,067,431	—	185,418	6,882,013
Treesdale - Note rate of 4.22%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.30%				
Maturity date of November 1, 2048	3,709,311	—	65,031	3,644,280
Landing at Weyers Cove - Note rate of 4.22%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 3.30%				
Maturity date of November 1, 2048	2,439,433	—	42,768	2,396,665
Belle Hall - Note rate of 3.57%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.72%				
Maturity date of September 1, 2049	—	4,450,000	62,965	4,387,035
Campostella Commons - Note rate of 3.57%				
Risk-Share percentage (10% HUD / 90% VHDA)				
Pass-through rate of 2.72%				
Maturity date of September 1, 2049	—	3,400,000	48,108	3,351,892
Total participation certificates payable	$ 29,160,551	7,850,000	674,832	36,335,719

(10) Escrows and Project Reserves

Escrows and project reserves represent amounts held by the Authority as escrows for insurance, real estate taxes and completion assurance, and as reserves for replacement and operations (Note 16). The Authority invests these funds and, for project reserves, allows earnings to accrue to the benefit of the mortgagor.

At June 30, 2020 and 2019, these escrows and project reserves were presented in the Authority's Statements of Net Position as follows:

	June 30 2020	June 30 2019
Escrow - current	$ 32,058,237	31,413,723
Project reserves - noncurrent	113,395,875	114,173,466
Total	$ 145,454,112	145,587,189

(11) Derivative Instruments

The Authority enters into forward sales contracts for the delivery of GNMA and FNMA securities in order to lock in the sales price for the securitization of certain homeownership mortgage loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into GNMA and FNMA securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative gains or losses on the Statements of Revenues, Expenses, and Changes in Net Position. Fair values of the forwards are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of investment derivatives are classified as Level 2 in the fair value hierarchy.

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

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

The outstanding forward contracts, summarized by counterparty as of June 30, 2019, were as follows:

Counterparty rating	Count	Par	Concentration	Notional amount	Fair value	Fair value asset (liability)
A-1+/AA+	22	$ 154,000,000	36.4%	$ 158,107,305	$ 158,738,438	$ (631,133)
A-1/A+	28	135,500,000	32.0%	139,088,301	139,985,078	(896,777)
A-1/A+	14	92,000,000	21.7%	94,262,344	94,756,406	(494,062)
A-1/A	2	16,000,000	3.8%	16,347,969	16,393,750	(45,781)
Baa2/BBB	5	26,000,000	6.1%	26,733,594	26,884,063	(150,469)
	71	$ 423,500,000	100.0%	$ 434,539,513	$ 436,757,735	$ (2,218,222)

(12) Investment Income and Arbitrage Liabilities

The amount of investment income the Authority may earn with respect to certain tax-exempt bond issues in the Commonwealth Mortgage Bond Group, Homeownership Bond Group, and Rental Housing Bond Group, is limited by certain federal legislation. Earnings in excess of the allowable amount must be rebated to the U.S. Department of the Treasury. These excess earnings are recorded in accounts payable and other liabilities. No rebates were paid and no rebate liability existed as of June 30, 2020 and 2019.

(13) Net Position

Net investment in capital assets represents property, furniture, and equipment, and vehicles, less the current outstanding applicable debt. Restricted net position represents those portions of the total net position in trust accounts established by the various bond resolutions for the benefit of the respective bond owners. Restricted net position is generally mortgage loans and funds held for placement into mortgage loans, investments, and funds held for scheduled debt service. At the bond resolution level, assets can be released from restriction by bond indentures at any time, subject to the revenue test that requires the assets and future income stream generated by those restricted assets be greater than the funds needed to cover scheduled debt service.

Unrestricted net position represents those portions of the total net position set aside for current utilization and tentative plans for future utilization of such net position. As of June 30, 2020 and 2019, such plans included funds to be available for other loans and loan commitments; over commitments and over allocations in the various bond issues; support funds and contributions to bond issues; support for REACH Virginia initiatives and tenant-based housing assistance payments; and working capital and future operating and capital expenditures. Additional unrestricted net position commitments include maintenance of the Authority’s obligation with regard to the general obligation pledge on its bonds; contributions to future bond issues other than those scheduled during the next year; coverage on uninsured assets; unsubsidized rental housing conventional loan program; and any unanticipated losses in connection with the uninsured portions of the balance of the homeownership and rental housing loans; coverage on the liability exposure of commissioners and officers; the cost of holding foreclosed property prior to resale; costs incurred with the redemption of bonds; homeownership loan prepayment shortfalls; and other risks and contingencies.

(14) Employee Benefits Plans

The Authority incurs employment retirement savings expenses under two defined contribution plans equal to between 8% and 11% of full-time employees’ compensation. Total retirement savings expense for the year ended June 30, 2020 and 2019 was $4,245,770 and $4,206,198, respectively.

