



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

Basic Financial Statements and
Supplementary Information

September 30, 2020 and 2019

(Unaudited)

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

Table of Contents

| | Page |
|--|-------------|
| Summary of the Quarterly Report | 1 |
| Basic Financial Statements: | |
| Statements of Net Position – September 30, 2020 and 2019 (Unaudited) | 3 |
| Statements of Revenues, Expenses, and Changes in Net Position – Three Months Ended September 30, 2020 and 2019 (Unaudited) | 5 |
| Statements of Cash Flows – Three Months Ended September 30, 2020 and 2019 (Unaudited) | 6 |
| Statements of Fiduciary Net Position – September 30, 2020 and 2019 | 8 |
| Statements of Changes in Fiduciary Net Position – Three Months Ended September 30, 2020 and 2019 | 9 |
| Notes to Basic Financial Statements (Unaudited) | 10 |
| Other Supplementary Information | |
| 1 Combining Schedule of Net Position – September 30, 2020 (Unaudited) | 28 |
| 2 Combining Schedule of Revenues, Expenses, and Changes in Net Position – Three Months Ended September 30, 2020 (Unaudited) | 30 |
| 3 Combining Schedule of Fiduciary Net Position – September 30, 2020 (Unaudited) | 31 |
| 4 Combining Schedule of Changes in Fiduciary Net Position – Three Months Ended September 30, 2020 (Unaudited) | 32 |
| 5 Combining Schedule of Net Position – September 30, 2019 (Unaudited) | 33 |
| 6 Combining Schedule of Revenues, Expenses, and Changes in Net Position – Three Months Ended September 30, 2019 (Unaudited) | 35 |
| 7 Combining Schedule of Fiduciary Net Position – September 30, 2019 (Unaudited) | 36 |
| 8 Combining Schedule of Changes in Fiduciary Net Position – Three Months Ended September 30, 2019 (Unaudited) | 37 |

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

Summary of the Quarterly Report

September 30, 2020 and 2019

(Unaudited)

This condensed report provides highlights of the financial performance of the Virginia Housing Development Authority (the Authority) for the first quarter of fiscal year 2021. The information provided is an abbreviated version of the full financial report published annually. Sections and notes included are based on an analysis of significant interim information necessary to provide an accurate representation of the Authority's year-to-date activity.

The basic financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, the Statements of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position and the accompanying abbreviated notes to the basic financial statements constitute the condensed 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 nonoperating activities. This statement measures the success of the Authority's operations for the first quarter 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 basic financial statements and as such, are an integral part of the Authority's financial statements. The report includes abbreviated notes which are necessary to provide context to the interim financial activity.

The most recent audited financial report as of June 30, 2020 is available on the Authority's website at www.vhda.com/about/InvestorRelations.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Statements of Net Position
September 30, 2020 and 2019
(Unaudited)

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (note 3) | \$ 1,714,950,407 | 940,241,741 |
| Interest receivable – investments | 2,190,020 | 2,996,380 |
| Mortgage loans held for sale (note 1) | 149,577,116 | 109,157,955 |
| Mortgage and other loans receivable, net | 167,242,512 | 160,263,856 |
| Interest receivable – mortgage and other loans | 26,401,873 | 22,867,506 |
| Other real estate owned | 4,985,313 | 13,205,009 |
| Other assets | 9,236,260 | 6,795,097 |
| Total current assets | 2,074,583,501 | 1,255,527,544 |
| Noncurrent assets: | | |
| Investments (note 3) | 706,842,168 | 609,043,373 |
| Mortgage and other loans receivable | 5,883,687,023 | 5,488,056,679 |
| Less allowance for loan loss (note 1) | 174,697,156 | 134,593,187 |
| Less net loan discounts | 49,577,774 | 40,972,840 |
| Mortgage and other loans receivable, net | 5,659,412,093 | 5,312,490,652 |
| Capital Assets, net of accumulated depreciation and amortization of \$44,678,583 and \$41,212,621 respectively | 26,492,032 | 28,253,484 |
| Mortgage servicing rights, net (note 1) | 41,518,884 | 39,730,146 |
| Other assets | 17,497,447 | 12,618,407 |
| Total noncurrent assets | 6,451,762,624 | 6,002,136,062 |
| Total assets | 8,526,346,125 | 7,257,663,606 |
| 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 earning (note 1) | - | 856,736 |
| Total deferred outflows of resources | 4,590,609 | 4,710,752 |

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Statements of Net Position
September 30, 2020 and 2019
(Unaudited)

| | 2020 | 2019 |
|--|-------------------------|----------------------|
| Liabilities | | |
| Current liabilities: | | |
| Notes and bonds payable (note 4) | \$ 566,736,370 | 559,476,315 |
| Accrued interest payable on notes and bonds | 38,305,207 | 30,275,468 |
| Escrows | 41,589,654 | 42,094,370 |
| Derivative instruments | 229,330 | 582,461 |
| Accounts payable and other liabilities | 41,248,059 | 21,255,433 |
| Total current liabilities | 688,108,620 | 653,684,047 |
| Noncurrent liabilities: | | |
| Bonds payable, net (note 4) | 4,066,091,867 | 2,930,590,408 |
| Project reserves | 106,774,400 | 111,652,356 |
| Loan participation payable to Federal Financing Bank | 36,153,404 | 36,871,792 |
| Other liabilities | 10,193,912 | 10,534,425 |
| Total noncurrent liabilities | 4,219,213,583 | 3,089,648,981 |
| Total liabilities | 4,907,322,203 | 3,743,333,028 |
| 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 earning (note 1) | 2,860,594 | - |
| Total deferred inflows of resources | 3,610,323 | 186,913 |
| Net position (notes 1): | | |
| Net investment in capital assets | 14,734,061 | 15,553,171 |
| Restricted by bond indentures | 3,273,236,674 | 3,159,416,470 |
| Unrestricted | 332,033,473 | 343,884,776 |
| Total net position | \$ 3,620,004,208 | 3,518,854,417 |

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
Three months ended September 30, 2020 and 2019
(Unaudited)

| | 2020 | 2019 |
|--|------------------|---------------|
| Operating revenues: | | |
| Interest on mortgage and other loans receivable | \$ 70,396,681 | 72,724,712 |
| Housing Choice Voucher program administrative income (note 1) | 1,838,253 | 1,701,999 |
| Other real estate owned income | - | 3,225 |
| Gains and recoveries on sale of other real estate owned | 303,556 | 292,646 |
| Gains on sale of single family mortgage loans | 12,127,987 | 14,411,996 |
| Mortgage servicing fees net of guaranty fees | 9,848,603 | 10,325,428 |
| Other | 3,067,472 | 2,662,453 |
| Total operating revenues | 97,582,552 | 102,122,459 |
| Operating expenses: | | |
| Interest on notes and bonds payable | 35,703,426 | 30,352,560 |
| Salaries and related employee benefits | 17,880,608 | 15,388,687 |
| General operating expenses | 6,361,544 | 5,708,134 |
| Note and bond expenses | 300,235 | 206,164 |
| Bond issuance expenses | 1,494,295 | 627,825 |
| Grant expenses | 8,004,121 | 6,326,800 |
| Housing Choice Voucher program expenses (note 1) | 1,772,105 | 1,897,605 |
| Mortgage servicing rights amortization and other servicing costs | 7,230,462 | 5,554,995 |
| Other real estate owned expenses | - | 2,644 |
| Losses on other real estate owned | 270,674 | 427,441 |
| Provision for loan losses (note 1) | 613,567 | (1,599,069) |
| Total operating expenses | 79,631,037 | 64,893,786 |
| Operating income | 17,951,515 | 37,228,673 |
| Nonoperating revenues (losses): | | |
| Pass-through grant awards | 24,493,235 | 22,563,279 |
| Pass-through grants expenses | (24,493,235) | (22,563,279) |
| Investment income | 16,256,296 | 13,973,052 |
| Unrealized gain (loss) on derivative instruments | (324,072) | 1,635,762 |
| Other, net | 16,902 | - |
| Total nonoperating revenues, net | 15,949,126 | 15,608,814 |
| Change in net position | 33,900,641 | 52,837,487 |
| Total net position, beginning of year | 3,586,103,567 | 3,466,016,930 |
| Total net position, end of three months | \$ 3,620,004,208 | 3,518,854,417 |

