



Financial Statements
June 30, 2022 and 2021

Washington State Housing Finance Commission

Washington State Housing Finance Commission

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June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Commissioners
Washington State Housing Finance Commission
Seattle, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the Washington State Housing Finance Commission (the Commission), a component unit of the State of Washington, as of and for the years ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Washington State Housing Finance Commission as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Other Matter

The financial statements of the Commission for the year ended June 30, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on November 22, 2021.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the net pension liability, contributions to the pension plan, net OPEB liability, and contributions to the OPEB plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 management's discussion and analysis, the schedules of the net pension liability, contributions to the pension plan, net OPEB liability, and contributions to the OPEB because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The combining statements of net position, combining statements of revenues, expenses, and changes in net position, combining statements of cash flows, and schedule of notes and bonds payable, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements of net position, combining statements of revenues, expenses, and changes in net position, combining statements of cash flows, and schedule of notes and bonds payable are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
December 13, 2022

As management of the June 30, 2022 and 2021 (the Commission, we, or our), we offer readers of the Commission's financial statements this narrative overview and analysis of our financial activities for the year ended June 30, 2022. This overview and analysis is required by accounting principles generally accepted in the United States of America for governmental entities.

Financial Highlights

During the fiscal year ended, or as of June 30, 2022 (FY 2022):

Net position increased \$38.0 million to \$848.4 million primarily due to the \$85.4 million increase in net position of Program-Related Investments (PRI) offset by the \$48.5 million decrease in the Single-Family Bond Program. The increase in the PRI resulted from an excess of revenues over expenses totaling \$57.6 million, mostly from the down payment assistance revenues from Homeownership's Home Advantage daily-priced mortgage program (Home Advantage) coupled with the operating transfer from the General Operating Fund (GOF) of \$27.8 million. The decrease in the Single-Family Bond Program resulted primarily from an unrealized loss on mortgage-backed securities.

During the fiscal year, cash, cash equivalents, and investments increased by \$205.5 million due to proceeds received for the US Department of Treasury's Homeowner Assistance Fund ("HAF") grant (\$167.2 million) coupled with PRI fee revenue and mortgage loan repayments, and other receipts. Mortgage loans increased by \$48.6 million as new loans were issued through PRI. Assets and deferred outflows of resources increased by \$206.4 million, largely due to these factors.

Total bonds payable of \$516.9 million were outstanding, net of premiums and discounts, \$48.2 million below the prior year balance. This decrease resulted from the net issuance of bonds (\$84.6 million) and the net payment of principal (\$132.8 million). Total notes payable of \$232.4 million were outstanding, an increase of \$45.1 million from the prior year. This increase was primarily due to borrowing with PRI for the issuance of mortgage loans. Unearned revenue and other liabilities increased by \$169.2 million to \$184.4 million at year end, primarily due to the aforementioned Treasury HAF grant. Liabilities and deferred inflows of resources increased by \$168.5 million, largely due to these factors.

PRI and GOF program fees and grant revenue decreased by \$24.8 million due primarily to a decrease in program fees associated with Home Advantage as new loan production slowed in the second half of the year. Bond program revenues (mortgage interest, unrealized loss on MBSs, investment earnings and other) decreased by \$53.2 million due to a \$58.0 million net decrease in the unrealized gain (loss) on MBSs and decreased interest revenue from a lower balance of MBSs.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: Management's Discussion and Analysis, the financial statements, and the notes to the financial statements. The basic financial statements include the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows. The financial statements are presented in a manner similar to that of a private business using the economic resources measurement focus and the accrual basis of accounting.

The financial statements report information for all Commission programs and operations. The statements of net position include all Commission assets, liabilities and deferred inflows and outflows of resources. All revenues and expenses of the Commission are accounted for in the statements of revenues, expenses, and changes in net position. Program financial statements are presented as supplemental schedules. These schedules separate the financial statements into General Operating Fund, Program-Related Investments, and Bond Fund.

Economic Outlook

During the fiscal year, the 10-year Treasury note yield, the benchmark often used to price mortgage rates, rose to 2.98% on June 30, 2022 from its June 30, 2021 rate of 1.45%. The very low rate in 2021 was influenced by the market's uncertainty in the COVID-19 pandemic. With the increase in the 10-year Treasury yield, average 30-year mortgage rates which typically follow it rose sharply year-over-year to about 5.70% from 3.02%. Home Prices continued to increase across the US though there was deceleration in US housing prices. According to the S&P CoreLogic Case-Schiller U.S. National Home Price Index, home prices increased 18.0% nationally year-over-year, while Seattle had a 19.2% increase during the year. A tight supply of single-family homes coupled with high housing prices and rapid rising mortgage rates make purchases by the Commission's low-to-moderate income target customers more difficult.

Home loans securitized in the Home Advantage program, which uses traditional, taxable mortgage funding, were 5,386 down 34.4% from fiscal year 2021. The dollar value of the loans purchased was \$1.9 billion, down 26.8% from the prior year. We generated approximately \$84.6 million in lendable proceeds for our House Key Opportunity program through the issuance of tax-exempt bonds in fiscal year 2022. The program targets first-time homebuyers in lower-income households, generally providing a lower interest rate and additional down payment options.

Demand for the 9% Low-Income Housing Tax Credit (LIHTC) for Multifamily housing continues to significantly outstrip supply. Therefore, many developers of affordable housing are using the 4% LIHTC program in conjunction with tax-exempt bonds. That program is constrained by the amount of private-activity bond volume cap available for such projects and has been substantially oversubscribed.

Short-term interest rates represented by 1-month LIBOR saw a significant increase to 1.79% on June 30, 2022 from 0.10% a year earlier. This index is used to evaluate the cost of variable-rate debt and correlates to rates earned on short-term investments. Based upon indications of the Federal Reserve Board (the Fed), we believe interest rates will continue to rise in the near future, while inflation has recently reached a 40-year high. Any continued increase in short-term rates would increase the carrying cost of the Commission's unhedged variable-rate debt in its Single-family program. However, there would be an offsetting increase in the return on the Commission's short-term investments effectively creating a natural interest-rate hedge. We do not expect a significant effect on the Commission's conduit bond production.

FINANCIAL ANALYSIS OF THE COMMISSION

Statements of Net Position

The following table summarizes the changes in assets and deferred outflows of resources, liabilities, deferred inflows of resources, and net position between June 30, 2022 and 2021, (in millions):

	<u>2022</u>	<u>2021</u>	<u>Change</u>	
Assets				
Cash and cash equivalents	\$ 747.7	\$ 497.5	\$ 250.2	50.3%
Investments	88.2	132.9	(44.7)	(33.6%)
Accrued interest receivable	4.8	3.6	1.2	33.3%
Fees receivable, net	10.4	11.8	(1.4)	(11.9%)
Other receivables	1.6	1.8	(0.2)	(11.1%)
Mortgage-backed securities, fair value	521.5	574.3	(52.8)	(9.2%)
Mortgage loans, net	485.2	436.6	48.6	11.1%
Prepaid fees and other	8.2	0.5	7.7	1,540.0%
	<u>1,867.6</u>	<u>1,659.0</u>	<u>208.6</u>	<u>12.6%</u>
Deferred Outflows of Resources	<u>1.3</u>	<u>3.5</u>	<u>(2.2)</u>	<u>(62.9%)</u>
Total assets and deferred outflows of resources	<u>\$ 1,868.9</u>	<u>\$ 1,662.5</u>	<u>\$ 206.4</u>	<u>12.4%</u>

Washington State Housing Finance Commission
Management's Discussion and Analysis
June 30, 2022 and 2021

	2022	2021	Change	
Liabilities				
Accounts payable and other liabilities	\$ 75.5	\$ 77.9	\$ (2.4)	(3.1%)
Accrued interest payable	2.7	1.4	1.3	92.9%
Unearned revenue and other	184.4	15.2	169.2	1,113.2%
Derivative instrument - interest rate swap	(0.1)	1.9	(2.0)	(105.3%)
Notes payable	232.4	187.3	45.1	24.1%
Bonds and notes payable, net	<u>516.9</u>	<u>565.1</u>	<u>(48.2)</u>	<u>(8.5%)</u>
Total liabilities	<u>1,011.8</u>	<u>848.8</u>	<u>163.0</u>	<u>19.2%</u>
Deferred Inflows of Resources	<u>8.7</u>	<u>3.2</u>	<u>5.5</u>	<u>171.9%</u>
Net Position				
Restricted				
Bond operations	118.9	168.6	(49.7)	(29.5%)
Net Pension Asset	5.9	-	5.9	100.0%
Grants and donations to PRI	0.8	0.8	-	-
Net investment in capital assets	0.5	0.1	0.4	400.0%
Unrestricted				
General operations	19.9	24.0	(4.1)	(17.1%)
Housing Washington	0.5	0.5	-	--%
Program-related investments	<u>701.9</u>	<u>616.5</u>	<u>85.4</u>	<u>13.9%</u>
Total net position	<u>848.4</u>	<u>810.5</u>	<u>37.9</u>	<u>4.7%</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,868.9</u>	<u>\$ 1,662.5</u>	<u>\$ 206.4</u>	<u>12.4%</u>

Cash, cash equivalents, and investments increased by \$205.5 million, which is the primary component of an increase in assets of \$208.6 million. The increase in unearned revenue and other of \$169.2 million is primarily due to the receipt of Treasury HAF grant funds yet to be disbursed to subgrantees.

The net position of the Commission increased \$38.0 million from the June 30, 2021 amount. This increase resulted from the net operating income, before contributions and distributions, across all funds.

The net position of the Bond Fund is classified as restricted because trust indentures direct the use of the funds. The Commission has designated its remaining net position to a General Operating Fund and to Program-Related Investments.

The General Operating Fund net position is a reserve to protect the Commission from future uncertainty. With the reserve in place, the Commission is positioned to meet its future, long-term project monitoring commitments and to independently meet unforeseen fiscal or legal challenges.

Washington State Housing Finance Commission

Management's Discussion and Analysis

June 30, 2022 and 2021

The Commission has also designated a net position for Program-Related Investments. Investments target strategic, higher-risk programs that support the financing and production of housing for low-income and special populations as well as facilities used to provide community services primarily to low-income persons. These investments complement, supplement, and enhance other Commission programs and have been a catalyst to generate \$34.9 million in investments and donations by partners who wish to support the program purpose. The Commission manages and deploys those funds in addition to its own.