The Authority sponsors a deferred compensation plan available to all employees created in accordance with Internal Revenue Section 457(b). The Plan permits participants to defer a portion of their salary or wage until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the Plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the Authority’s basic financial statements.

As of June 30, 2020 and 2019, included in other liabilities is an employee compensated absences accrual of $5,124,642 and $4,854,151, respectively (Note 16).

(15) Other Postemployment Benefits

(a) Retiree Healthcare Plan Description (the Plan)

Beginning with the year ended June 30, 2018, the Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The Plan is a single-employer defined benefit plan established January 1, 2006 to provide post-employment reimbursement of eligible medical, dental and vision expenses to current and eligible future retirees and their spouses in accordance with the terms of the Plan.

The Authority serves as Plan Administrator for the Plan. Pursuant to a resolution of the Board of Commissioners of the Authority, the Executive Director of the Authority authorized and empowered the Retiree Health Care Plan Oversight Committee (Oversight Committee), a committee made up of five members of management, to carry out the duties and responsibilities as Plan Administrator for the Plan.

Plan assets are administered through the Virginia Housing Development Authority Retiree Health Care Plan Trust, the Trust, an irrevocable trust to be used solely for providing benefits to eligible participants in the Plan. Assets of the Trust are irrevocable and legally protected from creditors and are dedicated to providing post-employment reimbursement of eligible medical, dental and vision expenses to current and eligible future retirees and their spouses, in accordance with the terms of the Plan.

At its sole discretion, the Authority retains the right to amend the Plan at any time and from time to time with respect to benefits, funding, contributions and permanency. The Authority reserves the right to discontinue or terminate its funding of the Plan at any time without prejudice, provided that the decision to terminate funding of the Plan is effected by a written resolution adopted by a majority of the Board of Commissions of the Authority. There is a standalone report that can be made available by contacting the Authority.

At January 1, 2020, participants in the Plan consisted of the following:

Active employees	402
Inactive plan members (retirees) receiving benefits	125
Total Participants	527

Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service, (or at least 55 years of age with 10 years of service if employed by the Authority prior to such date). Plan participants receive an annual benefit based on age and years of service at retirement and based on a matrix, updated annually for cost of living plus 2.0% not to exceed 150.0% of the annual premium for the preferred provider organization medical plan offered that year if the participant is under age 65 or not to exceed 75.0% of the annual premium if the participant is age 65 or over. The annual benefit may be used to pay for health insurance purchased through the Authority's group plan or elsewhere, and for other eligible medical, dental and vision expenses. The Authority pays benefits as incurred throughout the year, and the Plan reimburses the Authority for the benefits paid annually.

(b) Contributions

Plan documents note that all benefits under the Plan shall be funded by the Authority. The Authority establishes contribution rates based on the actuarially determined contribution rate. The Authority supplements the actuarially determined rate by ensuring the Plan is additionally funded based on a percentage of budgeted payroll plus administrative fees incurred by the Plan. The Authority pays benefits and administrative fees on behalf of the Plan on an annual basis. The contribution rates rate range between 4.5% to 5.5% of covered payroll. For the years ended December 31, 2019 and December 31, 2018, the Authority's contributions to the Plan were $2,111,960 and $1,952,210, respectively. At June 30, 2020 and June 30, 2019, the Authority reported no outstanding amount of contributions to the Plan required for the years ended December 31, 2019 and December 31, 2018.

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

For the years ended June 30, 2020 and June 30, 2019, the Authority recognized OPEB expense of $772,976 and $1,450,253, respectively. At June 30, 2020, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

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

At June 30, 2019, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

Year ending June 30, 2019		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	1,200,594	186,913
Net difference between projected and actual earnings on OPEB Plan investments		856,736	-
Change in assumptions		2,653,422	-
Total	$	4,710,752	186,913

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2020 will be recognized in OPEB expense as follows:

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

As of June 30, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2019		
2020	$	496,489
2021		496,489
2022		496,490
2023		928,744
2024		390,369
Thereafter		1,715,258
	$	4,523,839

(d) Actuarial Assumptions

The Authority's net OPEB liability (asset) was measured as of December 31, 2019 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2020.

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

Valuation Date	January 1, 2020
Actuarial Cost Method	Entry-Age Normal percentage of Salary
Amortization Method	Level Percentage of Pay, Open
Amortization Period	20 years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Inflation Rate	2.5 percent, per annum
Investment rate of return	5.5 percent, per annum
Projected Salary Increases	3.5 percent, per annum
Healthcare cost trend rates	7.25 percent in 2019 grading uniformly to 6.50 percent over 3 years and following the 2020 Getzen model thereafter to an ultimate rate of 4.04 percent in the year 2077; the Retiree Credit Matrix will increase at 5.00 percent, per annum.
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 75 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.
Marital Status	Actual spouse participation and dates of birth were used for retirees; 55 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their spouses.
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.