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Statements of Cash Flows

Three months ended September 30, 2020 and 2019

(Unaudited)

| | <u>2020</u> | <u>2019</u> |
|--|-------------------------|---------------------|
| Cash flows from operating activities: | | |
| Cash payments for mortgage and other loans | \$ (552,285,891) | (561,063,507) |
| Principal repayments on mortgage and other loans | 151,190,793 | 165,154,778 |
| Sale of mortgage loans | 186,142,801 | 404,104,088 |
| Interest received on mortgage and other loans | 65,837,295 | 76,522,642 |
| Pass-through grant awards received | 24,493,235 | 22,563,279 |
| Pass-through grant awards disbursed | (24,493,235) | (22,563,279) |
| Grant awards received | 10,000,000 | - |
| Housing Choice Voucher payments received | 1,335,962 | 3,349,616 |
| Housing Choice Voucher payments disbursed | (710,655) | (2,633,187) |
| Escrow and project reserve payments received | 46,387,106 | 49,658,275 |
| Escrow and project reserve payments disbursed | (43,477,164) | (41,498,737) |
| Other operating revenues | 29,028,912 | 32,459,269 |
| Cash received for loan origination fees and loan discounts | 3,676,448 | 504,068 |
| Cash paid for loan origination fees and loan premiums | (3,794,360) | (4,051,097) |
| Cash payments for salaries and related benefits | (18,787,011) | (14,794,503) |
| Cash payments for general operating expenses | (5,176,556) | (7,035,542) |
| Cash payments on grants | (8,004,121) | (6,326,800) |
| Cash payments for servicing release premiums and guaranty fees | (10,256,455) | (10,298,588) |
| Proceeds from sale of other real estate owned | 3,352,158 | 7,607,125 |
| Disposition of other real estate owned property | - | 581 |
| Net cash (used in)/provided by operating activities | <u>(145,540,738)</u> | <u>91,658,481</u> |
| Cash flows from noncapital financing activities: | | |
| Proceeds from issuance of notes and bonds | 251,770,000 | 70,000,000 |
| Proceeds from loan participation - FFB | - | 7,850,000 |
| Principal payments on notes and bonds | (66,414,343) | (67,337,996) |
| Principal payments on loan participation - FFB | (182,315) | (138,759) |
| Interest payments on notes and bonds | (27,535,312) | (27,773,490) |
| Cash payments for bond issuance expenses | (1,494,296) | (627,825) |
| Net cash provided by/(used in) noncapital financing activities | <u>156,143,734</u> | <u>(18,028,070)</u> |
| Cash flows from capital and related financing activities: | | |
| Purchases of property, furniture, and equipment | (182,932) | (1,432,949) |
| Net cash used in capital and related financing activities | <u>(182,932)</u> | <u>(1,432,949)</u> |
| Cash flows from investing activities: | | |
| Proceeds from sales or maturities of investments | 37,793,059 | 31,231,469 |
| Interest received on investments | 5,860,121 | 9,180,360 |
| Net cash provided by investing activities | <u>43,653,180</u> | <u>40,411,829</u> |
| Net increase in cash and cash equivalents | 54,073,244 | 112,609,291 |
| Cash and cash equivalents, at beginning of year | 1,660,877,163 | 827,632,450 |
| Cash and cash equivalents, at end of three months | \$ <u>1,714,950,407</u> | <u>940,241,741</u> |

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Statements of Cash Flows
Three months ended September 30, 2020 and 2019
(Unaudited)

| | 2020 | 2019 |
|---|------------------|--------------|
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 17,951,515 | 37,228,673 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation of property, furniture, and equipment | 825,397 | 751,852 |
| Bond issuance costs | 1,494,295 | 627,825 |
| Interest on notes and bonds payable | 35,703,426 | 30,352,560 |
| (Increase)/decrease in mortgage loans held for sale | (31,498,995) | 91,939,408 |
| Increase in mortgage and other loans receivable | (185,620,999) | (74,616,984) |
| Increase/(decrease) in allowance for loan loss | 200,600 | (2,644,697) |
| Increase/(decrease) in net loan discounts | 4,090,152 | (431,140) |
| (Increase)/decrease in interest receivable – mortgage and other loans | (2,353,040) | 724,294 |
| Decrease/(increase) in other real estate owned | 904,677 | (776,519) |
| Decrease/(increase) Increase in mortgage servicing rights | 878,839 | (1,704,079) |
| Decrease in other assets | 588,129 | 4,372,452 |
| Increase/(decrease) in accounts payable and other liabilities | 7,954,830 | (2,046,635) |
| Increase in escrows and project reserves | 3,340,436 | 7,881,471 |
| Net cash (used in)/provided by operating activities | \$ (145,540,738) | 91,658,481 |
| Supplemental disclosure of noncash activity: | | |
| Increase in other real estate owned as a result of loan foreclosures | \$ 2,396,318 | 8,138,699 |
| Decrease in mortgage and other loans receivable from transferring loans to MBS securities retained as investments | \$ 150,141,338 | 17,723,060 |

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2020 and 2019
(Unaudited)

| | <u>2020</u> | | <u>2019</u> | |
|--|--|----------------------------|--|----------------------------|
| | <u>Pension (and Other Employee Benefit Trust Funds *</u> | <u>Custodial Funds</u> | <u>Pension (and Other Employee Benefit Trust Funds *</u> | <u>Custodial Funds</u> |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 1,452 | 151,941,282 | 1,180 | 102,227,531 |
| Interest receivable - investments | - | 671 | - | 12,774 |
| Interest receivable - mortgage and other loans | - | 33,205 | - | 18,810 |
| Other assets | - | 69,121 | - | 68,982 |
| Total current assets | <u>1,452</u> | <u>152,044,279</u> | <u>1,180</u> | <u>102,328,097</u> |
| Noncurrent assets: | | | | |
| Mortgage and other loans receivable | - | 21,409,700 | - | 14,886,451 |
| Investments | 35,358,835 | - | 34,755,373 | - |
| Total noncurrent assets | <u>35,358,835</u> | <u>21,409,700</u> | <u>34,755,373</u> | <u>14,886,451</u> |
| Total assets | <u>35,360,287</u> | <u>173,453,979</u> | <u>34,756,553</u> | <u>117,214,548</u> |
| LIABILITIES | | | | |
| Accounts payable | 206,659 | - | 203,025 | - |
| Other liabilities | - | 5,567,371 | - | 9,250,351 |
| Total liabilities | <u>206,659</u> | <u>5,567,371</u> | <u>203,025</u> | <u>9,250,351</u> |
| NET POSITION | | | | |
| Restricted for: | | | | |
| Other postemployment benefit plan other than pension | 35,153,628 | - | 34,553,528 | - |
| Funds held in escrow | - | 143,042,081 | - | 89,733,931 |
| Other governmental agency | - | 24,844,527 | - | 18,230,266 |
| Total Net Position | <u>\$ 35,153,628</u> | <u>167,886,608</u> | <u>34,553,528</u> | <u>107,964,197</u> |

* March 31, 2020 and 2019 year-end.