Statements of Revenues, Expenses, and Changes in Net Position

The following table summarizes the changes in revenues and expenses between 2022 and 2021, (in millions):

	2022	2021	Change	
Revenues				
Bond programs mortgage interest	\$ 17.6	\$ 21.4	\$ (3.8)	(17.8%)
Bond programs investments and other income	3.6	2.5	1.1	44.0%
Bond program gain (loss) on mortgage-backed securities	(59.8)	(10.4)	(49.4)	475.0%
Other bond fees	0.3	1.1	(0.8)	(72.7%)
Program fees and grants	113.5	138.3	(24.8)	(17.9%)
General operating fund interest income	(1.4)	0.2	(1.6)	(800.0%)
Total revenues	73.8	153.1	(79.3)	(51.8%)
Expenses				
Bond programs interest expense	17.2	18.5	(1.3)	(7.0%)
Other bond programs expenses	-	1.1	(1.1)	(100.0%)
Salaries and wages	7.4	8.8	(1.4)	(15.9%)
Other general operating fund and program-related investments expenses	11.2	7.5	3.7	49.3%
Total expenses	35.8	35.9	(0.1)	(0.3%)
Change in Net Position	\$ 38.0	\$ 117.2	(79.2)	(67.6%)

The primary components of total revenues for the bond fund are mortgage-related interest earnings and the unrealized gain on MBSs. Bond interest expense is the primary component of total expense for the bond fund. Commission revenues in the General Operating and PRI Funds are mostly generated from issuer fees and the premium generated from Home Advantage mortgage-backed security sales. During fiscal year 2022, the Commission's General Operating Fund revenue and expense included \$7.8 million of housing counseling and foreclosure relief funds grants which were passed-through to qualifying counseling agencies.

DEBT ADMINISTRATION

The Commission has long-term debt obligations of \$516.9 million, net of bond premium and discounts, and short-term notes payable of \$232.4 million, at June 30, 2022. A trustee or paying agent administers monetary activities and holds all monies in the Commission's Bond Fund. They ensure that bond resolution requirements are met, including payments of debt service and funding of necessary reserves. At June 30, 2022, amounts held by the trustees and paying agents represent full funding of these requirements.

Most of the debt of the Commission is tax-exempt, issued under the Internal Revenue Code and Treasury Regulations. The Federal Tax Reform Act of 1986 imposes an annual cap on the aggregate amount of federally tax-exempt private activity bonds. Our Single-family Homeownership program relies on private activity bonds subject to this volume cap. We may also issue taxable debt to supplement our tax-exempt authority and for lending where program requirements are inconsistent with federal restrictions.

The Commission also issues bonds on behalf of multi-family housing developers and not-for-profit organizations. However, the bonds issued under these programs meet the definition of conduit debt obligations for which we have not extended any additional commitments for debt service payments beyond the collateral and payments received from the underlying mortgages. As of June 30, 2022 such bonds have an aggregate outstanding principal amount payable of \$6.8 billion. Because these bonds are considered conduit bonds, in accordance with accounting standards generally accepted in the United States of America, the Commission does not include the assets, liabilities, and related activities for these obligations. For additional information see Notes 2 and 8.

The Commissioners have adopted policies that govern the process followed to issue debt. We issue bonds in the Single-family Homeownership Program to purchase MBSs backed by Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), or Federal Home Loan Mortgage Corporation (Freddie Mac). These securities carry a credit rating agency rating equal to that of the United States.

The Commission evaluates and uses available debt management techniques to achieve our goals of reducing interest expense and preserving the maximum amount of bonding authority in the Single-family Homeownership Program. In implementing these practices, we often retire higher interest rate debt when opportunities for economic refunding occur.

The Revised Code of Washington Section 43.180.160 limits the Commission's outstanding debt to fourteen billion dollars. We have no general obligation bonds and do not currently have an issuer credit rating.

Net bonds and notes payable as of June 30, 2022, was \$711.8 million, a decrease of about \$40.6 million from 2021. Changes enumerated by program are summarized in the following table (in millions):

	2021	Issued	Redeemed	Changes	2022
Single-family	\$ 542.6	\$ 82.2	\$ 121.5	\$ (39.3)	\$ 503.3
Home ownership (NIPB)	22.5	-	8.8	(8.8)	13.7
Short-term Notes Payable	187.3	361.5	354.0	7.5	194.8
	<u>\$ 752.4</u>	<u>\$ 443.7</u>	<u>\$ 484.3</u>	<u>\$ (40.6)</u>	<u>\$ 711.8</u>

Washington State Housing Finance Commission
Management's Discussion and Analysis
June 30, 2022 and 2021

The following table summarizes the changes in combined adjusted net position between June 30, 2021 and 2020, as restated (in millions):

	2021	2020	Change	
Assets				
Cash and cash equivalents	\$ 497.5	\$ 287.2	\$ 210.3	73.2%
Investments	132.9	71.3	61.6	86.4%
Accrued interest receivable	3.6	3.6	-	--%
Fees receivable, net	11.8	6.0	5.8	96.7%
Other receivables	1.8	3.2	(1.4)	(43.8%)
Mortgage-backed securities, fair value	574.3	681.3	(107.0)	(15.7%)
Mortgage loans, net	436.6	399.6	37.0	9.3%
Prepaid fees and other	0.5	0.5	-	-
Total assets	1,659.0	1,452.7	206.3	14.2%
Deferred outflows of resources	3.5	4.3	(0.8)	(18.6%)
Total assets and deferred outflows of resources	\$ 1,662.5	\$ 1,457.0	\$ 205.5	14.1%
Liabilities				
Accounts payable and other liabilities	\$ 77.9	\$ 60.2	\$ 17.8	29.6%
Accrued interest payable	1.4	1.8	(0.4)	(22.2%)
Unearned revenue and other	15.2	8.7	6.5	74.7%
Derivative instrument - interest rate swap	1.9	2.9	(1.0)	(34.5%)
Project equity held for borrower	187.3	70.7	116.6	164.9%
Bonds and notes payable, net	565.1	616.2	(51.1)	(8.3%)
Total liabilities	848.8	760.5	88.3	11.6%
Deferred inflows of resources	3.2	3.2	-	-
Net position				
Restricted				
Bond operations	168.5	166.6	1.9	1.1%
Grants and donations to PRI	0.9	0.9	-	-
Net investment in capital assets	0.1	0.1	-	-
Unrestricted				
General operations	24.0	23.2	0.8	3.4%
Housing Washington	0.5	0.4	0.1	25.0%
Program-related investments	616.5	502.1	114.4	22.8%
Total net position	810.5	693.3	117.2	16.9%
Total liabilities, deferred inflows of resources, and net position	\$ 1,662.5	\$ 1,457.0	\$ 205.5	14.1%

Washington State Housing Finance Commission
Management's Discussion and Analysis
June 30, 2022 and 2021

The following summarizes the changes in revenues and expenses between fiscal years 2021 and 2020, as restated (in millions):

	2021	2020	Change	
Revenues				
Bond programs mortgage interest	\$ 21.4	\$ 23.0	\$ (1.6)	(7.0%)
Bond programs investments and other income	2.5	3.8	(1.3)	(34.2%)
Bond program gain (loss) on mortgage-backed securities	(10.4)	24.7	(35.1)	(142.1%)
Other bond fees	1.1	0.4	0.7	175.0%
Program fees and grants	138.3	118.2	20.1	17.0%
General operating fund interest income	0.2	3.5	(3.3)	(94.3%)
Total revenues	153.1	173.6	(20.5)	(11.8%)
Expenses				
Bond programs interest expense	18.5	19.6	(1.1)	(5.6%)
Other bond programs expenses	1.1	1.6	(0.5)	(31.3%)
Salaries and wages	8.8	9.5	(0.7)	(7.4%)
Other general operating fund and program-related investments expenses	7.5	7.4	0.1	1.4%
Total expenses	35.9	38.1	(2.2)	(5.8%)
Return remaining contribution for closed programs	-	(0.1)	0.1	-
Change in net position	\$ 117.2	\$ 135.4	\$ (18.2)	(13.4%)

During the fiscal year ended June 30, 2021, the Commission's total assets increased by \$205.5 million largely attributable to an increase in cash and cash equivalents, net MBSs, and mortgage loans.

The Commission's \$117.2 million increase in net position resulted from the net operating income, before contributions and distributions of PRI, GOF, and the bond fund.

ADDITIONAL INFORMATION

Please direct questions and inquiries to the Senior Director of Finance or the Senior Controller at Washington State Housing Finance Commission, 1000 2nd Avenue, Suite 2700, Seattle, Washington 98104, or by telephone at 206-464-7139.

Washington State Housing Finance Commission
Statements of Net Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and Cash Equivalents	\$ 747,700,961	\$ 497,479,516
Investments		
U.S. government and agencies securities	44,803,375	47,619,992
Investment agreements	43,447,407	85,321,065
	88,250,782	132,941,057
Accrued Interest Receivable	4,812,178	3,638,791
Fees Receivable, Net	10,392,298	11,782,688
Other Receivables	1,578,842	1,788,020
Mortgage-Backed Securities, Cost	547,968,707	541,003,456
Cumulative unrealized gain (loss) on mortgage-backed securities	(26,466,865)	33,312,653
Mortgage-Backed Securities, Fair Value	521,501,842	574,316,109
Mortgage Loans, Net	485,226,601	436,579,018
Prepaid Fees and Other	8,202,680	498,719
	1,867,666,184	1,659,023,918
Total assets		
Deferred Outflows of Resources	1,257,959	3,452,856
Total assets and deferred outflows of resources	\$ 1,868,924,143	\$ 1,662,476,774

Washington State Housing Finance Commission

Statements of Net Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Accounts Payable and Other Liabilities	\$ 75,538,668	\$ 77,880,055
Accrued Interest Payable	2,669,694	1,392,802
Unearned Revenue and Other	184,367,145	15,248,392
Derivative Instrument - Interest Rate Swap	(106,522)	1,907,517
Notes Payable	232,356,239	187,306,788
Bonds Payable		
Current interest bonds	457,465,000	498,220,000
Taxable bonds	46,235,290	56,281,928
Unamortized bond premium	13,240,689	10,614,772
Total bonds payable	<u>516,940,979</u>	<u>565,116,700</u>
Total liabilities	<u>1,011,766,203</u>	<u>848,852,254</u>
Deferred Inflows of Resources	<u>8,728,477</u>	<u>3,248,429</u>
Net Position		
Restricted		
Bond operations	118,936,726	168,564,329
Net pension asset	5,925,839	-
Grants and donations to program-related investments	809,424	809,424
Net investment in capital assets	411,667	80,611
Unrestricted		
General operations	19,947,236	23,967,853
Housing Washington	496,505	473,047
Program-related investments	701,902,066	616,480,827
Total net position	<u>848,429,463</u>	<u>810,376,091</u>
Total liabilities, deferred inflow of resources, and net position	<u><u>\$ 1,868,924,143</u></u>	<u><u>\$ 1,662,476,774</u></u>