	Age 65 Cost Male	Age 65 Cost Female
Retiree/Spouse:	$18,770	$17,099

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

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	January 1, 2019
Actuarial Cost Method	Entry-Age Normal percentage of Salary
Amortization Method	Level Percentage of Pay, Open
Amortization Period	20 years
Asset Valuation Method	Fair Value
Actuarial Assumptions	
Inflation Rate	2.4 percent, per annum
Investment rate of return	5.5 percent, per annum
Projected Salary Increases	3.5 percent, per annum
Healthcare cost trend rates	7.5 percent in 2019 grading uniformly to 6.75 percent over 3 years and following the Getzen model thereafter to an ultimate rate of 3.9 percent in the year 2076; the Retiree Credit Matrix will increase at 5 percent, per annum.
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 75 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.
Marital Status	Actual spouse participation and dates of birth were used for retirees; 60 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their female spouses.
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.

	Age 65 Cost Male	Age 65 Cost Female
Retiree/Spouse:	$17,041	$15,524

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

The assumptions were updated in the January 1, 2020 valuation to reflect changes in the mortality rates, medical trends, and aging assumptions. The revised mortality rates were based on the PUB-2010 General Government Employees headcount weighted table with improvement scale MP-2019. The medical trend was revised from 7.50% graded over 3 years beginning in 2019 to 7.25% in 2020 grading uniformly to 6.50% over 3 years and following the 2020 Getzen model thereafter.

The aging assumption used to determine the claims cost at each age was changed from a flat, unisex 3% increase per year of year to the sex distinct aging factors based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.

The valuation does not reflect the impact of the Cadillac tax, which was created as part of the Affordable Care Act, which was repealed.

(e) Net OPEB Liability (Asset) at June 30, 2020 and June 30, 2019

The net OPEB asset (NOA) represents the total OPEB liability determined in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, less the associated fiduciary net position. The NOA is reported on the Authority's statement of net position as an other non-current asset. As of June 30, 2020, the NOA amounts are as follows:

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

As of June 30, 2019, the NOA amounts are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balances at December 31, 2017	$ 27,204,213	32,068,548	(4,864,335)
Changes for the year:			
Service cost	984,232	-	984,232
Interest	1,608,746	-	1,608,746
Differences between expected and actual	1,320,653	-	1,320,653
Change of assumptions	370,909	-	370,909
Contributions - employer	-	1,952,210	(1,952,210)
Net investment income	-	(865,732)	865,732
Benefit (payments)/refunds	(630,078)	(630,078)	-
Administrative expenses	-	(186,925)	186,925
Net Changes	3,654,462	269,475	3,384,987
Balances at December 31, 2018	$ 30,858,675	32,338,023	(1,479,348)

(f) Long-Term Expected Rate of Return

The long-term expected rate of return was determined using the geometric means method, after investment expenses, and is a minimum annual compound total rate of return in excess of inflation, measured over a 5-year period. Therefore, the long-term expected rate of return on the Plan's investments was applied to all future periods of projected benefit payments to determine the total OPEB liability. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Cash or Cash Equivalent	1%	2.50%
Fixed Income	59%	3.10%
US Equity	40%	7.80%
International Equity	0%	7.50%
	100%	

(g) Discount Rate

The discount rate used to measure the total OPEB liability was 5.50% as of December 31, 2019. The projections of cash flows used to determine the discount rate assumed the Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active retirees.

(h) Sensitivity of the Authority's Net OPEB Liability (Asset) to Changes in the Discount Rate

The following represents the net OPEB liability (asset) of the Authority as of June 30, 2020, calculated using the stated discount rate assumption, as well as what the Authority's net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.5%) or 1 percentage-point higher (6.5%) than the current discount rate:

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

As of June 30, 2019, the net OPEB liability (asset) of the Authority is as follows:

Year ending December 31, 2018		1% Decrease	Current	1% Increase
		4.50%	5.50%	6.50%
Net OPEB liability (asset)	$	3,667,169	(1,479,348)	(5,601,959)

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

The following represents the June 30, 2020 net OPEB liability (asset) of the Authority's, calculated using the stated health care cost trend assumption, as well as what the Authority's net OPEB liability (asset) would be if it were calculated using a health care cost trend that is 1 percentage-point lower or 1 percentage-point higher than the current health care cost trend rates:

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

As of June 30, 2019, Sensitivity of the Authority's Net OPEB liability (asset) to changes in health care trends as follows:

Year ending December 31, 2018		1% Decrease	Current	1% Increase
		6.5% decreasing to 5.8% over 3 years	7.5% decreasing to 6.8% over 3 years	8.5% decreasing to 7.8% over 3 years
Net OPEB liability (asset)	$	(5,836,504)	(1,479,348)	3,997,585

(16) Other Long-Term Liabilities

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

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

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2019 was as follows:

		Balance at June 30, 2018	**Additions**	**Decreases**	**Balance at June 30, 2019**
Project reserves	$	128,015,652	29,714,010	43,556,196	114,173,466
Other liabilities		5,013,751	5,194,233	2,364,367	7,843,617
Compensated absences payable		4,766,585	3,122,183	3,034,617	4,854,151
	$	137,795,988	38,030,426	48,955,180	126,871,234

(17) Troubled Debt Restructuring

Restructuring a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The Authority makes every effort to work with borrowers and grants concessions to debtors if the probability of payment from the debtor increases. As of June 30, 2020 and 2019, the Authority has granted the following concessions to debtors, which are considered troubled debt restructurings. There are no commitments to lend additional resources to debtors who had a troubled debt restructuring.