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Three months ended September 30, 2020 and 2019
(Unaudited)

| | <u>2020</u> | | <u>2019</u> | |
|--|---|----------------------------|---|----------------------------|
| | <u>Pension (and Other Employee Benefit) Trust Funds *</u> | <u>Custodial Funds</u> | <u>Pension (and Other Employee Benefit) Trust Funds *</u> | <u>Custodial Funds</u> |
| ADDITIONS | | | | |
| Contribution: | | | | |
| Borrower payments | \$ - | 689,051,446 | - | 408,521,742 |
| Employers | 36,848 | 99,038 | 30,087 | 115,355 |
| Other governmental agency | - | 1,775,000 | - | 62,328 |
| Total Contributions | <u>36,848</u> | <u>690,925,484</u> | <u>30,087</u> | <u>408,699,425</u> |
| Investment earnings: | | | | |
| Net increase/(decrease) in fair value of investments | (4,880,074) | - | 2,190,792 | - |
| Interest, dividends, and other | 240,557 | 5,430 | 227,741 | 47,463 |
| Securities lending income (gain on sales) | - | - | - | - |
| Total investment earnings | <u>(4,639,517)</u> | <u>5,430</u> | <u>2,418,533</u> | <u>47,463</u> |
| Total additions | <u>(4,602,669)</u> | <u>690,930,914</u> | <u>2,448,620</u> | <u>408,746,888</u> |
| DEDUCTIONS | | | | |
| Benefits paid to participants or beneficiaries | 206,659 | - | 203,025 | - |
| Other governmental agency | - | 147,884 | - | 13,745 |
| Disbursement of escrow funds | - | 687,682,704 | - | 380,491,819 |
| Administrative expense | 36,848 | - | 30,087 | - |
| Total deductions | <u>243,507</u> | <u>687,830,588</u> | <u>233,112</u> | <u>380,505,564</u> |
| Net increase in fiduciary net position | <u>(4,846,176)</u> | <u>3,100,326</u> | <u>2,215,508</u> | <u>28,241,324</u> |
| Net position - beginning | 39,999,804 | 164,786,282 | 32,338,020 | 79,722,873 |
| Net position - end of three months | <u>\$ 35,153,628</u> | <u>167,886,608</u> | <u>34,553,528</u> | <u>107,964,197</u> |

* March 31, 2020 and 2019 year-end.
See accompanying notes to basic financial statements.

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

(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 (g)). The notes, bonds and other debt obligations do not constitute a debt or grant or loan of credit of the Commonwealth of Virginia (Commonwealth), and the Commonwealth is not liable for the repayment of such obligations.

For financial reporting purposes, the Authority is a component unit of the Commonwealth. The accounts of the Authority, along with other component units, are combined to form the component units of the Commonwealth. The Authority reports all of its activities as one 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 September 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) 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

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

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.

(f) *Derivative Instruments*

Forward sales securities commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At September 30, 2020, the Authority had outstanding 57 forward sales transactions with a \$419.0 million notional amount with five counterparties. At September 30, 2019, the Authority had outstanding 66 forward sales transactions with a \$462.0 million notional amount with four counterparties.

(g) *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. Any gains or losses on loan sales are reported in the Statements of Revenues, Expenses, and Changes in Net Position.

(h) *Mortgage and Other Loans Receivable*

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

(i) *Allowance for Loan Losses*

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

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

The allowance for loan losses was increased by \$200,600 for the three months ended September 30, 2020 and reduced by \$2,644,697 for the three months ended September 30, 2019.

| | Three months ended September 30 | |
|-------------------------------|--|-------------|
| | 2020 | 2019 |
| Beginning Balance, July 1 | \$ 174,496,556 | 137,237,884 |
| Provision: | | |
| Homeownership | 520,492 | 122,272 |
| Rental Housing | 93,075 | (1,721,342) |
| Provision | 613,567 | (1,599,070) |
| Net (charge-offs)/recoveries: | | |
| Homeownership | (412,967) | (974,427) |
| Rental Housing | - | (71,200) |
| Net charge-offs | (412,967) | (1,045,627) |
| Net change | 200,600 | (2,644,697) |
| Ending Balance, September 30 | \$ 174,697,156 | 134,593,187 |

(j) Mortgage Servicing Rights

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

(k) 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.

(l) 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

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

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 Authority 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, 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 and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost, which approximates fair value.

(m) 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.

(n) 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.

(o) 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, Deferred Outflows of Resources and Deferred Inflows of Resources

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

The Authority reports deferred outflows of resources and deferred inflows of resources on its statement 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.

(p) *Reclassifications*

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

(2) *Basis of Presentation*

The accounts of the Authority are presented in a single proprietary 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.

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

(3) 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 September 30, 2020 and 2019, the carrying amount of the Authority's deposits was \$68,942,921 and \$56,788,350, respectively. The associated bank balance of the Authority's deposits was \$56,352,651 and \$52,913,942 at September 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 September 30, 2020 and 2019, total cash equivalents were \$1,646,007,486 and \$883,453,391, 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 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.

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

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

| <u>Investment type</u> | <u>Less than 1 year</u> | <u>1-5 years</u> | <u>6-10 years</u> | <u>Over 10 years</u> | <u>Total</u> |
|-----------------------------------|-----------------------------|----------------------|-----------------------|--------------------------|----------------------|
| U.S. government and agency | \$ 654,840,844 | - | - | - | 654,840,844 |
| Repurchase agreements | 800,000,000 | - | - | - | 800,000,000 |
| Asset-backed securities | - | - | - | 2,623,975 | 2,623,975 |
| Agency-mortgage backed securities | - | - | 975,716 | 703,242,477 | 704,218,193 |
| Money market securities | 191,166,642 | - | - | - | 191,166,642 |
| Total investments | <u>\$ 1,646,007,486</u> | <u>-</u> | <u>975,716</u> | <u>705,866,452</u> | <u>2,352,849,654</u> |

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

| <u>Investment type</u> | <u>Less than 1 year</u> | <u>1-5 years</u> | <u>6-10 years</u> | <u>Over 10 years</u> | <u>Total</u> |
|-----------------------------------|-----------------------------|----------------------|-----------------------|--------------------------|----------------------|
| U.S. government and agency | \$ 169,367,832 | - | - | - | 169,367,832 |
| Repurchase agreements | 425,000,000 | - | - | - | 425,000,000 |
| Asset-backed securities | - | - | - | 2,900,007 | 2,900,007 |
| Agency-mortgage backed securities | - | - | 403,720 | 605,739,646 | 606,143,366 |
| Money market securities | 289,085,559 | - | - | - | 289,085,559 |
| Total investments | <u>\$ 883,453,391</u> | <u>-</u> | <u>403,720</u> | <u>608,639,653</u> | <u>1,492,496,764</u> |

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

(4) Notes and Bonds Payable

Notes and bonds payable at June 30, 2020 and September 30, 2020 and changes for the three months ended September 30, 2020 were as follows:

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at September 30, 2020 |
|---|--------------------------------|------------------------------|---------|-------------------------------------|
| | | (Amounts shown in thousands) | | |
| General operating accounts: | | | | |
| Revolving line of credit: | | | | |
| Bank of America | | | | |
| floating daily rate (rate of | | | | |
| 0.85% at September 30, 2020) | | | | |
| termination date of December 1, 2020 | \$ 5,000 | 7,000 | — | 12,000 |
| Federal Home Loan Bank | | | | |
| varying fixed rate notes with 90-day maturities | | | | |
| (average of 0.24% as of September 30, 2020 and | | | | |
| 2.25% at September 30, 2019), maturities range | | | | |
| from July 7, 2020 to September 3, 2020 | 445,300 | — | — | 445,300 |
| Total general operating | | | | |
| accounts | \$ 450,300 | 7,000 | — | 457,300 |