Washington State Housing Finance Commission
Statements of Revenues Expenses, and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
Revenues		
Interest earned on mortgage loans and mortgage-backed securities	\$ 17,582,536	\$ 21,391,114
Other interest and investment income	2,228,539	2,757,571
Unrealized gain (loss) on mortgage-backed securities	(59,779,518)	(10,452,926)
Other fee income	106,021,160	135,733,686
Nonoperating revenues - grants	7,759,552	3,696,435
Total revenues	73,812,269	153,125,880
Expenses		
Interest on debt	17,175,809	18,518,909
Amortization of bond premium	(2,182,108)	(1,434,908)
Bond issuance costs	899,256	1,225,829
Servicing and commission fees	1,111,455	1,204,588
Salaries and wages	7,352,176	8,789,791
Communication and office expense	2,161,921	2,048,091
Professional fees	1,510,789	1,259,436
Trustee and paying agent fees	88,396	99,964
Other	(118,349)	604,703
Nonoperating expenses - grants	7,759,552	3,696,435
Total expenses	35,758,897	36,012,838
Excess of Revenues Over Expenses	38,053,372	117,113,042
Change In Net Position	38,053,372	117,113,042
Net Position, Beginning of Year	810,376,091	693,263,049
Net Position, End of Year	\$ 848,429,463	\$ 810,376,091

Washington State Housing Finance Commission

Statements of Cash Flow

Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Receipts for interest on mortgages	\$ 17,560,191	\$ 21,493,556
Receipts for other fee income	287,935,099	141,022,091
Receipts for loans and mortgage prepayments	234,505,438	245,051,035
Payments for acquisition of loans and mortgages	(289,823,321)	(170,919,301)
Payments for bond program expenses	(1,867,652)	(2,613,176)
Payments to employees and suppliers	19,749,250	(13,586,504)
Net Cash from Operating Activities	268,059,005	220,447,701
Investing Activities		
Purchase of investments	(1,095,461,196)	(1,127,973,031)
Sale of investments	1,140,151,470	1,066,379,471
Interest received on investments	2,008,985	2,773,827
Net Cash from (used for) Investing Activities	46,699,259	(58,819,733)
Noncapital Financing Activities		
Proceeds from sale of bonds and notes	84,636,825	113,835,270
Proceeds from short-term loan	383,094,161	386,008,469
Repayments of collateralized loans	(386,046,611)	(269,376,720)
Interest paid on debt	(15,894,557)	(19,021,543)
Debt repayments	(130,326,637)	(162,752,915)
Net Cash from (used for) Capital Financing Activities	(64,536,819)	48,692,561
Increase in Cash and Cash Equivalents	250,221,445	210,320,529
Cash and Cash Equivalents, Beginning of Year	497,479,516	287,158,987
Cash and Cash Equivalents, End of Year	\$ 747,700,961	\$ 497,479,516

Washington State Housing Finance Commission

Statements of Cash Flow

Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of Excess of Revenues Over		
Expenses to Net Cash from Operating Activities		
Excess of revenues over expenses	\$ 38,053,372	\$ 117,113,042
Adjustments to reconcile excess of revenues over expenses to net cash from operating activities		
Amortization of mortgage discount	(144,150)	(256,743)
Amortization of mortgage premium	22	1,041
Amortization of bond premium	(2,182,108)	(1,434,908)
Acquisition of mortgage loans	(289,823,321)	(170,919,301)
Repayments of mortgage loans	234,505,438	245,051,035
Unrealized loss on securities	59,779,518	10,452,926
Cash from changes in operating assets and liabilities:		
Interest and other receivables	(10,163,402)	(6,953,278)
Interest and other payables	238,033,636	27,393,887
Net Cash from Operating Activities	\$ 268,059,005	\$ 220,447,701

Note 1 - Description of Business**Organization**

The Washington State Housing Finance Commission (the Commission, WSHFC, we, or our) was created in 1983 by the legislature of the State of Washington (the State) to “act as a financial conduit which, without using public funds or lending the credit of the state or local government, can issue nonrecourse revenue bonds and participate in federal, state, and local housing programs thereby making additional funds available at affordable rates to help provide housing throughout the state.” The state legislature later authorized the Commission to issue bonds to finance or refinance nursing homes and capital facilities owned and operated by nonprofit corporations, beginning farmers/ranchers, sustainable energy and energy efficiency retrofit programs. Our debt limit is eight billion dollars.

The Commission has eleven voting members. Two commissioners, the state treasurer and the director of the Department of Commerce, serve ex officio. The chair of the Commission is appointed by and serves at the pleasure of the governor. The governor appoints the remaining eight members to four-year terms, subject to confirmation by the Washington State Senate.

The Commission is legally separate from the State and does not impose a financial burden on, nor accrue any financial benefit to, the State. Legal restrictions on the Washington State legislature’s ability to impose its will on the Commission and the inability of the governor to remove the majority of the voting members of the Commission prevent the State from being considered to be financially accountable for the Commission. However, in the State’s Annual Comprehensive Financial Report (ACFR), the Commission is presented as a discrete component unit of the State.

Program Funds

The Commission summarizes its financial activities in the General Operating Fund, Program-Related Investments, and Bond Fund.

General Operating Fund – The General Operating Fund accounts for the fiscal activities related to the administration of our ongoing program responsibilities. Revenues are derived primarily from fees earned on bond issues, homeownership daily pricing program, housing tax credit allocations, and compliance monitoring, as well as interest income on General Operating Fund and Program-Related Investments. Except for certain pass-through grants and loans, all funds we receive are generated by our activities and are not direct appropriations from the State.

The Commission adopted a General Operating Fund Reserve Policy (“Reserve Policy”) in 1989. General reserves provide income to fund current operations, help to ensure a sufficient, long-term revenue stream so we can remain independent of State funds and safeguard our ability to meet future legal and program obligations. Earnings above the reserve requirements are generally transferred to Program-Related Investments at the direction of the Commissioners, except for a portion of earnings on the homeownership daily pricing program which are transferred to the Single-Family Indenture.

Effective June 30, 2019, our Reserve Policy requires that we maintain general reserves of \$30 million based upon capital adequacy analyses, net of the impact of any deferred pension liability as required by Governmental Accounting Standards Board (GASB) No. 68 and, effective July 1, 2017, any deferred other postemployment benefit (OPEB) liability as required by GASB No. 75. Therefore, the reserves reflect \$25.9 million and \$24.0 million, respectively, for the years ending June 30, 2022 and 2021.

Program-Related Investments – The Reserve Policy dedicates the use of reserves above those needed in the General Operating Fund for Program-Related Investments (the PRI). We strategically invest the PRI in programs that support our activities such as the financing and production of low-income and special needs housing and facilities that provide community services. Investments also include resources provided by other funders for use in established down payment assistance and other programs in which our missions align. Revenues include interest on these investments and down payment assistance fees associated with the homeownership daily pricing program.

Bond Fund – A Trust, Funding Agreement, or Financing Agreement dictates the terms of each bond transaction. We record these activities in the Bond Fund and further separate them by program type as follows:

Single-Family Homeownership Program – Transactions in this program are from the sale of Single-family Homeownership Program mortgage revenue bonds, the purchase of mortgage-backed securities (MBSs) of our pooled loans and the related debt service transactions on the bonds. There are three program indentures, each of which contains multiple series indentures: the General (Single-family) Indenture; the Homeownership Bond Program (NIBP) Indenture; and the Special Single Family Program Indenture. Each indenture is a special obligation of the Commission, payable solely from the bond funds established pursuant to the indenture. Debt service comes from payments received on the MBS pools and from any other money held in the trust estate by the bond trustee. Assets of the indentures are pledged as collateral for the debt and are \$568.9 million and \$673.1 million and as of June 30, 2022 and 2021, respectively. We loan proceeds of this program to first-time homebuyers whose income does not exceed established limits. Mortgage rates for these programs range from 2.00% to 7.55%.

The supplemental schedules of program net position, results of program revenues, expenses, and changes in program net position, and program cash flows combines the results of the General (Single-family) and the Special Single-Family Program.

Conduit Financing Programs – all other bonds that we issue, are conduit debt, i.e., limited-obligation bonds issued for the express purpose of providing financing for a specific third party that is not a part of the financial reporting entity. Bonds are issued for Multifamily Housing, Beginning Farmers/Ranchers, Energy Efficiency and Nonprofit Housing and Facilities. Financing proceeds for the Conduit Financing Programs are used to purchase qualified mortgages or MBSs from mortgage lenders. The issuer of the MBSs, the mortgagor, the letter of credit provider or the lender will pay the bond trustee principal and interest in amounts calculated to meet periodic debt service payments on the bonds.

Conduit debt securities bear the name of the Commission. However, we have no obligation for payment of such debt beyond the resources provided by the loan with the third-party beneficiary.

Underwriters sell bonds in the capital market, or we privately place them with a sophisticated investor such as a financial institution. However, as of fiscal years ending June 30, 2022 and 2021, all bonds under these programs meet the accounting standard definition of conduit bonds and, as such, are not included in our financial statements. Additional information regarding the conduit bonds is included in Note 8.

Note 2 - Summary of Significant Accounting Policies

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. We have applied all applicable GASB pronouncements. The remainder of this note describes our more significant accounting policies.

Measurement Focus and Basis of Accounting

We use the flow of economic resources measurement as the focus of our accounting of transactions. With this measurement focus, the statement of net position reflects all assets, deferred inflows and outflows of resources and all liabilities associated with our operations. The statements of revenues, expenses, and changes in net position for all funds present increases (e.g., revenues) and decreases (e.g., expenses) in our net total position. We use the accrual basis of accounting, recording revenue when earned and expenses when we incur the liability.

Unclassified Statement of Net Position

Our business cycle is greater than one year. As such, all assets and liabilities on the statements of net position are shown as unclassified.