Homeownership loans		Year ended June 30, 2020	2019
Aggregated recorded balance	$	114,823,981	114,764,859
Number of loans		920	907
Gross interest revenue if loans had been current		4,999,633	4,734,640
Interest revenue included in changes in net position		4,384,064	4,084,310

Rental housing loans		Year ended June 30, 2020	2019
Aggregated recorded balance	$	2,344,432	2,373,145
Number of loans		3	3
Gross interest revenue if loans had been current		137,384	141,098
Interest revenue included in changes in net position		60,724	61,974

(18) Contingencies and Other Matters

Certain claims, suits, and complaints arising in the ordinary course of business have been filed and are pending against the Authority. In the opinion of management, all such matters are adequately covered by insurance or, if not so covered, are without merit or are of such kind or involve such amounts as would not have a material adverse effect on the basic financial statements of the Authority.

The Authority participates in several Federal financial assistance programs, principal of which are the HUD loan guarantee programs. Although the Authority's administration of Federal grant programs has been audited in accordance with the provisions of the United States Office of Management and Budget Uniform Guidance, these programs are still subject to financial and compliance audits. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although the Authority does not expect such amounts, if any, to be material in relation to its basic financial statements.

The Authority is exposed to various risks of loss such as theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. The Authority carries commercial insurance for these risks. There have been no significant reductions in insurance coverage from coverage in the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

(19) Subsequent Events

In addition to scheduled issuances and redemptions, the Authority made issuances of notes and bonds payable subsequent to June 30, 2020 as follows:

	Issue date/ Redemption date		Amount
Issues:			
Rental Housing Bond 2020 Series F-Taxable	7/21/2020	$	200,000,000
Rental Housing Bond 2020 Series E-Non-AMT	7/28/2020		44,770,000

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

Required Supplementary Information
Retiree Healthcare Plan
Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
(unaudited)
Last 3 Calendar Years

		2019	2018	2017
Total OPEB Liability				
Service Cost	$	1,045,841	984,232	675,928
Interest		1,753,636	1,608,746	1,419,341
Differences between expected and actual experience		1,262,503	1,320,653	(228,449)
Changes of assumptions		(641,942)	370,909	2,830,950
Benefit payments		(640,795)	(630,078)	(519,345)
Net change in Total OPEB Liability		2,779,243	3,654,462	4,178,425
Total OPEB Liability - beginning		30,858,675	27,204,213	23,025,788
Total OPEB Liability - ending	$	33,637,918	30,858,675	27,204,213
Plan Fiduciary Net Position				
Contributions - employer	$	2,111,960	1,952,210	1,758,037
Net investment income		6,362,793	(865,732)	3,717,204
Benefit payments		(640,795)	(630,078)	(519,345)
Administrative expenses		(172,177)	(186,925)	(117,278)
Net change in Plan Fiduciary Net Position		7,661,781	269,475	4,838,618
Plan Fiduciary Net Position - beginning		32,338,023	32,068,548	27,229,930
Plan Fiduciary Net Position - ending	$	39,999,804	32,338,023	32,068,548
Net OPEB Liability (Asset) - ending		(6,361,886)	(1,479,348)	(4,864,335)
Plan Fiduciary Net Position as a % of the Total OPEB Liability		118.9%	104.8%	117.9%
Covered-employee payroll	$	41,987,414	37,467,939	33,966,194
Net OPEB Liability as a % of covered-employee payroll		-15.2%	-3.9%	-14.3%

See accompanying independent auditors' report.

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

(2) There were no changes in benefit terms for years ended 2019 through 2017.

(3) Assumptions for year ended 2019 through 2017 were updated to reflect changes in the mortality rates, medical trends, and aging assumptions.

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

Required Supplementary Information
Retiree Healthcare Plan
Schedule of Contributions
(unaudited)
Last 3 Calendar Years

		2019	2018	2017
Actuarially determined contribution	$	555,921	890,416	297,975
Contributions in relation to the actuarially determined contribution		2,111,960	1,952,210	1,758,037
Contribution deficiency (excess)	$	(1,556,039)	(1,061,794)	(1,460,062)
Covered-employee payroll	$	41,987,414	37,467,939	33,966,194
Contributions as a % of covered-employee payroll		5.0%	5.2%	5.2%

See accompanying independent auditors' report.