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at September 30, 2020 |
|--|--------------------------------|------------------------------|---------|-------------------------------------|
| | | (Amounts shown in thousands) | | |
| Rental housing bond group: | | | | |
| 2010 Series F, dated December 2, 2010, 4.86% effective interest rate, final due date January 1, 2041 | \$ 16,510 | — | — | 16,510 |
| 2011 Series A, dated May 24, 2011, 4.92% effective interest rate, final due date May 1, 2041 | 9,720 | — | — | 9,720 |
| 2011 Series B, dated September 27, 2011, 4.27% effective interest rate, final due date October 1, 2041 | 12,700 | — | — | 12,700 |
| 2011 Series C, dated December 8, 2011, 4.24% effective interest rate, final due date December 1, 2038 | 15,940 | — | — | 15,940 |
| 2011 Series D, dated December 8, 2011, 4.93% effective interest rate, final due date January 1, 2039 | 127,200 | — | — | 127,200 |
| 2012 Series A, dated February 28, 2012, 3.60% effective interest rate, final due date March 1, 2042 | 29,325 | — | — | 29,325 |
| 2012 Series B/C, dated August 21, 2012, 3.64% effective interest rate, final due date August 1, 2042 | 98,270 | — | 2,870 | 95,400 |
| 2012 Series D dated October 30, 2012, 4.02% effective interest rate, final due date October 1, 2042 | 190,635 | — | — | 190,635 |
| 2012 Series E dated November 2, 2042, 3.16% effective interest rate, final due date November 1, 2042 | 9,155 | — | — | 9,155 |
| 2013 Series A/B dated April 11, 2013, 3.95% effective interest rate, final due date April 1, 2043 | 29,385 | — | — | 29,385 |
| 2013 Series C dated May 2, 2013, 3.82% effective interest rate, final due date February 1, 2043 | 140,080 | — | 2,110 | 137,970 |
| 2013 Series D dated May 30, 2013, 4.06% effective interest rate, final due date June 1, 2043 | 97,270 | — | — | 97,270 |
| 2013 Series E dated July 11, 2013, 4.15% effective interest rate, final due date July 1, 2043 | 18,465 | — | 525 | 17,940 |

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at September 30, 2020 |
|--|--------------------------------|------------------------------|---------|-------------------------------------|
| | | (Amounts shown in thousands) | | |
| 2013 Series F dated October 10, 2013, 4.98% effective interest rate, final due date October 1, 2043 | \$ 53,080 | — | — | 53,080 |
| 2013 Series G dated December 3, 2013, 4.39% effective interest rate, final due date December 1, 2043 | 9,400 | — | — | 9,400 |
| 2014 Series A dated August 19, 2014, 3.75% effective interest rate, final due date August 1, 2049 | 11,855 | — | 230 | 11,625 |
| 2014 Series B dated October 28, 2014, 3.30% effective interest rate, final due date October 1, 2044 | 8,145 | — | — | 8,145 |
| 2014 Series C dated November 20, 2014, 4.29% effective interest rate, final due date November 1, 2044 | 120,730 | — | — | 120,730 |
| 2015 Series A dated March 18, 2015, 3.50% effective interest rate, final due date March 1, 2045 | 35,825 | — | — | 35,825 |
| 2015 Series B dated May 12, 2015, 3.44% effective interest rate, final due date May 1, 2045 | 10,655 | — | — | 10,655 |
| 2015 Series C dated August 5, 2015, 3.68% effective interest rate, final due date August 1, 2045 | 21,185 | — | 560 | 20,625 |
| 2015 Series D dated November 10, 2015, 3.55% effective interest rate, final due date November 1, 2045 | 32,680 | — | — | 32,680 |
| 2015 Series E/F dated December 8, 2015, 3.94% effective interest rate, final due date December 1, 2045 | 77,325 | — | — | 77,325 |
| 2016 Series A dated March 8, 2016, 2.99% effective interest rate, final due date March 1, 2046 | 4,500 | — | — | 4,500 |
| 2016 Series B dated May 17, 2016, 3.35% effective interest rate, final due date May 1, 2046 | 65,645 | — | — | 65,645 |
| 2016 Series C dated July 19, 2016, 2.72% effective interest rate, final due date July 1, 2046 | 4,450 | — | 115 | 4,335 |
| 2016 Series D dated October 18, 2016, 2.89% effective interest rate, final due date October 1, 2046 | 7,575 | — | — | 7,575 |

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at September 30, 2020 |
|---|--------------------------------|------------------------------|---------|-------------------------------------|
| | | (Amounts shown in thousands) | | |
| 2017 Series A dated March 14, 2017, 3.66% effective interest rate, final due date March 1, 2049 | \$ 27,370 | — | — | 27,370 |
| 2017 Series B dated June 13, 2017, 3.35% effective interest rate, final due date June 1, 2047 | 6,690 | — | — | 6,690 |
| 2017 Series C dated September 13, 2017, 3.24% effective interest rate, final due date September 1, 2047 | 2,825 | — | 70 | 2,755 |
| 2017 Series D dated October 19, 2017, 3.21% effective interest rate, final due date October 1, 2047 | 5,530 | — | — | 5,530 |
| 2017 Series E dated December 5, 2017, 3.28% effective interest rate, final due date December 1, 2050 | 47,880 | — | — | 47,880 |
| 2018 Series A dated March 27, 2018, 3.43% effective interest rate, final due date March 1, 2053 | 48,375 | — | — | 48,375 |
| 2018 Series B dated June 5, 2018, 3.76% effective interest rate, final due date June 1, 2053 | 27,355 | — | — | 27,355 |
| 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 | 42,090 | — | — | 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 |

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at September 30, 2020 |
|--|--------------------------------|----------------|--------------|-------------------------------------|
| | (Amounts shown in thousands) | | | |
| 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 June 1, 2055 | 425,000 | — | — | 425,000 |
| 2020 Series E dated July 28, 2020 2.40% effective interest rate, final due date July 1, 2055 | — | 44,770 | — | 44,770 |
| 2020 Series F dated July 21, 2020 3.09% effective interest rate, final due date July 1, 2055 | — | 200,000 | — | 200,000 |
| | <u>2,600,490</u> | <u>244,770</u> | <u>6,480</u> | <u>2,838,780</u> |
| Unamortized premium | (540) | — | 6 | (534) |
| Total rental housing bonds | <u>\$ 2,599,950</u> | | | <u>2,838,246</u> |

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at September 30, 2020 |
|---|--------------------------------|--------|---------|-------------------------------------|
| (Amounts shown in thousands) | | | | |
| Commonwealth mortgage bonds group: | | | | |
| 2002 Series E/F/G, dated December 17, 2002, 5.28% effective interest rate, final due date December 25, 2032 | \$ 5,498 | — | 140 | 5,358 |
| 2004 Series B, dated June 10, 2004, 5.80% effective interest rate, final due date June 25, 2034 | 1,229 | — | 70 | 1,159 |
| 2006 Series C, dated June 8, 2006, 6.29% effective interest rate, final due date June 25, 2034 | 7,895 | — | 227 | 7,668 |
| 2008 Series A, dated March 25, 2008, 6.11% effective interest rate, final due March 25, 2038 | 12,779 | — | 905 | 11,874 |
| 2008 Series B, dated April 10, 2008, 6.17% effective interest rate, final due date March 25, 2038 | 19,473 | — | 1,282 | 18,191 |
| 2008 Series C, dated November 18, 2008, 6.51% effective interest rate, final due date June 25, 2038 | 6,462 | — | 291 | 6,171 |
| 2012 Series A, dated December 20, 2012, 2.10% effective interest rate, final due date July 1, 2026 | 53,200 | — | 4,200 | 49,000 |
| 2012 Series B/C, dated December 20, 2012, 3.21% effective interest rate, final due date July 1, 2039. | 371,250 | — | 3,900 | 367,350 |
| 2013 Series B, dated May 21, 2013, 2.75% effective interest rate, final due date April 25, 2042 | 31,358 | — | 1,559 | 29,799 |