Cash and Cash Equivalents

The Commission considers all highly liquid, interest-bearing instruments purchased with an original maturity of three months or less to be cash and cash equivalents. While the cash deposits in the Multifamily Recycling program are held exclusively in the Local Government Investment Pool, other cash deposits held in the Bond Fund are held in the corporate trust departments of commercial banks in the bond issue's name. As of June 30, 2022 and 2021, they held \$146.2 million \$155.1 million, respectively, in uncollateralized or uninsured cash equivalents in the bond fund, primarily in government money market funds. Cash deposits of the General Operating Fund and Program-Related Investment Funds are covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

We categorize investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy uses valuation inputs to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments are reported at fair value, unless they meet an exception as outlined under accounting standards generally accepted in the United States of America.

An asset management company manages some of our investments in the General Operating and Program-Related Investment Funds. Our investments include marketable securities issued or guaranteed by the U.S. government. We determine and record fair value based on quoted market prices as of June 30, 2022 and 2021.

Investments in the Bond Fund at June 30, 2022 and 2021, were short term repurchase agreements. For additional information regarding investments, see Note 3.

Mortgage-Backed Securities

Mortgage-backed securities are presented at their fair value based on quoted market prices as of June 30, 2022 and 2021.

Mortgage Loans

Mortgage loans are stated at their unpaid principal balance.

Provision for Loan Losses

The provision for loan losses is estimated for each fund.

General Operating Fund – Most fees in the General Operating Fund are billed and collected in advance, so no provision for loss is deemed to be necessary.

Program-Related Investments – We estimate losses on our loans in Program-Related Investments based on its past loan loss experience, known and inherent risks in the portfolio and current economic conditions. The allowance for loan losses is increased by charges to expense and decreased by charge-offs (net of recoveries). The loan loss reserve was \$13,358,381 and \$13,509,206 as of June 30, 2022 and 2021, respectively. No provision for loss is made on loan balances funded by partner investments because the Commission does not guarantee return of those investments.

Bond Fund – We purchase MBSs with the proceeds of non-recourse revenue bonds payable solely from the assets specifically pledged under the trust indenture for the bonds. No assets of the Commission, other than those assets held under such trust indentures, are pledged to the payment of the bonds. We do not reserve for loan loss provisions because the assets held by all the outstanding Single-family Homeownership Program indentures are MBSs guaranteed by Fannie Mae, Ginnie Mae, or Freddie Mac.

Other Assets

Furniture, fixtures, equipment and leasehold improvements are accounted for in the General Operating Fund and are stated at cost, less accumulated depreciation and amortization. Our policy is to capitalize assets with a cost of \$5,000 or more. Depreciation and amortization are charged to current operations on the straight-line method over the estimated useful lives of the assets, generally between three and ten years. See Note 6 for additional information concerning furniture, fixtures and equipment.

Unearned Revenue

Unearned revenue represents the unearned portion of the Commission's bond fees, tax credit reservation fees, and compliance monitoring fees that are received in advance. We record these fees when earned as other fee income on the statement of revenues, expenses and changes in net position.

Interfund Transfers and Balances for Single-family Program Liquidity Management

Interfund transfers may be completed for short-term program purposes and are considered loans to and from the impacted funds. At fiscal year-end, we record any balance as an interfund loan in the corresponding fund.

During the fiscal years ending June 30, 2022 and 2021, the Commission supported its Home Advantage program's Master Servicer by purchasing and holding certain loans for a short time until pooled into MBSs. Resources used from the Single-Family Program fund and the PRI were in excess of those needed for program purposes. Balances remaining outstanding are as follows:

At June 30, 2022	Single-family Bond Program	Program-related Investments	Total
Interfund loans receivable (payable)	<u>\$ (40,000,000)</u>	<u>\$ 40,000,000</u>	<u>\$ -</u>
At June 30, 2021	Single-family Bond Program	Program-related Investments	Total
Interfund loans receivable (payable)	<u>\$ (40,000,000)</u>	<u>\$ 40,000,000</u>	<u>\$ -</u>

Deferred outflow and inflow of resources – Deferred outflows of resources represent consumption of resources that are applicable to future reporting periods and deferred inflows of resources represent acquisition of resources that are applicable to future reporting periods. Deferred outflow of resources represents the year-end estimated fair value of the Commission's derivative instruments as of June 30 and the value of pension and OPEB contributions made during the fiscal year, which is after the asset and liability measurement date. The difference between actuarial projected and actual earnings on pension plan assets are represented as deferred outflows (inflows) of resources. For additional information regarding the derivative, see Note 8 and regarding pension asset, liability, OPEB and the related deferred outflows and inflows of resources, see Note 10.

Pensions – For purposes of measuring the net pension liability(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, and information about the fiduciary net position of the Public Employees' Retirement System (PERS) of the State of Washington and additions to or deductions from PERS's fiduciary net position have been determined on the same basis as PERS reports them.

Other postemployment benefits – For purposes of measuring the OPEB Liability, deferred outflows of resources and deferred inflows of resources, and expense related to OPEB, and information about any changes in the liability have been determined on the same basis as reported by the Office of Financial Management (OFM) of the State of Washington.

Conduit Bonds

Conduit bonds are defined as debt instruments where:

1. The Commission, as the issuer, is joined by an unrelated third-party obligor, and a debt holder or trustee.
2. The debt obligation is neither a parity bond of the Commission nor is it cross collateralized with other debt of the Commission.
3. Debt proceeds are intended for and received by a party other than the Commission or the third-party obligor; and
4. The Commission is not primarily obligated for the debt service payments.

Prior to bond issuance the Commission determines if the bond meets this definition. Bonds issued that meet the definition of a conduit bond are reportable in note disclosure (see Note 8).

The assets, liabilities and related activities of all other bonds are included in our financial statements.

Bonds Payable

Current interest serial and term bonds are stated at their principal amounts outstanding, net of unamortized bond premium and discount, if any. Certain bonds are variable rate bonds remarketed on a periodic basis and are subject to market rate fluctuation.

Unamortized Bond Premium and Unamortized Bond Discount

Unamortized bond premium and unamortized bond discounts are amortized using the bonds outstanding method.

Bond Issuance Costs

Bond issuance costs, including underwriter's fees, are expensed at issuance.

Compensated Absences

Permanent employees of the Commission earn annual leave, sick leave and may earn compensatory leave or exchange time. Annual leave is earned based on length of service, and an employee may accumulate a maximum of 240 hours. An employee receives compensation for their unused annual leave upon termination. Employees earn eight hours of sick leave per month. Employees receive 25% of the value of accrued sick leave upon retirement or death. Non-exempt work period employees earn compensatory time at the rate of time-and-one-half for more than 40 hours worked in a week, with a maximum accrual of 240 hours. Employees classified as exempt work period employees may earn exchange time for actual time worked beyond their work schedule, up to a maximum of 174 hours. Upon separation or transfer to another agency, the employee may use accumulated, authorized compensatory time to postpone his/her cessation of employment. In consideration of these factors, the Commission accrues all costs associated with compensated absences and 25% of sick leave, including an allowance for payroll taxes.

Net Position

We classify net position into three components:

Restricted net position has constraints placed on use by external parties such as creditors, grants, laws or regulations.

Net investment in capital assets consists of capital assets, net of accumulated depreciation. We do not hold any debt related to capital assets.

Unrestricted net position consists of the remaining assets and liabilities.

When both restricted and unrestricted resources are available in a fund, it is the Commission's policy to spend restricted funds to the extent allowed and only spend unrestricted funds when needed.

Revenue Recognition

We recognize revenue on an accrual basis. The primary source of our revenue is fee income generated on our program activities. We earn fees on bond issues, compliance monitoring, and the sale of MBSs originated in the Home Advantage Program. We record these as fee income on the statement of revenues, expenses and changes in net position and allocate them to the Bond Fund, General Operating Fund, and Program-Related Investments. Fee income by category for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Commission fees	\$ 19,744,247	\$ 16,757,481
Homeownership Program fees	74,334,024	105,210,612
Other program fees	7,771,268	9,741,830
Other income	<u>4,171,621</u>	<u>4,023,763</u>
	<u>\$ 106,021,160</u>	<u>\$ 135,733,686</u>

In addition, we earn interest on mortgage loans outstanding, MBSs and other investments.

Income Taxes

The Commission, as an instrumentality of the state of Washington, is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

Arbitrage Rebate

We utilize an independent valuation specialist to calculate arbitrage earnings. We accrue any liability and make required payments to the United States Department of the Treasury.

Use of Estimates

The preparation of the statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. We use estimates in determining the allowance for doubtful accounts, valuation of certain investments, valuation of interest rate swap, arbitrage rebate liability, loan loss provisions, accrued sick leave and other contingencies. Actual results may differ from those estimates.

Risks and Uncertainties

We are authorized to invest in securities and loans that are exposed to interest rate, market, credit and/or other risks. It is possible that changes in the values of these assets will occur in the near term, and those changes could subsequently affect the amounts reported in the statements of net position.

Adoption of a New Accounting Pronouncement

In June 2017, GASB issued Statement No. 87, *Leases*. The statement is intended to improve financial reporting for leases by establishing a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset. The impact of this statement requires the Commission to recognize a lease liability and intangible right-to-use asset at the present value of future required lease payments, discounted by the Commission's incremental borrowing rate, Prime less 85 basis points. The Commission adopted this pronouncement effective July 1, 2021 and elected to apply the guidance as of July 1, 2021. The impact of this pronouncement on prior fiscal years was a reduction in beginning net position in the current fiscal year of \$174. Due to the immaterial nature of this change, the Commission has elected not to restate prior fiscal year financials.

Note 3 - Cash, Cash Equivalents, and Investments**Cash and cash equivalents**

External entities hold our deposits, exposing them to custodial credit risk, meaning that if an institution fails, we might lose the funds. We minimize this risk by limiting deposits to those entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). As of June 30, 2022 and 2021, cash deposits held by the General Operating Fund met these requirements.

We hold most of our deposits in money market funds or in the Local Government Investment Pool operated by the State Treasurer pursuant to RCW 43.250 in which we are a voluntary participant. We report amortized cost on these funds.

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2022 and 2021

Cash and cash equivalents by institution at June 30:

	2022		2021	
JP Morgan Chase	\$ 3,843,882	0.91%	\$ 2,850,247	1.71%
Local Government Investment Pool	417,331,677	98.91%	163,410,882	98.16%
All others	782,966	0.19%	223,107	0.13%
	\$ 421,958,525	100%	\$ 166,484,236	100%

Investments

While RCW 43.180.080(5) grants us the authority to invest our funds, it provides no investment guidelines or restrictions. The State law limits the type and character of investment of “public funds.” Considering our authorizing legislation, Washington State court decisions, and the sources of our dedicated funds, we find that the investment limitations on public funds do not apply to us. However, as a matter of policy, we currently invest our dedicated funds in a manner generally consistent with the investment limitations on public funds. To minimize our exposure to credit risk, we have adopted an investment policy that limits investments, summarized as follows.