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

(2) Contributions made to the Plan in 2019 to 2017 were in excess of the actuarial annual required contributions.

(3) The actuarial contribution rate is determined based on the same assumptions as the actuarial lability with a valuation date as of January 1, 2020 using the following actuarial assumptions as discussed in Note 10:

Valuation Date	January 1, 2020
Actuarial Cost Method	Entry-Age Normal percentage of Salary
Amortization Method	Level Percentage of Pay, Open
Amortization Period	20 years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Inflation Rate	2.5 percent, per annum
Investment rate of return	5.5 percent, per annum
Projected Salary Increases	3.5 percent, per annum
Healthcare cost trend rates	7.25 percent in 2019 grading uniformly to 6.50 percent over 3 years and following the 2020 Getzen model thereafter to an ultimate rate of 4.04 percent in the year 2077; the Retiree Credit Matrix will increase at 5.00 percent, per annum.
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 75 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.
Marital Status	Actual spouse participation and dates of birth were used for retirees; 55 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their spouses.
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.

	Age 65 Cost Male	Age 65 Cost Female
Retiree/Spouse:	$18,770	$17,099

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

Schedule 3

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position

(unaudited)

June 30, 2020

Assets		**General Operating Accounts**	**Rental Housing Bond Group**	**Commonwealth Mortgage Bond Group**	**Home-ownership Bond Group**	**Total**
Current assets:						
Cash and cash equivalents	$	182,747,546	834,853,836	605,917,992	37,357,789	1,660,877,163
Interest receivable – investments		1,602,587	38,288	152,090	1,755	1,794,720
Derivative instruments		-	-	94,742	-	94,742
Mortgage loans held for sale		-	-	118,078,121	-	118,078,121
Mortgage and other loans receivable, net		7,337,011	72,170,020	72,091,769	5,158,751	156,757,551
Interest receivable – mortgage and other loans		665,810	16,615,968	6,300,482	466,573	24,048,833
Other real estate owned		3,323,584	427,000	1,735,904	403,502	5,889,990
Other assets		10,289,513	-	4,964	-	10,294,477
Total current assets		205,966,051	924,105,112	804,376,064	43,388,370	1,977,835,597
Noncurrent assets:						
Investments		543,569,793	-	41,336,814	-	584,906,607
Mortgage and other loans receivable		264,322,198	3,478,616,010	1,950,179,559	165,574,556	5,858,692,323
Less allowance for loan loss		51,330,821	62,015,808	58,924,836	2,225,091	174,496,556
Less net loan discounts		2,001,739	46,709,316	(3,331,366)	107,933	45,487,622
Mortgage and other loans receivable, net		210,989,638	3,369,890,886	1,894,586,089	163,241,532	5,638,708,145
Capital Assets, net of accumulated depreciation and amortization of $43,718,451		18,121,968	9,012,527	-	-	27,134,495
Mortgage servicing rights, net		42,397,723	-	-	-	42,397,723
Other Assets		17,027,360	-	-	-	17,027,360
Total noncurrent assets		832,106,482	3,378,903,413	1,935,922,903	163,241,532	6,310,174,330
Total assets		1,038,072,533	4,303,008,525	2,740,298,967	206,629,902	8,288,009,927
Deferred outflows of resources						
Other postemployment benefits - change in assumptions		2,362,344	-	-	-	2,362,344
Other postemployment benefits - difference between expected and actural experience		2,228,265	-	-	-	2,228,265
Total deferred outflows of resources		4,590,609	-	-	-	4,590,609

(Continued)

Schedule 3

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position

(unaudited)

June 30, 2020

Liabilities	**General Operating Accounts**	**Rental Housing Bond Group**	**Commonwealth Mortgage Bond Group**	**Home-ownership Bond Group**	**Total**
Current liabilities:					
Notes and bonds payable	450,300,000	39,110,000	59,740,335	11,227,900	560,378,235
Accrued interest payable on notes and bonds	85,717	22,030,659	7,283,038	785,071	30,184,485
Escrows	32,058,237	-	-	-	32,058,237
Accounts payable and other liabilities	33,749,789	-	-	-	33,749,789
Total current liabilities	516,193,743	61,140,659	67,023,373	12,012,971	656,370,746
Noncurrent liabilities:					
Bonds payable, net	-	2,560,839,869	1,219,409,581	106,797,504	3,887,046,954
Project reserves	113,395,875	-	-	-	113,395,875
Loan participation payable to Federal Financing Bank	36,335,719	-	-	-	36,335,719
Other (assets) liabilities	7,164,411	2,572,941	-	-	9,737,352
Total noncurrent liabilities	156,896,005	2,563,412,810	1,219,409,581	106,797,504	4,046,515,900
Total liabilities	673,089,748	2,624,553,469	1,286,432,954	118,810,475	4,702,886,646
Deferred inflows of resources					
Other postemployment benefits - change in assumptions	583,584	-	-	-	583,584
Other postemployment benefits - difference between expected and actural experience	166,145	-	-	-	166,145
Other postemployment benefits - difference between projected and actual earning	2,860,594	-	-	-	2,860,594
Total deferred inflows of resources	3,610,323	-	-	-	3,610,323
Net position:					
Net investment in capital assets	16,015,263	(805,057)	-	-	15,210,206
Restricted by bond indentures	-	1,679,260,113	1,453,866,013	87,819,427	3,220,945,553
Unrestricted	349,947,808	-	-	-	349,947,808
Total net position	$ 365,963,071	1,678,455,056	1,453,866,013	87,819,427	3,586,103,567