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at September 30, 2020 |
|---|--------------------------------|------------------------------|---------------|-------------------------------------|
| | | (Amounts shown in thousands) | | |
| 2013 Series C, dated October 24, 2013, 4.25% effective interest rate, final due date October 25, 2043 | \$ 51,445 | — | 5,391 | 46,054 |
| 2013 Series D, dated December 19, 2013, 4.30% effective interest rate, final due date December 25, 2043 | 44,088 | — | 3,005 | 41,083 |
| 2014 Series A, dated December 11, 2014, 3.50% effective interest rate, final due date October 25, 2037 | 54,536 | — | 2,987 | 51,549 |
| 2015 Series A, dated November 10, 2015, 3.25% effective interest rate, final due date June 25, 2045 | 78,278 | — | 3,793 | 74,485 |
| 2016 Series A, dated June 9, 2016, 3.10% effective interest rate, final due date June 25, 2041 | 80,682 | — | 4,862 | 75,820 |
| 2017 Series A, dated June 13, 2017, 3.13% effective interest rate, final due date November 25, 2039 | 92,412 | — | 4,939 | 87,473 |
| 2019 Series A, dated November 5, 2019, 2.95% effective interest rate, final due date October 25, 2049 | 103,076 | — | 6,245 | 96,831 |
| 2020 Series A, dated February 12, 2020, 2.85% effective interest rate, final due date December 25, 2049 | 119,507 | — | 1,253 | 118,254 |
| 2020 Series B, dated April 21, 2020, 2.75% effective interest rate, final due date October 25, 2046 | 146,804 | — | 7,416 | 139,388 |
| | <u>1,279,972</u> | <u>—</u> | <u>52,465</u> | <u>1,227,507</u> |
| Unamortized premium | (822) | — | 42 | (780) |
| Total commonwealth mortgage bonds group | <u>\$ 1,279,150</u> | | | <u>1,226,727</u> |

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at September 30, 2020 |
|--|--------------------------------|----------|--------------|-------------------------------------|
| | (Amounts shown in thousands) | | | |
| Homeownership mortgage bonds group: | | | | |
| 2010 Series B, dated October 29, 2010, 3.54% effective interest rate, final due date March 1, 2022 | \$ 8,000 | — | 3,000 | 5,000 |
| 2011 Series A, dated June 14, 2011, 3.58% effective interest rate, final due date March 1, 2024 | 17,900 | — | — | 17,900 |
| 2011 Series B, dated September 27, 2011, 3.41% effective interest rate, final due date September 1, 2024 | 22,850 | — | — | 22,850 |
| 2013 Series A, dated March 27, 2013, 3.25% effective interest rate, final due date August 25, 2042 | 69,275 | — | 4,469 | 64,806 |
| | <u>118,025</u> | <u>—</u> | <u>7,469</u> | <u>110,556</u> |
| Total homeownership mortgage bonds group | | | | |
| | <u>\$ 4,447,425</u> | | | <u>4,632,829</u> |

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

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

| Description | Balance at June 30, 2019 | Issued | Retired | Increase/ (decrease) in unamortized premium/ discount | Balance at September 30, 2019 |
|------------------------------------|--------------------------------|---------------|---------------|---|-------------------------------------|
| General operating accounts | \$ 445,300 | 20,000 | 20,000 | - | 445,300 |
| Rental housing bonds group | 1,824,645 | 50,000 | 7,340 | - | 1,867,305 |
| Commonwealth mortgage bonds group | 1,059,464 | - | 31,056 | 45 | 1,028,453 |
| Homeownership mortgage bonds group | 157,951 | - | 8,942 | - | 149,009 |
| Total | <u>\$ 3,487,360</u> | <u>70,000</u> | <u>67,338</u> | <u>45</u> | <u>3,490,067</u> |

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

| Year Ending September 30 | Outstanding principal | Current interest | Total debt service |
|--------------------------|--------------------------|----------------------|-----------------------|
| 2021 | \$ 566,736,369 | 143,657,882 | 710,394,251 |
| 2022 | 110,970,000 | 139,646,798 | 250,616,798 |
| 2023 | 138,020,000 | 136,444,267 | 274,464,267 |
| 2024 | 137,680,000 | 132,981,312 | 270,661,312 |
| 2025 | 96,155,000 | 129,763,403 | 225,918,403 |
| 2026-2030 | 487,890,000 | 604,928,180 | 1,092,818,180 |
| 2031-2035 | 555,043,744 | 517,815,167 | 1,072,858,911 |
| 2036-2040 | 720,608,177 | 400,636,174 | 1,121,244,351 |
| 2041-2045 | 845,390,828 | 238,249,487 | 1,083,640,315 |
| 2046-2050 | 653,313,793 | 120,542,545 | 773,856,338 |
| 2051-2055 | 322,335,000 | 32,251,606 | 354,586,606 |
| Total | <u>\$ 4,634,142,911</u> | <u>2,596,916,821</u> | <u>7,231,059,732</u> |

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

(5) 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 election, 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:

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

(Unaudited)

| Description | Balance at June 30, 2020 | Issued | Retired | Balance at September 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 | \$ 2,855,743 | — | 13,333 | 2,842,410 |
| 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 | 7,414,680 | — | 35,420 | 7,379,260 |
| 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 | 5,403,411 | — | 20,734 | 5,382,677 |
| Twin Canal Village - Note rate of 3.82% | | | | |
| Risk-Share percentage (10% HUD / 90% VHDA) | | | | |
| Pass-through rate of 3.18% | | | | |
| Maturity date of April 1, 2043 | 6,882,013 | — | 47,470 | 6,834,543 |
| 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 | 3,644,280 | — | 16,691 | 3,627,589 |
| 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 | 2,396,665 | — | 10,977 | 2,385,688 |
| 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 | 4,387,035 | — | 21,366 | 4,365,669 |
| 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 | 3,351,892 | — | 16,324 | 3,335,568 |
| Total participation certificates payable | \$ 36,335,719 | — | 182,315 | 36,153,404 |

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Combining Schedule of Net Position
September 30, 2020
(Unaudited)

| Assets | General Operating Accounts | Rental Housing Bond Group | Commonwealth Mortgage Bond Group | Home- ownership Bond Group | Total |
|---|---|--|---|---|-----------------------------|
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 187,149,620 | 966,378,838 | 523,379,337 | 38,042,612 | 1,714,950,407 |
| Interest receivable – investments | 1,636,408 | 76,663 | 473,881 | 3,068 | 2,190,020 |
| Mortgage loans held for sale | - | - | 149,577,116 | - | 149,577,116 |
| Mortgage and other loans receivable, net | 7,323,132 | 81,199,546 | 73,714,061 | 5,005,773 | 167,242,512 |
| Interest receivable – mortgage and other loans | 752,517 | 19,098,180 | 6,109,868 | 441,308 | 26,401,873 |
| Other real estate owned | 2,762,499 | 427,000 | 1,392,312 | 403,502 | 4,985,313 |
| Other assets | 9,231,297 | - | 4,963 | - | 9,236,260 |
| Total current assets | <u>208,855,473</u> | <u>1,067,180,227</u> | <u>754,651,538</u> | <u>43,896,263</u> | <u>2,074,583,501</u> |
| Noncurrent assets: | | | | | |
| Investments | 548,768,046 | - | 158,074,122 | - | 706,842,168 |
| Mortgage and other loans receivable | 260,913,503 | 3,603,914,192 | 1,861,017,958 | 157,841,370 | 5,883,687,023 |
| Less allowance for loan loss | 55,333,251 | 62,310,122 | 54,880,154 | 2,173,629 | 174,697,156 |
| Less net loan discounts | 2,315,529 | 51,129,989 | (3,983,469) | 115,725 | 49,577,774 |
| Mortgage and other loans receivable, net | <u>203,264,723</u> | <u>3,490,474,081</u> | <u>1,810,121,273</u> | <u>155,552,016</u> | <u>5,659,412,093</u> |
| Capital Assets, net of accumulated depreciation and amortization of \$44,678,583 | 17,653,613 | 8,838,419 | - | - | 26,492,032 |
| Mortgage servicing rights, net | 41,518,884 | - | - | - | 41,518,884 |
| Other Assets | 17,497,447 | - | - | - | 17,497,447 |
| Total noncurrent assets | <u>828,702,713</u> | <u>3,499,312,500</u> | <u>1,968,195,395</u> | <u>155,552,016</u> | <u>6,451,762,624</u> |
| Total assets | <u><u>1,037,558,186</u></u> | <u><u>4,566,492,727</u></u> | <u><u>2,722,846,933</u></u> | <u><u>199,448,279</u></u> | <u><u>8,526,346,125</u></u> |
| Deferred outflows of resources | | | | | |
| Other postemployment benefits - change in assumptions | 2,362,344 | - | - | - | 2,362,344 |
| Other postemployment benefits - difference between expected and actual experience | 2,228,265 | - | - | - | 2,228,265 |
| Total Deferred outflows of resources | <u>4,590,609</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,590,609</u> |