The Commission may invest in non-governmental investments, including certificates of deposit, banker’s acceptances, and repurchase agreements. In addition, the following governmental investments are eligible:

1. Treasury bills, notes, and other obligations issued by the United States Department of the Treasury and backed by the full faith and credit of the U.S. government.
2. Federal Home Loan Bank notes and bonds.
3. Federal Land Bank bonds.
4. Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.
5. The obligations of certain government-sponsored entities whose obligations are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System.
6. Shares of mutual funds with portfolios consisting of only U.S. government bonds or U.S. government guaranteed bonds issued by federal agencies with average maturities of less than four years.

Investments are managed to this policy through an agreement with Nuveen Asset Management.

Custodial credit risk is the risk that we could not recover the value of our investments or collateral security if a depository institution or counterparty fails. We manage this risk by prequalifying institutions that we use to place investments. As of June 30, 2022 and 2021, investment securities were registered and held in our custodian agent’s name.

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2022 and 2021

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. We manage this risk by limiting investments to those permitted in our investment policies, diversifying the investment portfolio, and prequalifying the institutions where we place the investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of our investment in a single issuer. Our policy limits the investment in any single institution (except for United States Government Securities) to no more than 20% of the portfolio.

June 30, 2022	Total Investment	Fair Value Measurements Using Quoted Prices in		
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Government and Agency Obligations				
US Treasury Notes	\$ 22,474,276	\$ 22,474,276	\$ -	\$ -
US Agencies	18,707,486	-	18,707,486	-
Other Municipal Agencies	3,621,613	-	3,621,613	-
Total General and PRI Fund Investments	<u>\$ 44,803,375</u>	<u>\$ 22,474,276</u>	<u>\$ 22,329,099</u>	<u>\$ -</u>

June 30, 2021	Total Investment	Fair Value Measurements Using Quoted Prices in		
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Government and Agency Obligations				
US Treasury Notes	\$ 27,241,003	\$ 27,241,003	\$ -	\$ -
US Agencies	17,857,424	-	17,857,424	-
Other Municipal Agencies	2,521,565	-	2,521,565	-
Total General and PRI Fund Investments	<u>\$ 47,619,992</u>	<u>\$ 27,241,003</u>	<u>\$ 20,378,989</u>	<u>\$ -</u>

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2022 and 2021

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Examining the maturities of our investment securities, listed in the following table, can reveal information about interest rate risk.

June 30, 2022

Type	Total	Maturities (In Years)		
		Less than 1	1-5	>5
US Treasury Notes	\$ 22,474,276	\$ -	\$ 22,474,276	\$ -
US Agencies	18,707,486	1,606,198	17,085,718	15,570
Other government securities	3,621,613	517,894	3,103,719	-
Total General and PRI Fund Investments	<u>\$ 44,803,375</u>	<u>\$ 2,124,092</u>	<u>\$ 42,663,713</u>	<u>\$ 15,570</u>

June 30, 2021

Type	Total	Maturities (In Years)		
		Less than 1	1-5	>5
US Treasury Notes	\$ 27,241,003	\$ 1,995,595	\$ 25,245,408	\$ -
US Agencies	17,857,424	1,961,388	15,712,678	183,358
Other government securities	2,521,565	166,005	2,355,560	-
Total General and PRI Fund Investments	<u>\$ 47,619,992</u>	<u>\$ 4,122,988</u>	<u>\$ 43,313,646</u>	<u>\$ 183,358</u>

Investment Securities – Bond Funds

Single-Family Homeownership Program – The Single-family program indentures require that investments be made with proper regard for the preservation of principal and with maturities that provide sufficient liquidity to meet obligations. During the fiscal years ending June 30, 2022 and 2021, investments held in the Single-family program indentures included non-purpose MBSs and short-term repurchase agreements.

US agencies – During the year, the Commission invests available Single-Family bond fund reserves by purchasing MBSs originated through its Single-Family Homeownership programs in advance of issuing bonds. These investments are recorded at fair market value, however no Non-Purpose MBSs were held June 30, 2022 and 2021.

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2022 and 2021

Short-term repurchase agreements – In December 2017, the Commission entered into a Mortgage Loan purchase and sale agreement (ML Liquidity Repurchase Agreement) with our Master Servicer, Idaho Housing & Finance Association (IHFA), to provide funds to the Master Servicer to purchase approved mortgage loans originated under our Home Advantage program. The purpose of this agreement is to promote the continued success of the program by assuring timely purchase of qualified mortgage loans. We intend to hold such loans less than 90 days.

Single Family Bond Program Investments as of June 30, 2022		Fair Value Measurements Using		
Classification/Provider	Total Investment	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements Idaho Housing Finance Agency	\$ 43,447,407	\$ -	\$ -	\$ 43,447,407
Total Single Family Bond Program Investments	\$ 43,447,407	\$ -	\$ -	\$ 43,447,407

Single Family Bond Program Investments as of June 30, 2021		Fair Value Measurements Using		
Classification/Provider	Total Investment	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements Idaho Housing Finance Agency	\$ 85,321,065	\$ -	\$ -	\$ 85,321,065
Total Single Family Bond Program Investments	\$ 85,321,065	\$ -	\$ -	\$ 85,321,065

Multifamily Housing Program

Cash and cash equivalents of \$179.5 million and \$175.9 million held at June 30, 2022 and 2021, respectively, consist of funds representing collateral for a line of credit supporting our Multifamily Recycling program. This collateral is directed by the line of credit agreement to be held in an account within the Local Government Investment Pool operated by the State Treasurer pursuant to RCW 43.250.

Note 4 - Mortgage-Backed Securities

The Commission uses the proceeds of its Single-family Homeownership Program bonds to purchase mortgage-backed securities. Ginnie Mae, Fannie Mae or Freddie Mac, backed by the full faith and credit of the U.S. government, guarantee the payment of principal and interest on the MBSs.

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2022 and 2021

For the fiscal year ended June 30, 2022, the net decrease in fair market value from that of the prior year-end based upon quoted market prices was \$59,779,519 and for the fiscal year ended June 30, 2021, the net decrease in fair market value from that of the prior year-end based upon quoted market prices was \$10,452,926. All MBSs are considered Level 2 instruments. Fair market values as of June 30, 2022 and 2021, were \$521,501,842 and \$574,316,109, respectively. The following table shows the sources of the gains and losses on MBSs on the statements of revenue, expenses, and changes in net position for 2022 and 2021 by program.

	2022			2021		
	Single Family Program Bonds	Homeownership Program Bonds	Total	Single Family Program Bonds	Homeownership Program Bonds	Total
MBS, at fair value	<u>\$ (58,037,649)</u>	<u>\$ (1,741,870)</u>	<u>\$ (59,779,519)</u>	<u>\$ (7,892,552)</u>	<u>\$ (2,560,374)</u>	<u>\$ (10,452,926)</u>

Cumulative unrealized gains (losses) at June 30, 2022 and 2021, were \$(26,466,865) and \$33,312,653, respectively, and are included in the balance of MBSs on the statements of net position.

Note 5 - Mortgage Loans

A summary of mortgage loans outstanding and due to the Commission as of June 30, 2022 and 2021, are shown in the tables below:

June 30, 2022	
Down Payment Assistance and Other Loans Supporting Homeownership	\$ 393,255,235
Multifamily Loans	120,447,168
Other Mortgage Loans Receivable	<u>24,882,579</u>
	538,584,982
Less:	
Allowance for Losses	(13,358,381)
Interfund Loan	<u>(40,000,000)</u>
Net Mortgage Loans	<u>\$ 485,226,601</u>

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2022 and 2021

June 30, 2021		
Down Payment Assistance and Other Loans Supporting Homeownership		\$ 392,719,519
Multifamily Loans		75,819,349
Other Mortgage Loans Receivable		21,549,354
		490,088,222
Less:		
Allowance for Losses		(13,509,204)
Interfund Loan		(40,000,000)
Net Mortgage Loans		\$ 436,579,018

Other mortgage loans receivable includes amounts due to the Commission for boutique loan programs including programs to preserve farmland in the state, further energy efficiency development, and the preservation of manufactured housing communities.

Note 6 - Furniture, Fixtures and Equipment

Furniture, fixtures and equipment as shown below at June 30, 2022 and 2021, are included in prepaid fees and other on the statements of net position.

June 30, 2022	Useful Life	July 1, 2021	Increase	June 30, 2022
Furniture, fixtures and equipment	3 to 10 years	\$ 2,107,351	\$ 316,978	\$ 2,424,329
Leasehold improvements	4 to 5 years	176,058	-	176,058
Total assets		2,283,409	316,978	2,600,387
Less accumulated depreciation		(2,202,798)	(95,295)	(2,298,093)
Net book value		\$ 80,611	\$ 221,683	\$ 302,294
June 30, 2021	Useful Life	July 1, 2020	Increase	June 30, 2021
Furniture, fixtures and equipment	3 to 10 years	\$ 2,080,351	\$ 27,000	\$ 2,107,351
Leasehold improvements	4 to 5 years	176,058	-	176,058
Total assets		2,256,409	27,000	2,283,409
Less accumulated depreciation		(2,116,522)	(86,276)	(2,202,798)
Net book value		\$ 139,887	\$ (59,276)	\$ 80,611

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2022 and 2021

Note 7 - Leases

As of June 30, 2022, the Commission recognized a total Lease Liability of \$1,407,195, and a Right-of-Use Asset of \$2,281,360. Accumulated amortization of the lease assets totaled \$764,792 at fiscal year-end. During Fiscal Year 2022, the Commission recorded \$760,453 in amortization expense, and \$54,954 in interest expense. The Commission, as a Lessee, records the Right-of-Use Asset and Lease Liability at present value of future lease payments, discounted by the Commission's incremental borrowing rate of Prime, less 85 basis points at the time the lease contract was executed.

The Commission leases an office facility and equipment for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2024 and allow for renewal terms of 1 to 5 years.