See accompanying independent auditors' report.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

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

(unaudited)

Year ended June 30, 2020

		General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Operating revenues:						
Interest on mortgage and other loans receivable	$	9,958,880	183,716,739	91,944,803	9,038,805	294,659,227
Housing Choice Voucher program administrative income		7,124,917	-	-	-	7,124,917
Gains and recoveries on sale of other real estate owned		517,183	-	345,180	27,488	889,851
Gains on sale of single family mortgage loans		-	-	47,655,216	-	47,655,216
Mortgage servicing fees net of guaranty fees		40,109,949	-	-	-	40,109,949
Tax credit program fees earned		6,019,088	0	0	-	6,019,088
Other		432,286	3,624,794	6,418	-	4,063,498
Total operating revenues		64,162,303	187,341,533	139,951,617	9,066,293	400,521,746
Operating expenses:						
Interest on notes and bonds payable		7,940,618	73,434,453	37,261,747	4,626,254	123,263,072
Salaries and related employee benefits		60,079,588	-	-	-	60,079,588
General operating expenses		26,051,085	19,645	-	-	26,070,730
Note and bond expenses		1,020,198	-	1,736	-	1,021,934
Bond issuance expenses		241,000	6,135,834	1,990,294	-	8,367,128
Grant expenses		38,284,248	-	-	-	38,284,248
Housing Choice Voucher program expenses		7,933,578	-	-	-	7,933,578
Mortgage servicing rights amortization and other servicing costs		22,602,222	-	3,137,298	-	25,739,520
Losses on other real estate owned		556,831	75,104	647,901	56,677	1,336,513
Provision for loan losses		17,932,928	18,228,222	3,812,799	(129,644)	39,844,305
Total operating expenses		182,642,296	97,893,258	46,851,775	4,553,287	331,940,616
Operating income (expense)		(118,479,993)	89,448,275	93,099,842	4,513,006	68,581,130
Nonoperating revenues (expenses):						
Pass-through grant awards		92,644,179	-	-	-	92,644,179
Pass-through grants expenses		(92,644,179)	-	-	-	(92,644,179)
Investment income		37,700,726	4,851,867	6,480,312	132,414	49,165,319
Unrealized gain on derivative instruments		-	-	2,312,965	-	2,312,965
Other, net		27,223	-	-	-	27,223
Total nonoperating revenues, net		37,727,949	4,851,867	8,793,277	132,414	51,505,507
Income (loss) before transfers		(80,752,044)	94,300,142	101,893,119	4,645,420	120,086,637
Transfers between funds		83,834,295	(16,187,236)	(69,474,437)	1,827,378	-
Change in net position		3,082,251	78,112,906	32,418,682	6,472,798	120,086,637
Total net position, beginning of year		362,880,820	1,600,342,150	1,421,447,331	81,346,629	3,466,016,930
Total net position, end of year	$	365,963,071	1,678,455,056	1,453,866,013	87,819,427	3,586,103,567

See accompanying independent auditors' report.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Fiduciary Net Position
Fiduciary Funds – Custodial Funds

(unaudited)

June 30, 2020

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

See accompanying independent auditors' report.

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

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

(unaudited)

For the Year Ended June 30, 2020

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

See accompanying independent auditors' report.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position

(unaudited)