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Combining Schedule of Net Position
September 30, 2020
(Unaudited)

| | General Operating Accounts | Rental Housing Bond Group | Commonwealth Mortgage Bond Group | Home- ownership Bond Group | Total |
|---|---|--|---|---|----------------------|
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Notes and bonds payable | 457,300,000 | 39,940,000 | 58,435,850 | 11,060,520 | 566,736,370 |
| Accrued interest payable on notes and bonds | 75,780 | 31,090,052 | 6,822,997 | 316,378 | 38,305,207 |
| Escrows | 41,589,654 | - | - | - | 41,589,654 |
| Derivative instruments | - | - | 229,330 | - | 229,330 |
| Accounts payable and other liabilities | 41,247,214 | - | 845 | - | 41,248,059 |
| Total current liabilities | <u>540,212,648</u> | <u>71,030,052</u> | <u>65,489,022</u> | <u>11,376,898</u> | <u>688,108,620</u> |
| Noncurrent liabilities: | | | | | |
| Bonds payable, net | - | 2,798,305,728 | 1,168,290,819 | 99,495,320 | 4,066,091,867 |
| Project reserves | 106,774,400 | - | - | - | 106,774,400 |
| Loan participation payable to Federal Financing Bank | 36,153,404 | - | - | - | 36,153,404 |
| Other (assets) liabilities | 7,651,319 | 2,542,593 | - | - | 10,193,912 |
| Total noncurrent liabilities | <u>150,579,123</u> | <u>2,800,848,321</u> | <u>1,168,290,819</u> | <u>99,495,320</u> | <u>4,219,213,583</u> |
| Total liabilities | <u>690,791,771</u> | <u>2,871,878,373</u> | <u>1,233,779,841</u> | <u>110,872,218</u> | <u>4,907,322,203</u> |
| Deferred inflows of resources | | | | | |
| Other postemployment benefits - change in assumptions | 583,584 | - | - | - | 583,584 |
| Other postemployment benefits - difference between expected and actual 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 | <u>3,610,323</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,610,323</u> |
| Net position: | | | | | |
| Net investment in capital assets | 15,713,228 | (979,167) | - | - | 14,734,061 |
| Restricted by bond indentures | - | 1,695,593,521 | 1,489,067,092 | 88,576,061 | 3,273,236,674 |
| Unrestricted | 332,033,473 | - | - | - | 332,033,473 |
| Total net position | <u>\$ 347,746,701</u> | <u>1,694,614,354</u> | <u>1,489,067,092</u> | <u>88,576,061</u> | <u>3,620,004,208</u> |

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Three months ended September 30, 2020
(Unaudited)

| | 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 | \$ 2,293,034 | 46,385,093 | 20,049,318 | 1,669,236 | 70,396,681 |
| Housing Choice Voucher program administrative income | 1,838,253 | - | - | - | 1,838,253 |
| Gains and recoveries on sale of other real estate owned | 193,362 | - | 110,194 | - | 303,556 |
| Gains on sale of single family mortgage loans | - | - | 12,127,987 | - | 12,127,987 |
| Mortgage servicing fees net of guaranty fees | 9,848,603 | - | - | - | 9,848,603 |
| Other | 2,294,751 | 772,680 | 41 | - | 3,067,472 |
| Total operating revenues | <u>16,468,003</u> | <u>47,157,773</u> | <u>32,287,540</u> | <u>1,669,236</u> | <u>97,582,552</u> |
| Operating expenses: | | | | | |
| Interest on notes and bonds payable | 298,955 | 24,429,464 | 9,995,654 | 979,353 | 35,703,426 |
| Salaries and related employee benefits | 17,880,608 | - | - | - | 17,880,608 |
| General operating expenses | 6,360,140 | - | 1,404 | - | 6,361,544 |
| Note and bond expenses | 300,235 | - | - | - | 300,235 |
| Bond issuance expenses | - | 1,494,295 | - | - | 1,494,295 |
| Grant expenses | 8,004,121 | - | - | - | 8,004,121 |
| Housing Choice Voucher program expenses | 1,772,105 | - | - | - | 1,772,105 |
| Mortgage servicing rights amortization and other servicing costs | 6,418,393 | - | 812,069 | - | 7,230,462 |
| Losses on other real estate owned | 178,833 | - | 88,261 | 3,580 | 270,674 |
| Provision for loan losses | 4,077,512 | 294,314 | (3,709,371) | (48,888) | 613,567 |
| Total operating expenses | <u>45,290,902</u> | <u>26,218,073</u> | <u>7,188,017</u> | <u>934,045</u> | <u>79,631,037</u> |
| Operating income (expense) | <u>(28,822,899)</u> | <u>20,939,700</u> | <u>25,099,523</u> | <u>735,191</u> | <u>17,951,515</u> |
| Nonoperating revenues (expenses): | | | | | |
| Pass-through grant awards | 24,493,235 | - | - | - | 24,493,235 |
| Pass-through grants expenses | (24,493,235) | - | - | - | (24,493,235) |
| Investment income | 6,439,433 | 245,523 | 9,561,334 | 10,006 | 16,256,296 |
| Unrealized loss on derivative instruments | - | - | (324,072) | - | (324,072) |
| Other, net | 16,902 | - | - | - | 16,902 |
| Total nonoperating revenues, net | <u>6,456,335</u> | <u>245,523</u> | <u>9,237,262</u> | <u>10,006</u> | <u>15,949,126</u> |
| Income (loss) before transfers | <u>(22,366,564)</u> | <u>21,185,223</u> | <u>34,336,785</u> | <u>745,197</u> | <u>33,900,641</u> |
| Transfers between funds | 4,150,194 | (5,025,925) | 864,294 | 11,437 | - |
| Change in net position | <u>(18,216,370)</u> | <u>16,159,298</u> | <u>35,201,079</u> | <u>756,634</u> | <u>33,900,641</u> |
| Total net position, beginning of year | 365,963,071 | 1,678,455,056 | 1,453,866,013 | 87,819,427 | 3,586,103,567 |
| Total net position, end of three months | <u>\$ 347,746,701</u> | <u>1,694,614,354</u> | <u>1,489,067,092</u> | <u>88,576,061</u> | <u>3,620,004,208</u> |

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Fiduciary Net Position

Fiduciary Funds - Custodial Funds

September 30, 2020

(Unaudited)

| | 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 | \$ 143,042,081 | 6,655,011 | 2,231,037 | 13,153 | 151,941,282 |
| Interest receivable - investments | - | 483 | 180 | 8 | 671 |
| Interest receivable - mortgage and other loans | - | 1,046 | 28,451 | 3,708 | 33,205 |
| Other assets | - | 69,121 | - | - | 69,121 |
| Total current assets | <u>143,042,081</u> | <u>6,725,661</u> | <u>2,259,668</u> | <u>16,869</u> | <u>152,044,279</u> |
| Noncurrent assets: | | | | | |
| Mortgage and other loans receivable | - | 3,232,858 | 14,575,995 | 3,600,847 | 21,409,700 |
| Total noncurrent assets | <u>-</u> | <u>3,232,858</u> | <u>14,575,995</u> | <u>3,600,847</u> | <u>21,409,700</u> |
| Total assets | <u>143,042,081</u> | <u>9,958,519</u> | <u>16,835,663</u> | <u>3,617,716</u> | <u>173,453,979</u> |
| LIABILITIES | | | | | |
| Other liabilities | - | 3,390,546 | 2,168,408 | 8,417 | 5,567,371 |
| Total liabilities | <u>-</u> | <u>3,390,546</u> | <u>2,168,408</u> | <u>8,417</u> | <u>5,567,371</u> |
| NET POSITION | | | | | |
| Restricted for: | | | | | |
| Funds held in escrow | 143,042,081 | - | - | - | 143,042,081 |
| Other governmental agency | - | 6,567,973 | 14,667,255 | 3,609,299 | 24,844,527 |
| Total Net Position | <u>\$ 143,042,081</u> | <u>6,567,973</u> | <u>14,667,255</u> | <u>3,609,299</u> | <u>167,886,608</u> |