Lease Activity for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Right to use Leased Assets Being Amortized				
Right to use leased building	\$ -	\$ 2,240,029	\$ -	\$ 2,240,029
Right to use leased equipment	26,035	15,296	-	41,331
Total right to use leased assets being amortized	26,035	2,255,325	-	2,281,360
Less Accumulated Amortization for				
Right to use leased building	-	(746,676)	-	(746,676)
Right to use leased equipment	(4,339)	(13,777)	-	(18,116)
Total accumulated amortization	(4,339)	(760,453)	-	(764,792)
Net right to use leased assets	\$ 21,696	\$ 1,494,872	\$ -	\$ 1,516,568

Remaining obligations associated with these leases are as follows:

Fiscal Years June 30,	Principal	Interest
2023	\$ 696.0	\$ 33.8
2024	711.2	14.1
Total	\$ 1,407.2	\$ 47.9

Note 8 - Bonds and Notes Payable

Single-family mortgage revenue bonds issued by the Commission are limited obligations payable solely from and secured by a pledge of the MBSs (including any insurance payments made with respect thereto), restricted investments, undisbursed bond proceeds and the earnings thereon held under the indenture or financing agreement authorizing the bonds.

Default on our single-family mortgage revenue bonds, including failure to provide punctual payment of the principal amount or any interest installment due, could result in the principal and accrued interest of the outstanding bonds becoming due in full, providing the Trustee receives written consent of at least 25% of the bond owners prior to so declaring.

As of June 30, 2022, we had outstanding bonds of \$503.7 million bearing interest varying in rates as listed below:

	FYE 2022	
	Low	High
Single-family Program	0.25%	5.00%
Homeownership Program	2.45%	3.15%

In addition to the Single-family mortgage revenue bonds the Commission has issued bonds that meet the definition of conduit debt obligations. The proceeds are used by private sector borrowers for the acquisition, construction and rehabilitation of affordable multifamily housing and nonprofit facilities. We have not extended any additional commitments for the debt service payments of the bonds beyond the collateral and the payments on the underlying mortgage or promissory notes and maintenance of the tax-exempt status of the conduit debt obligations. As of June 30, 2022 and 2021, the conduit bonds have an aggregate outstanding principal amount payable of \$6.8 billion and \$6.4 billion, respectively, none of which was recognized as a liability by the Commission.

Municipal Certificates 2021-1 Series A and Series X (the Certificates) of \$571,961,262 were issued May 20, 2021 in a Fixed Income Trust to replace a single note-holding beneficiary of several of the Commission's multifamily bond transactions (the Bond Transactions) with multiple investors (the Certificate holders). The Bond Transactions did not change, and borrowers remain obligated to make all payments under such notes. All assets in each of the Bond Transaction's trust estate are pledged to and pass through to the Certificate holders as the full and complete payment of their investment. The Bond Transactions are included in the Commission's conduit debt outstanding, however, to prevent duplication, the Certificates are not again included in the Commission's conduit debt outstanding.

Derivative Instruments – Interest Rate Swaps

Single-Family Homeownership Program – The Commission has entered into interest rate swap agreements (“swaps”) in connection with issuing variable rate mortgage revenue bonds. The swaps are intended to create debt with synthetic interest rates lower than would have been attainable from long-term fixed rate bonds to achieve our goal of lending to low- and moderate-income first-time homebuyers at below market, fixed interest rates. The swaps are hedging derivative instruments. Additional information, including the fair market value of each swap, is listed below.

Using rates as of June 30, 2022, debt service requirements of the outstanding variable rate debt and associated net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates change, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Principal	Interest	Interest Rate Swap, Net	Total
2023	\$ 22,500,000	\$ 328,500	\$ 430,875	\$ 23,259,375
2024	22,500,000	82,125	107,719	22,689,844

The terms and counterparty credit ratings of the outstanding swaps as of June 30, 2022, are shown below. The notional amounts of the swaps match principal amounts of the associated debt as of June 30, 2022. The notional amounts are expected to approximately follow scheduled or anticipated reductions in the principal amounts of the associated debt.

Associated Bond Series	Current Notional Amount	Current Principal Amount	Effective Date	Fixed Rate Paid	Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
2018 1N-MM	\$ 22,500,000	\$ 22,500,000	November 28, 2018	2.730%	SIFMA	\$ 106,522	December 1, 2048	Aa2
	<u>\$ 22,500,000</u>	<u>\$ 22,500,000</u>				<u>\$ 106,522</u>		

Our swap advisor estimated the fair values presented in the preceding table. They approximate the termination payments that would have been due had we terminated them as of June 30, 2022. A positive fair value represents the estimated amount receivable by the Commission had we terminated the swaps on June 30, 2022. The interest rate swaps do not have an observable market; therefore, the fair value classification is a Level 3 input.

The International Swap Dealers Association Master Agreement is the model for our swap agreements. They include standard termination events by either party if the other party fails to perform under the terms of the contract. Upon termination, a payment is due to one party irrespective of causality based upon the market value of the swap. We have termination risk if we become liable for termination payments to the counterparty or if we cannot find a replacement to the swaps under favorable financial terms. Our swap contracts reduce this risk by limiting the counterparty’s ability to terminate due to the following Commission actions or events: payment defaults, other defaults that remain uncured for 30 days after notice, bankruptcy, and insolvency.

The terms of the swaps expose us to credit risk with the counterparties on a termination event. The swap agreements contain collateral requirements based upon counterparty credit ratings and the fair value of the swaps. These bi-lateral requirements are established to mitigate potential credit risk exposure. There are no collateral requirements as of June 30, 2022 and 2021.

The Commission may incur amortization risk because we may receive prepayments from the mortgage loans portfolio that cannot be used to call other bonds of the same Series or to cross-call into other Series. The flexibility of our operating policy and other series of bonds, as well as the use of Planned Amortization Class (PAC) Bonds for restricted principal payments, minimizes this risk. Additionally, we may terminate the swaps at market value at any time.

The Commission bears basis risk, the risk that the variable interest payments on our bonds will not equal the variable interest receipts from our swaps. Basis risk exists because we pay a variable rate on its bonds based on a weekly remarketing rate or indexed rate provided by the calculation agent, while we receive a variable rate based upon the weekly SIFMA rate, plus a spread, where applicable, as shown in the preceding table. Basis risk will vary over time due to inter-market conditions. As of June 30, 2022, the interest rate on our variable rate debt with swaps and 1.46% (2018 1N-MM) per annum while the variable interest rate on the corresponding swaps was 0.91% per annum (SIFMA at June 30, 2022). We considered the risk when structuring the related bonds and determined it was within acceptable tolerance levels.

A change in the tax code could fundamentally alter the long-term historical relationship between taxable and tax-exempt short-term interest rates, changing the Commission's receipts under its swap contracts. We determined that it was not economically feasible to transfer this tax risk to the swap counterparties.

Washington State Housing Finance Commission
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Bond Refunding

The Commission refunds bonds on a current basis. Current refundings result from redemption of the prior bonds within 90 days of the issuance of the new, refunding bonds. During the fiscal year ended June 30, 2022, we refunded one series of bonds increasing debt service by \$163.1 thousand but resulting in an economic gain of \$253.7 thousand as shown in the following table:

REFUNDING ISSUE									
Fiscal Year	Date of Issue	Bond Series	Amount	Premium and Other	Effective Rate	Bond Series	Amount	Reduction in Debt Service	Economic Gain (Loss)
2022	11/30/2021	Single Family Series 2021 2N & Series 2021 2A	\$ 36,828,825	\$ -	3.344%	Series 2013 1A-R/1N-R	\$ 233,670	\$ (163,096)	\$ 253,680
						Series 2014 2A-R	342,616		
						Series 2016 1A-R/1N	745,605		
						Series 2016 2A-R/2N	861,390		
						Series 2017 1A-R 1N	9,392,117		
						Series 2017 2A-R/2N	464,982		
						Series 2017 3N/3N-R/3A-R	4,591,473		
						Series 2018 1N	14,020,000		
						Series 2019 1N	5,635,000		
						Series 2019 2N	69,915		
						Series 2020 2N	299,842		
						Series 2021 1N	172,215		

REFUNDING ISSUE																	
Fiscal Year	Date of Issue	Bond Series	Amount	Premium and Other	Effective Rate	Bond Series	Amount	Reduction in Debt Service	Economic Gain (Loss)								
2021	11/30/2020	Single Family Series 2020 2N	\$ 39,995,486	\$ -	2.305%	Series 2013 1A-R/1N-R	\$ 455,000	\$ 13,194,114	\$ 9,327,632								
						Series 2017 1A-R 1N	1,720,328										
						Series 2017 2A-R/2N	900,000										
						Series 2017 3N/3N-R/3A-R	12,895,860										
						Series 2018 1N	2,735,000										
						Series 2016 1A-R 1N	21,035,000										
						Series 2016 2A-R 2N	185,000										
						Series 2017 1A-R 1N	69,298										
						2021	5/27/2021			Single Family Series 2021 1N	\$ 43,839,784	\$ -	1.787%	Series 2010 1A-R/1N-R	\$ 1,934	\$ 13,241,933	\$ 8,031,641
														HPB Series 2009 AC3/2011 B	13,845,000		
Series 2013 1A-R/1N-R	2,219																
Series 2014 1A-R/1N-R	199																
Series 2015 1A-R/1N	1,493																
Series 2016 1A-R 1N	395,000																
Series 2016 2A-R 2N	6,700,000																
Series 2017 1A-R 1N	2,697,360																
Series 2017 2A-R/2N	7,944,258																
Series 2017 3N/3N-R/3A-R	10,312,177																
Series 2018 1N	772,378																
Series 2019 1N	1,149,923																
Series 2019 2A/2N	8,569																
Series 2020 1A/1N	9,274																

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2022 and 2021

Future Principal and Interest Payments and Bonds Outstanding

Bonds mature in varying amounts through 2052 based on their scheduled terms. However, some may be refinanced or redeemed early. As of June 30, 2022, future principal and interest requirements are as follows:

Fiscal Years June 30,	Total Principal Redemptions	Total Interest Payments	Total Debt Service	Direct Placements		All Other Bonds	
				Total	Total Interest Payments	Total Principal Redemptions	Total Interest Payments
2023	\$ 21,015,000	\$ 13,612,189	\$ 34,627,189	\$ -	\$ 116,455	\$ 21,015,000	\$ 13,495,734
2024	22,475,000	13,220,095	35,695,095	-	116,455	22,475,000	13,103,640
2025	21,540,000	12,772,434	34,312,434	-	116,455	21,540,000	12,655,979
2026	19,550,000	12,293,736	31,843,736	-	116,455	19,550,000	12,177,281
2027	15,310,000	11,827,811	27,137,811	-	116,455	15,310,000	11,711,356
2028–2032	90,270,000	52,213,292	142,483,292	-	582,273	90,270,000	51,631,019
2033–2037	72,195,000	40,499,152	112,694,152	-	582,273	72,195,000	39,916,879
2038–2042	91,301,938	30,694,784	121,996,722	2,451,938	447,110	88,850,000	30,247,674
2043–2047	102,228,352	17,078,513	119,306,865	2,573,352	18,794	99,655,000	17,059,719
2048–2052	47,815,000	2,437,810	50,252,810	-	-	47,815,000	2,437,810
	<u>\$ 503,700,290</u>	<u>\$ 206,649,816</u>	<u>\$ 710,350,106</u>	<u>\$ 5,025,290</u>	<u>\$ 2,212,725</u>	<u>\$ 498,675,000</u>	<u>\$ 204,437,091</u>

Changes in bonds outstanding during the fiscal year ended June 30, 2022, are summarized in the following table:

	June 30, 2021	Issued	Redeemed	June 30, 2022
Direct placement	\$ 7,901,928	\$ -	\$ 2,876,638	\$ 5,025,290
All other bonds and notes	546,600,000	79,525,000	127,450,000	498,675,000
	<u>\$ 554,501,928</u>	<u>\$ 79,525,000</u>	<u>\$ 130,326,638</u>	<u>\$ 503,700,290</u>

Warehouse facility

During the fiscal year ending June 30, 2019, the Commission entered into a repurchase agreement with PlainsCapital Bank to purchase a 100% interest in eligible mortgage loans held by the Commission. This agreement allows us to access short-term funds of up to \$40 million, to meet the liquidity needs in support of our temporary investments in Home Advantage mortgage loans, held in the Single-Family program bond fund. This credit agreement is collateralized by the underlying mortgage loans. Failure of the Commission to make required payments timely could result in immediate demand for payment, our loss of ownership of the underlying collateral and suspension of the agreement. Activity and balances for the fiscal years ending June 30, 2022 and 2021, are summarized in the following table:

	<u>2022</u>	<u>2021</u>
Beginning Balance	\$ 11,444,209	\$ 7,141,235
Draws	259,057,674	237,577,486
Principal Repayments	<u>(265,309,797)</u>	<u>(233,274,512)</u>
Ending Balance	<u>\$ 5,192,086</u>	<u>\$ 11,444,209</u>

Line of Credit Facility

During the fiscal year ending June 30, 2020, the Commission entered into a revolving loan and security agreement ("Line of Credit") with a private lender. Draws on the line are used to make qualified bond redemptions and are fully collateralized by bond prepayments received and deposited into a Local Government Investment Pool account established for this purpose. The line is repaid with proceeds from new bonds issued in conduit programs using recycled volume cap. An equal amount of monies on deposit are provided to the new bond borrower. Failure of the Commission to make required payments timely could result in immediate demand for payment, our loss of ownership of the collateral, loss of the recyclable volume cap preserved, and suspension of the agreement. Draws made during the year totaled \$124,036,487 while repayments were \$120,736,814, leaving a balance outstanding as of June 30, 2022 of \$179,162,253.

Note 9 - Commitments**Mortgage Loans**

The Commission has committed to purchase mortgage loans to the extent qualified loans are available under our Single-Family programs currently in the acquisition phase. Our commitments as of June 30, 2022, totaled \$6,496,227.

Note 10 - Employee Benefit Plans**Deferred compensation plan**

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits our employees to defer a portion of their salaries until future years. The State pays the deferred compensation to employees upon termination, retirement, death, or unforeseeable emergency. We record the funds as salary expense when paid to the State; therefore, neither an asset nor liability is recorded on our financial statements

Retirement (Pension) Plan

The Commission's employees participate in the Public Employees' Retirement System (PERS) of the State. PERS, established by the legislature in 1947, is a cost-sharing multiple-employer retirement system. Membership in the system includes elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of legislative committees; community colleges, college and university employees not in national higher education retirement programs such as TIAA/CREF; judges of district and municipal courts; noncertified employees of school districts, and employees of local government. Approximately 51.3% of PERS salaries are from State employment. Our employees are eligible to participate in Plans 2 and 3. Plan 2 is a defined benefit plan. Plan 3 includes defined benefit and defined contribution components. Each employee is responsible for their plan selection.

Commission employees may retire at the age of 65 with five years of service or at age 55 with 20 years of service. The employee's retirement benefit is the product of three factors, the PERS plan percentage (Plan 2, 2%, Plan 3, 1%), average final compensation (the greatest compensation during any consecutive 60-month period) and years of service. Retirement benefits taken before age 65 are actuarially reduced. A cost-of-living allowance on the benefit is added, based on the Seattle Consumer Price Index, capped at 3% annually. PERS Plans 2 and 3 benefits include duty and non-duty disability payments and a one-time duty-related death benefit.

A combination of investment earnings and employer and employee contributions finance PERS retirement. Employee contributions accrue interest at a rate specified by the Department of Retirement Services (DRS). The DRS-established rate of interest on employee contributions was 5.5%, compounded quarterly. Retirement benefit provisions are established in State statutes and may be amended only by the State legislature. An employee can withdraw their total contributions and interest earnings upon their termination. PERS defined benefits are vested after an employee completes five years of eligible service for Plan 2 participants. For PERS plan 3 participants, defined benefits are vested after ten years of eligible service or after five years if twelve months of that service are earned after age 44.

Each biennium the legislature establishes employer and employee contribution rates. The Office of the State Actuary determines the contribution requirements to fully fund the plan in accordance with chapters RCW 41.40 and 41.45. All employers are required to contribute at the level established by the legislature. PERS Plan 1 accepts no new enrollments, and no Commission employees participate in the plan. However, the employer rate for participants in Plans 2 and 3 includes a component to address the PERS Plan 1 unfunded, actuarial accrued liability.

Washington State Housing Finance Commission

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The Commission and employee required contribution rates and amounts to the pension plan for the fiscal years June 30, 2022 and 2021, are:

	2022		2021	
	Rate	Amount	Rate	Amount
Employer contributions				
Plan 1 component	3.71%	\$ 267,442	4.85%	\$ 347,220
Plan 2 and 3 component	6.54%	458,474	8.10%	566,864
	10.25%	\$ 725,916	12.95%	\$ 914,084
Employee Contributions				
Plan 2	6.36%	\$ 462,569	7.90%	\$ 478,833

Detailed information about the pension plan's fiduciary net position is available in the separately issued DRS financial statements, which are available from:

Washington State Department of Retirement Systems
 PO Box 48380
 Olympia, WA 98504-8380
www.drs.wa.gov

The DRS retirement plans are accounted for in pension trust funds using the flow of economic-resources-measurement focus and the accrual basis of accounting. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. DRS reports investments held by the plans at fair value. As of the most recent period available, fiscal year ended June 30, 2021, DRS reports a total net pension liability for Plan 1 of \$1.2 billion, and a total net pension asset for Plan 2 and 3 of \$10.0 billion.

At June 30, 2022, the Commission recognized its proportionate share of the net pension liability of Plan 1 of \$562,836 and included it in accounts payable and other liabilities within the General Operating Fund. The Commission recognized its proportionate share of the net pension asset of Plan 2 of \$5,925,840 and included it in the prepaid fees and other assets within the General Operating Fund. The net pension liability and asset were measured as of June 30, 2021, and the total pension liability/asset used to calculate the net pension liability/asset was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021. Plan liabilities were rolled forward using each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments. The Commission's proportion of net pension liability was based upon its contributions in relation to all other employer and non-employer contributions to the plan. The Commission's proportions used for measurement of its obligations as of June 30, 2022 and 2021, were:

	2022	2021	Change
Plan 1	0.0466%	0.0471%	-0.00050%
Plans 2 and 3	0.0599%	0.0613%	-0.00140%

The change in Commission proportions was determined to be immaterial, therefore a deferral of the impact of the change was not recognized.

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2022 and 2021

For the years ended June 30, 2022 and 2021, the Commission recognized pension expense of \$(1,410,837) and \$139,530, respectively. For those years, we recognized deferred outflows and inflows of resources related to pension obligations from the following sources:

June 30, 2022	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments:		
Plan 1	\$ -	\$ 631,083
Plans 2 and 3	-	4,977,326
Net difference due to change in assumptions Plans 2 and 3	-	420,280
Net difference between expected and actual experience Plans 2 and 3	219,375	-
Contributions subsequent to the measurement date Plans 2 and 3	<u>716,068</u>	<u>-</u>
Total	<u>\$ 935,443</u>	<u>\$ 6,028,689</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
June 30, 2021		
Net difference between projected and actual earnings on pension plan investments:		
Plan 1	\$ -	\$ 7,087
Plans 2 and 3	-	18,378
Net difference due to change in assumptions Plans 2 and 3	-	518,485
Net difference between expected and actual experience Plans 2 and 3	181,314	-
Contributions subsequent to the measurement date Plans 2 and 3	<u>897,546</u>	<u>-</u>
Total	<u>\$ 1,078,860</u>	<u>\$ 543,950</u>

The \$716,068 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Washington State Housing Finance Commission

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Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows for years ending June 30:

Years Ended June 30:	
2023	\$ 1,527,640
2024	1,424,953
2025	1,360,891
2026	1,482,692
2027	16,798
2028	(3,660)
	\$ 5,809,314

The total pension liability in the June 30, 2019, actuarial valuation which was rolled forward to June 30, 2020, was determined using the following actuarial assumptions.

Actuarial Assumptions

Inflation

Economic	2.75%
Salary	3.50%

Investment rate of return 7.40%

Discount rate 7.40%

Mortality rates were based on the Society of Actuaries' Publication H-2010 mortality rates, and vary by member status (active, retiree, or survivor). The Office of State Actuary applied age offsets for each system and recognized future improvements in mortality by applying the long-term MP-2017 generational improvement scale. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year through his or her lifetime.

The long-term expected rate of return on pension plan investments was determined using a building-block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). WSIB uses the CMAs and their target asset allocations to simulate future investment returns at various future times. The long-term expected rate of return of 7.4% approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or dampen any short-term changes to WSIB's CMAs that aren't expected over the entire 50-year measurement period.