June 30, 2019

Assets	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Current assets:					
Cash and cash equivalents	$ 167,501,705	368,564,715	280,740,934	10,825,096	827,632,450
Interest receivable – investments	1,923,679	502,027	527,117	12,430	2,965,253
Mortgage loans held for sale	-	-	201,097,363	-	201,097,363
Mortgage and other loans receivable, net	6,365,746	75,100,309	72,093,423	6,507,803	160,067,281
Interest receivable – mortgage and other loans	612,241	14,883,095	7,410,876	685,587	23,591,799
Other real estate owned	7,093,980	427,000	3,949,826	957,684	12,428,490
Other assets	9,252,921	-	1,228	-	9,254,149
Total current assets	192,750,272	459,477,146	565,820,767	18,988,600	1,237,036,785
Noncurrent assets:					
Investments	565,711,262	-	51,800,889	-	617,512,151
Mortgage and other loans receivable	215,269,114	3,063,675,114	1,928,153,891	224,261,211	5,431,359,330
Less allowance for loan loss	33,745,244	43,902,322	57,099,021	2,491,297	137,237,884
Less net loan discounts	396,886	42,512,084	(1,816,910)	311,920	41,403,980
Mortgage and other loans receivable, net	181,126,984	2,977,260,708	1,872,871,780	221,457,994	5,252,717,466
Capital Assets, net of accumulated depreciation and amortization of $41,239,479	17,862,788	9,709,599	-	-	27,572,387
Mortgage servicing rights, net	38,026,067	-	-	-	38,026,067
Other Assets	14,531,808	-	-	-	14,531,808
Total noncurrent assets	817,258,909	2,986,970,307	1,924,672,669	221,457,994	5,950,359,879
Total assets	1,010,009,181	3,446,447,453	2,490,493,436	240,446,594	7,187,396,664
Deferred outflows of resources					
Other postemployment benefits - change in assumptions (note 1)	2,653,422	-	-	-	2,653,422
Other postemployment benefits - difference between expected and actural experience (note 1)	1,200,594	-	-	-	1,200,594
Other postemployment benefits - difference between projected and actual earning (note 1)	856,736	-	-	-	856,736
Total Deferred outflows of resources	4,710,752	-	-	-	4,710,752

(Continued)

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

Combining Schedule of Net Position
(unaudited)
June 30, 2019

Liabilities	**General Operating Accounts**	**Rental Housing Bond Group**	**Commonwealth Mortgage Bond Group**	**Home-ownership Bond Group**	**Total**
Current liabilities:					
Notes and bonds payable	445,300,000	39,355,000	53,799,162	19,321,322	557,775,484
Accrued interest payable on notes and bonds	510,487	18,771,997	7,309,481	1,149,339	27,741,304
Escrows	31,413,723	-	-	-	31,413,723
Derivative instruments	-	-	2,218,223	-	2,218,223
Accounts payable and other liabilities	21,084,511	-	54,214	-	21,138,725
Total current liabilities	498,308,721	58,126,997	63,381,080	20,470,661	640,287,459
Noncurrent liabilities:					
Bonds payable, net	-	1,785,290,000	1,005,665,025	138,629,304	2,929,584,329
Project reserves	114,173,466	-	-	-	114,173,466
Loan participation payable to Federal Financing Bank	29,160,551	-	-	-	29,160,551
Other (assets) liabilities	10,009,462	2,688,306	-	-	12,697,768
Total noncurrent liabilities	153,343,479	1,787,978,306	1,005,665,025	138,629,304	3,085,616,114
Total liabilities	651,652,200	1,846,105,303	1,069,046,105	159,099,965	3,725,903,573
Deferred inflows of resources					
Other postemployment benefits - difference between expected and actural experience (note 1)	186,913	-	-	-	186,913
Other postemployment benefits - difference between projected and actual earning (note 1)	-	-	-	-	-
Total deferred inflows of resources	186,913	-	-	-	186,913
Net position:					
Net investment in capital assets	15,022,175	(385,052)	-	-	14,637,123
Restricted by bond indentures	-	1,600,727,202	1,421,447,331	81,346,629	3,103,521,162
Unrestricted	347,858,645	-	-	-	347,858,645
Total net position	$ 362,880,820	1,600,342,150	1,421,447,331	81,346,629	3,466,016,930

See accompanying independent auditors' report.

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

Combining Schedule of Revenues, Expenses, and Changes in Net Position
(unaudited)
Year ended June 30, 2019