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Combining Schedule of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
Three months ended September 30, 2020
(Unaudited)

| | Escrow Funds (GNMA, FNMA, Habitat) | Commonwealth Priority Housing Fund | Virgina Housing Trust Fund | National Housing Trust Fund | Total Custodial Funds |
|--|---|---|---------------------------------------|--|----------------------------------|
| ADDITIONS | | | | | |
| Contribution: | | | | | |
| Borrower payments | \$ 689,051,446 | - | - | - | 689,051,446 |
| Employers | - | 22,320 | 58,398 | 18,320 | 99,038 |
| Other governmental agency | - | - | 600,000 | 1,175,000 | 1,775,000 |
| Total Contributions | <u>689,051,446</u> | <u>22,320</u> | <u>658,398</u> | <u>1,193,320</u> | <u>690,925,484</u> |
| Investment earnings: | | | | | |
| Interest, dividends, and other | - | 4,748 | 611 | 71 | 5,430 |
| Total investment earnings | <u>-</u> | <u>4,748</u> | <u>611</u> | <u>71</u> | <u>5,430</u> |
| Total additions | <u>689,051,446</u> | <u>27,068</u> | <u>659,009</u> | <u>1,193,391</u> | <u>690,930,914</u> |
| DEDUCTIONS | | | | | |
| Other governmental agency | - | 134,000 | 13,884 | - | 147,884 |
| Disbursement of escrow funds | 687,682,704 | - | - | - | 687,682,704 |
| Total deductions | <u>687,682,704</u> | <u>134,000</u> | <u>13,884</u> | <u>-</u> | <u>687,830,588</u> |
| Net increase in fiduciary net position | 1,368,742 | (106,932) | 645,125 | 1,193,391 | 3,100,326 |
| Net position - beginning of year | 141,673,339 | 6,674,905 | 14,022,130 | 2,415,908 | 164,786,282 |
| Net position - end of three months | <u>\$ 143,042,081</u> | <u>6,567,973</u> | <u>14,667,255</u> | <u>3,609,299</u> | <u>167,886,608</u> |

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Combining Schedule of Net Position
September 30, 2019
(Unaudited)

| Assets | General Operating Accounts | Rental Housing Bond Group | Commonwealth Mortgage Bond Group | Home- ownership Bond Group | Total |
|---|---|--|---|---|-----------------------------|
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 173,972,170 | 432,666,524 | 320,835,839 | 12,767,208 | 940,241,741 |
| Interest receivable – investments | 1,896,149 | 543,653 | 540,302 | 16,276 | 2,996,380 |
| Mortgage loans held for sale | - | - | 109,157,955 | - | 109,157,955 |
| Mortgage and other loans receivable, net | 6,583,546 | 75,733,595 | 71,608,478 | 6,338,237 | 160,263,856 |
| Interest receivable – mortgage and other loans | 627,855 | 14,686,082 | 6,903,036 | 650,533 | 22,867,506 |
| Other real estate owned | 7,413,130 | 602,000 | 4,488,694 | 701,185 | 13,205,009 |
| Other assets | 6,793,191 | - | 1,906 | - | 6,795,097 |
| Total current assets | <u>197,286,041</u> | <u>524,231,854</u> | <u>513,536,210</u> | <u>20,473,439</u> | <u>1,255,527,544</u> |
| Noncurrent assets: | | | | | |
| Investments | 560,299,555 | - | 48,743,818 | - | 609,043,373 |
| Mortgage and other loans receivable | 230,408,004 | 3,074,109,029 | 1,969,239,051 | 214,300,595 | 5,488,056,679 |
| Less allowance for loan loss | 37,654,674 | 42,291,994 | 52,286,965 | 2,359,554 | 134,593,187 |
| Less net loan discounts | 388,364 | 42,348,714 | (2,072,010) | 307,772 | 40,972,840 |
| Mortgage and other loans receivable, net | <u>192,364,966</u> | <u>2,989,468,321</u> | <u>1,919,024,096</u> | <u>211,633,269</u> | <u>5,312,490,652</u> |
| Capital Assets, net of accumulated depreciation and amortization of \$41,212,621 | 18,718,153 | 9,535,331 | - | - | 28,253,484 |
| Mortgage servicing rights, net | 39,730,146 | - | - | - | 39,730,146 |
| Other Assets | 12,618,407 | - | - | - | 12,618,407 |
| Total noncurrent assets | <u>823,731,227</u> | <u>2,999,003,652</u> | <u>1,967,767,914</u> | <u>211,633,269</u> | <u>6,002,136,062</u> |
| Total assets | <u><u>1,021,017,268</u></u> | <u><u>3,523,235,506</u></u> | <u><u>2,481,304,124</u></u> | <u><u>232,106,708</u></u> | <u><u>7,257,663,606</u></u> |
| Deferred outflows of resources | | | | | |
| Other postemployment benefits - change in assumptions | 2,653,422 | - | - | - | 2,653,422 |
| Other postemployment benefits - difference between expected and actual experience | 1,200,594 | - | - | - | 1,200,594 |
| Other postemployment benefits - difference between projected and actual earning | 856,736 | - | - | - | 856,736 |
| Total Deferred outflows of resources | <u>4,710,752</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,710,752</u> |

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Combining Schedule of Net Position
September 30, 2019
(Unaudited)

| | General Operating Accounts | Rental Housing Bond Group | Commonwealth Mortgage Bond Group | Home- ownership Bond Group | Total |
|---|---|--|---|---|----------------------|
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Notes and bonds payable | 445,300,000 | 39,560,000 | 53,240,094 | 21,376,221 | 559,476,315 |
| Accrued interest payable on notes and bonds | 495,778 | 22,287,451 | 7,062,318 | 429,921 | 30,275,468 |
| Escrows | 42,094,370 | - | - | - | 42,094,370 |
| Derivative instruments | - | - | 582,461 | - | 582,461 |
| Accounts payable and other liabilities | 21,255,433 | - | - | - | 21,255,433 |
| Total current liabilities | <u>509,145,581</u> | <u>61,847,451</u> | <u>60,884,873</u> | <u>21,806,142</u> | <u>653,684,047</u> |
| Noncurrent liabilities: | | | | | |
| Bonds payable, net | - | 1,827,745,000 | 975,212,859 | 127,632,549 | 2,930,590,408 |
| Project reserves | 111,652,356 | - | - | - | 111,652,356 |
| Loan participation payable to Federal Financing Bank | 36,871,792 | - | - | - | 36,871,792 |
| Other liabilities | 7,874,111 | 2,660,314 | - | - | 10,534,425 |
| Total noncurrent liabilities | <u>156,398,259</u> | <u>1,830,405,314</u> | <u>975,212,859</u> | <u>127,632,549</u> | <u>3,089,648,981</u> |
| Total liabilities | <u>665,543,840</u> | <u>1,892,252,765</u> | <u>1,036,097,732</u> | <u>149,438,691</u> | <u>3,743,333,028</u> |
| Deferred inflows of resources | | | | | |
| Other postemployment benefits - difference between expected and actual experience | 186,913 | - | - | - | 186,913 |
| Total deferred inflows of resources | <u>186,913</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>186,913</u> |
| Net position: | | | | | |
| Net investment in capital assets | 16,112,491 | (559,320) | - | - | 15,553,171 |
| Restricted by bond indentures | - | 1,631,542,061 | 1,445,206,392 | 82,668,017 | 3,159,416,470 |
| Unrestricted | 343,884,776 | - | - | - | 343,884,776 |
| Total net position | <u>\$ 359,997,267</u> | <u>1,630,982,741</u> | <u>1,445,206,392</u> | <u>82,668,017</u> | <u>3,518,854,417</u> |