		General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Operating revenues:						
Interest on mortgage and other loans receivable	$	7,295,161	181,800,542	98,267,560	10,557,191	297,920,454
Housing Choice Voucher program administrative income		6,570,517	-	-	-	6,570,517
Gains and recoveries on sale of other real estate owned		610,626	8,234	936,866	99,427	1,655,153
Gains on sale of single family mortgage loans		-	-	22,297,234	-	22,297,234
Mortgage servicing fees net of guaranty fees		36,882,971	-	-	-	36,882,971
Tax credit program fees earned		6,200,599	0	0	-	6,200,599
Other		480,390	3,141,463	8,841	-	3,630,694
Total operating revenues		58,040,264	184,950,239	121,510,501	10,656,618	375,157,622
Operating expenses:						
Interest on notes and bonds payable		11,247,900	71,882,460	39,605,290	5,838,082	128,573,732
Salaries and related employee benefits		58,151,563	-	-	-	58,151,563
General operating expenses		25,184,853	165	-	-	25,185,018
Note and bond expenses		506,347	5,452	1,974	-	513,773
Bond issuance expenses		102,532	2,079,799	-	-	2,182,331
Grant expenses		14,734,323	-	-	-	14,734,323
Housing Choice Voucher program expenses		7,409,446	-	-	-	7,409,446
Mortgage servicing rights amortization and other servicing costs		16,885,432	-	1,159,703	-	18,045,135
Losses on other real estate owned		464,988	-	1,124,190	68,666	1,657,844
Provision for loan losses		(300,521)	(1,659,997)	(6,119,668)	(297,022)	(8,377,208)
Total operating expenses		134,386,863	72,307,879	35,771,489	5,609,726	248,075,957
Operating income (expense)		(76,346,599)	112,642,360	85,739,012	5,046,892	127,081,665
Nonoperating revenues (expenses):						
Pass-through grant awards		107,087,128	-	-	-	107,087,128
Pass-through grants expenses		(107,087,128)	-	-	-	(107,087,128)
Investment income		37,268,470	9,047,989	9,794,202	147,052	56,257,713
Unrealized loss on derivative instruments		-	-	(860,762)	-	(860,762)
Other, net		1,069	-	-	-	1,069
Total nonoperating revenues, net		37,269,539	9,047,989	8,933,440	147,052	55,398,020
Income (loss) before transfers		(39,077,060)	121,690,349	94,672,452	5,193,944	182,479,685
Transfers between funds		88,155,807	(43,366,063)	(44,885,121)	95,377	-
Change in net position		49,078,747	78,324,286	49,787,331	5,289,321	182,479,685
Total net position, beginning of year		313,802,073	1,522,017,864	1,371,660,000	76,057,308	3,283,537,245
Total net position, end of year	$	362,880,820	1,600,342,150	1,421,447,331	81,346,629	3,466,016,930

See accompanying independent auditors' report.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
(unaudited)
June 30, 2019

	Escrow Funds (GNMA, FNMA, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 61,704,008	6,035,383	2,366,313	504,760	70,610,464
Interest receivable - investments	-	8,032	3,190	680	11,902
Interest receivable - mortgage and other loans	-	1,045	15,977	583	17,605
Other assets	-	69,633	-	-	69,633
Total current assets	61,704,008	6,114,093	2,385,480	506,023	70,709,604
Noncurrent assets:					
Mortgage and other loans receivable	-	3,396,858	10,315,164	1,125,847	14,837,869
Total noncurrent assets	-	3,396,858	10,315,164	1,125,847	14,837,869
Total assets	61,704,008	9,510,951	12,700,644	1,631,870	85,547,473
LIABILITIES					
Third party investor funds held in trust	-	-	-	-	-
Other liabilities	-	2,904,745	2,387,490	532,365	5,824,600
Total liabilities	-	2,904,745	2,387,490	532,365	5,824,600
NET POSITION					
Restricted for:					
Funds held in escrow	61,704,008	-	-	-	61,704,008
Other governmental agency	-	6,606,206	10,313,154	1,099,505	18,018,865
Total Net Position	$ 61,704,008	6,606,206	10,313,154	1,099,505	79,722,873

See accompanying independent auditors' report.

Schedule 10

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

Combining Schedule of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
(unaudited)
For the Year Ended June 30, 2019

	Escrow Funds (GNMA, FNMA, Habitat)	Commonwealth Priority Housing Fund	Virginia Housing Trust Fund	National Housing Trust Fund	Total Custodial Funds
ADDITIONS					
Contribution:					
Borrower payments	$ 1,072,721,615	-	-	-	1,072,721,615
Employers	-	23,320	48,798	-	72,118
Other governmental agency	-	-	2,054,126	1,125,847	3,179,973
Total Contributions	1,072,721,615	23,320	2,102,924	1,125,847	1,075,973,706
Investment earnings:					
Interest, dividends, and other	-	117,832	31,134	4,856	153,822
Total investment earnings	-	117,832	31,134	4,856	153,822
Total additions	1,072,721,615	141,152	2,134,058	1,130,703	1,076,127,528
DEDUCTIONS					
Other governmental agency	-	340,000	-	-	340,000
Disbursement of escrow funds	1,066,844,078	-	-	-	1,066,844,078
Administrative expense	-	23,320	60,837	31,198	115,355
Total deductions	1,066,844,078	363,320	60,837	31,198	1,067,299,433
Net (decrease)/increase in fiduciary net position	5,877,537	(222,168)	2,073,221	1,099,505	8,828,095
Net position - beginning	55,826,471	6,828,374	8,239,933	-	70,894,778
Net position - ending	$ 61,704,008	6,606,206	10,313,154	1,099,505	79,722,873

See accompanying independent auditors' report.

KPMG LLP
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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Commissioners
Virginia Housing Development Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, and fiduciary activities of the Virginia Housing Development Authority, a component unity of the Commonwealth of Virginia, as of and for the year ended June 30, 2020, and the notes to the financial statements, and have issued our report thereon dated September 10, 2020, which has been modified to include an emphasis of matter for the adoption of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia Housing Development Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 Virginia Housing Development Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Virginia Housing Development Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Richmond, Virginia
September 10, 2020