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Three months ended September 30, 2019
(Unaudited)

| | 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 | \$ 2,151,618 | 45,533,654 | 22,554,086 | 2,485,354 | 72,724,712 |
| Housing Choice Voucher program administrative income | 1,701,999 | - | - | - | 1,701,999 |
| Other real estate owned income | - | 3,225 | - | - | 3,225 |
| Gains and recoveries on sale of other real estate owned | 202,903 | - | 78,098 | 11,645 | 292,646 |
| Gains on sale of single family mortgage loans | - | - | 14,411,996 | - | 14,411,996 |
| Mortgage servicing fees net of guaranty fees | 10,325,428 | - | - | - | 10,325,428 |
| Other | 1,417,445 | 1,240,848 | 4,160 | - | 2,662,453 |
| Total operating revenues | <u>15,799,393</u> | <u>46,777,727</u> | <u>37,048,340</u> | <u>2,496,999</u> | <u>102,122,459</u> |
| Operating expenses: | | | | | |
| Interest on notes and bonds payable | 2,715,192 | 17,506,617 | 8,803,698 | 1,327,053 | 30,352,560 |
| Salaries and related employee benefits | 15,388,687 | - | - | - | 15,388,687 |
| General operating expenses | 5,708,134 | - | - | - | 5,708,134 |
| Note and bond expenses | 206,164 | - | - | - | 206,164 |
| Bond issuance expenses | 120,500 | 507,325 | - | - | 627,825 |
| Grant expenses | 6,326,800 | - | - | - | 6,326,800 |
| Housing Choice Voucher program expenses | 1,897,605 | - | - | - | 1,897,605 |
| Mortgage servicing rights amortization and other servicing costs | 5,234,317 | - | 320,678 | - | 5,554,995 |
| Other real estate owned expenses | - | 2,644 | - | - | 2,644 |
| Losses on other real estate owned | 179,514 | - | 232,959 | 14,968 | 427,441 |
| Provision for loan losses | 4,120,783 | (1,539,127) | (4,101,105) | (79,620) | (1,599,069) |
| Total operating expenses | <u>41,897,696</u> | <u>16,477,459</u> | <u>5,256,230</u> | <u>1,262,401</u> | <u>64,893,786</u> |
| Operating income (expense) | <u>(26,098,303)</u> | <u>30,300,268</u> | <u>31,792,110</u> | <u>1,234,598</u> | <u>37,228,673</u> |
| Nonoperating revenues (expenses): | | | | | |
| Pass-through grant awards | 22,563,279 | - | - | - | 22,563,279 |
| Pass-through grants expenses | (22,563,279) | - | - | - | (22,563,279) |
| Investment income | 10,144,971 | 1,926,502 | 1,834,892 | 66,687 | 13,973,052 |
| Unrealized gain on derivative instruments | - | - | 1,635,762 | - | 1,635,762 |
| Total nonoperating revenues, net | <u>10,144,971</u> | <u>1,926,502</u> | <u>3,470,654</u> | <u>66,687</u> | <u>15,608,814</u> |
| Income (loss) before transfers | <u>(15,953,332)</u> | <u>32,226,770</u> | <u>35,262,764</u> | <u>1,301,285</u> | <u>52,837,487</u> |
| Transfers between funds | 13,069,779 | (1,586,179) | (11,503,703) | 20,103 | - |
| Change in net position | <u>(2,883,553)</u> | <u>30,640,591</u> | <u>23,759,061</u> | <u>1,321,388</u> | <u>52,837,487</u> |
| 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 three months | <u>\$ 359,997,267</u> | <u>1,630,982,741</u> | <u>1,445,206,392</u> | <u>82,668,017</u> | <u>3,518,854,417</u> |

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Combining Schedule of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
September 30, 2019
(Unaudited)

| | 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 | \$ 89,733,931 | 8,214,226 | 2,972,027 | 1,307,347 | 102,227,531 |
| Interest receivable - investments | - | 8,776 | 3,276 | 722 | 12,774 |
| Interest receivable - mortgage and other loans | - | 1,046 | 17,181 | 583 | 18,810 |
| Other assets | - | 68,982 | - | - | 68,982 |
| Total current assets | <u>89,733,931</u> | <u>8,293,030</u> | <u>2,992,484</u> | <u>1,308,652</u> | <u>102,328,097</u> |
| Noncurrent assets: | | | | | |
| Mortgage and other loans receivable | - | 3,396,858 | 10,363,746 | 1,125,847 | 14,886,451 |
| Total noncurrent assets | <u>-</u> | <u>3,396,858</u> | <u>10,363,746</u> | <u>1,125,847</u> | <u>14,886,451</u> |
| Total assets | <u>89,733,931</u> | <u>11,689,888</u> | <u>13,356,230</u> | <u>2,434,499</u> | <u>117,214,548</u> |
| LIABILITIES | | | | | |
| Third party investor funds held in trust | - | - | - | - | - |
| Other liabilities | - | 5,027,539 | 2,921,645 | 1,301,167 | 9,250,351 |
| Total liabilities | <u>-</u> | <u>5,027,539</u> | <u>2,921,645</u> | <u>1,301,167</u> | <u>9,250,351</u> |
| NET POSITION | | | | | |
| Restricted for: | | | | | |
| Funds held in escrow | 89,733,931 | - | - | - | 89,733,931 |
| Other governmental agency | - | 6,662,349 | 10,434,585 | 1,133,332 | 18,230,266 |
| Total Net Position | <u>\$ 89,733,931</u> | <u>6,662,349</u> | <u>10,434,585</u> | <u>1,133,332</u> | <u>107,964,197</u> |

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Combining Schedule of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
Three months ended September 30, 2019
(Unaudited)

| | Escrow Funds (GNMA, FNMA, Habitat) | Commonwealth Priority Housing Fund | Virginia Housing Trust Fund | National Housing Trust Fund | Total Custodial Funds |
|---|---|---|--|--|----------------------------------|
| ADDITIONS | | | | | |
| Contribution: | | | | | |
| Borrower payments | \$ 408,521,742 | - | - | - | 408,521,742 |
| Employers | - | 23,320 | 60,837 | 31,198 | 115,355 |
| Other governmental agency | - | - | 62,328 | - | 62,328 |
| Total Contributions | <u>408,521,742</u> | <u>23,320</u> | <u>123,165</u> | <u>31,198</u> | <u>408,699,425</u> |
| Investment earnings: | | | | | |
| Interest, dividends, and other | - | 32,823 | 12,011 | 2,629 | 47,463 |
| Total investment earnings | <u>-</u> | <u>32,823</u> | <u>12,011</u> | <u>2,629</u> | <u>47,463</u> |
| Total additions | <u>408,521,742</u> | <u>56,143</u> | <u>135,176</u> | <u>33,827</u> | <u>408,746,888</u> |
| DEDUCTIONS | | | | | |
| Other governmental agency | - | - | 13,745 | - | 13,745 |
| Disbursement of escrow funds | 380,491,819 | - | - | - | 380,491,819 |
| Administrative expense | - | - | - | - | - |
| Total deductions | <u>380,491,819</u> | <u>-</u> | <u>13,745</u> | <u>-</u> | <u>380,505,564</u> |
| Net (decrease)/increase in fiduciary net position | 28,029,923 | 56,143 | 121,431 | 33,827 | 28,241,324 |
| Net position - beginning | 61,704,008 | 6,606,206 | 10,313,154 | 1,099,505 | 79,722,873 |
| Net position - end of three months | <u>\$ 89,733,931</u> | <u>6,662,349</u> | <u>10,434,585</u> | <u>1,133,332</u> | <u>107,964,197</u> |