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Notes to Financial Statements

June 30, 2022 and 2021

The target allocation and best estimates of arithmetic real rates of return for each major asset class (as of PERS year-end June 30, 2020), including an inflation component of 2.20%, are summarized in the following table:

Asset Class	Target Allocation	% Long-Term Expected Rate of Return
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

The discount rate used to measure the total pension liability was 7.40%. The rate was determined by completing an asset sufficiency test on whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Consistent with current law, the asset sufficiency test included an assumed 7.40% long-term discount rate to determine funding liabilities for calculation of future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on investment assets was assumed for the test. Contributions from plan members and employers are assumed to continue at contractually required rates. Based upon those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total liability.

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.40% as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate:

	Discount Rate Sensitivity		
	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
Plan 1	\$ 969,486	\$ 562,836	\$ 219,913
Plan 2 and 3	\$ (1,699,884)	\$ (5,925,840)	\$ (9,480,979)

Other Postemployment Benefit Plan

Commission employees are eligible to participate in the single employer defined benefit other postemployment benefit (OPEB) plan administered by the State Health Care Authority (HCA). The plan, as authorized through RCW 41.05.065, is designed by the Public Employee Benefits Board (PEBB), created within HCA, and determines the terms and conditions of employee and retired employee participation and coverage, including eligibility criteria. The PEBB OPEB plan benefits are provided in accordance with a substantive plan rather than a formalized contract or plan document and, as such, rely on communication of the plan terms by HCA with employers and plan members as well as the historical practice of plan cost sharing by employers.

The PEBB OPEB plan is funded by monthly contributions with amounts established by the Legislature as a part of the biennium budget process. There are no plan assets, rather the monthly contributions are used to pay for current benefits provided. The plan does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees eligible for retirement electing to continue coverage and pay the administratively established health insurance premiums at the time they retire under the provisions of the retirement plan to which they belong.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in this risk pool receive an implicit subsidy because the retired members pay a premium based on the claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy from the reduced premiums. The explicit subsidy is established through an annual recommendation by the HCA administrator which is included in the Governor's budget with the final amount approved by the state Legislature. In calendar year 2022, the explicit subsidy was up to \$183 per enrollee member per month and will remain at \$183 in calendar year 2023.

OPEB implicit and explicit subsidies as well as administrative costs are funded by the required contributions participating employers make. The Commission is required to make monthly contributions on behalf of all active, health care eligible employees (headcount), regardless of enrollment status. The allocation method used by the state to determine our proportionate share of the OPEB related liabilities, deferred inflows, deferred outflows, and expense is the percentage of our headcount as a percentage of the state's total headcount.

This same method is used to determine the transactions subsequent to the measurement date, specifically the retiree portion of premium payments made by agencies on behalf of active, health care eligible employees between the measurement date of June 30, 2021, and the reporting date of June 30, 2022. The portion of health care premiums attributed to retirees for both explicit and implicit subsidies is taken from the Fiscal Year 2021 4th Quarter Update in the PEBB Financial Projection Model (PFPM) from the State Health Care Authority.

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2022 and 2021

Additional information will be included in the Washington State 2022 Annual Comprehensive Financial Report on OFM's website (www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report). Additional information on health care trend rates and other actuarial data is available on the Office of the State Actuary's website (leg.wa.gov/osa).

For fiscal years ending June 30, 2022 and June 30, 2021, HCA reports total OPEB liability of \$6.5 billion and \$6.1 billion, respectively. At June 30, 2022, the Commission recognized its proportionate share of the OPEB liability of \$3,581,199, which is included in accounts payable and other liabilities within the General Operating Fund. The OPEB liability was measured as of June 30, 2021, and the total liability used to calculate the OPEB liability was determined by an actuarial valuation as of June 30, 2021. The Commission's proportion was based upon our headcount in relation to the headcount of all state employees at the same date resulting in allocations of 0.0553% and 0.0568% used for the measurement of its obligations as of June 30, 2022 and 2021, a decrease between years of 0.001%. The impact of this change is included in the related deferred inflows and outflows of resources and amortized over nine years, which is equal to the average expected remaining service lives of all active and inactive members.

As of June 30, 2022, components of the change in our proportionate share of the total OPEB liability are as follows:

Beginning OPEB Liability	\$ 3,439,369
Change in proportionate share	(88,636)
Service cost	178,992
Interest cost	77,359
Differences between expected and actual experience	-
Changes in assumptions	33,052
Changes of benefit terms	-
Benefit payments	(58,937)
Other	-
	-
Ending OPEB Liability	\$ 3,581,199

For the years ended June 30, 2022 and 2021, the Commission recognized OPEB expense of \$133,916 and \$22,934, respectively. For those years recognized deferred outflows and inflows of resources related to the net OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
As of June 30, 2022	\$ 228,069	\$ 649,287
Changes in assumptions	61,258	13,863
Changes in experience	80,594	279,079
Changes in proportion	59,118	-
	\$ 429,039	\$ 942,229
Total	\$ 429,039	\$ 942,229

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2022 and 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
As of June 30, 2021	\$ 236,503	\$ 811,145
Changes in assumptions	75,454	16,263
Changes in experience	94,026	219,293
Changes in proportion	60,496	-
	\$ 466,479	\$ 1,046,701
Total		

The \$59,118 reported as deferred outflows resulting from transactions subsequent to the measurement date will be recognized as a reduction in the OPEB liability in the year ended June 30, 2022.

Other amounts reported as deferred inflows and deferred outflows of resources will be recognized as OPEB expense in subsequent years as follows:

Years Ended June 30,		
2023	\$	(122,433)
2024		(122,433)
2025		(122,433)
2026		(122,437)
2027		(63,055)
Thereafter		(19,517)
	\$	(572,308)

The total OPEB liability at June 30, 2022, was determined using the following actuarial assumptions.

Inflation		
Economic		2.75%
Salary		3.50%
(Salaries are also expected to grow by promotions and longevity)		
Health care trend rates		
Initial rate(s)		2.3% - 11.0%
Expected by 2080		4.30%

Mortality rates were based on the Society of Actuaries' Publication H-2010 mortality rates, and vary by member status (active, retiree, or survivor). The Office of State Actuary applied age offsets for each system and recognized future improvements in mortality by applying the long-term MP-2017 generational improvement scale. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year through his or her lifetime.

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based upon the results of the 2013-2018 Demographic Experience Study Report. The post-retirement participation percentages and percentage with spouse coverage were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2019 Report on Financial Condition and Economic Experience Study.

Because the OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, which was 2.161% for the June 30, 2021, measurement date.

The following represents the Commission's proportionate share of the OPEB liability calculated using the discount rate of 2.21% as well as what the proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

Discount Rate Sensitivity		
	Current	
1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
\$ 4,338,877	\$ 3,581,199	\$ 2,992,110

The table below represents the Commission's proportionate share of the OPEB liability calculated using the health care trend rates range of 2-11% percent reaching an ultimate range of 4.3%, as well as what our proportionate share of the total OPEB liability would be if it were calculated using health care trend rates that were one percentage point lower (1-10%) or one percentage point higher (3-12%) than the current rate:

Health Care Cost Trend Sensitivity		
	Current	
1% Decrease	Discount Rate	1% Increase
\$ 2,889,226	\$ 3,581,199	\$ 4,516,289

Note 11 - Risk Management

The Commission is subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters and acts of terrorism for which we carry commercial insurance. As of June 30, 2022, there were no known asserted or unasserted claims or judgments against the Commission.

The Commission may be subject to various threatened or pending legal actions, contingencies, and commitments in the normal course of conducting its business. We provide for costs or income related to a settlement of these matters when a loss or gain is probable, and the amount can be reasonably estimated. The effect of the outcome of these matters on our future results of operations and liquidity is not predictable because any such effect depends on future results of operations and the amount and timing of the resolution of any such matters. However, we believe that the ultimate resolution of any such matters will not have a material adverse or beneficial effect on our financial position.

Note 12 - Related Party Transactions

Charges for Services	2022	2021
Washington Higher Education Facilities Authority	\$ 288,274	\$ 304,420
Tobacco Settlement Authority	35,414	40,559
Receivable From		
Washington Higher Education Facilities Authority	\$ 69,396	\$ 79,396
Tobacco Settlement Authority	6,541	8,503



Required Supplementary Information
June 30, 2022 and 2021

Washington State Housing Finance Commission

Washington State Housing Finance Commission
 Schedule of Proportionate Share of Net Pension Liability
 Years Ended June 30, 2022

Schedule of Proportionate Share of Net Pension Liability

PLAN 1	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
WSHFC's portion of net pension liability	0.0466%	0.0471%	0.0465%	0.0462%	0.0455%	0.0439%
WSHFC's proportionate share of the net pension liability	\$ 562,836	\$ 1,646,824	\$ 1,790,818	\$ 2,052,105	\$ 2,168,328	\$ 2,361,147
WSHFC's covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
WSHFC's proportionate share of the net pension liability as a percentage of its covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	88.74	68.64%	67.12%	63.22%	61.24%	57.03%
PLAN 2 and 3						
WSHFC's portion of net pension liability (asset)	0.0599%	0.0613%	0.0600%	0.0594%	0.0586%	0.0564%
WSHFC's proportionate share of the net pension liability	\$ (5,925,840)	\$ 820,030	\$ 604,966	\$ 1,023,732	\$ 2,030,714	\$ 2,845,451
WSHFC's covered employee payroll	\$ 7,208,684	\$ 7,175,419	\$ 6,526,599	\$ 6,157,091	\$ 5,762,602	\$ 5,293,776
WSHFC's proportionate share of the net pension liability as a percentage of its covered employee payroll	-82.20%	11.43%	9.27%	16.63%	35.24%	53.75%
Plan fiduciary net position as a percentage of the total pension liability	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Washington State Housing Finance Commission
 Schedule of Contributions
 Years Ended June 30, 2022

Schedule of Contributions

PLAN 1	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily-required contributions	\$ 347,322	\$ 341,322	\$ 333,507	\$ 309,065	\$ 273,962	\$ 249,236
Contributions related to the statutorily-required contributions	<u>347,322</u>	<u>341,322</u>	<u>333,507</u>	<u>309,065</u>	<u>273,962</u>	<u>249,236</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
WSHFC's covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Contribution as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
 PLAN 2 and 3						
Statutorily-required contributions	\$ 567,569	\$ 565,120	\$ 490,407	\$ 458,084	\$ 357,892	\$ 325,504
Contributions in related to the statutorily-required contributions	<u>567,569</u>	<u>565,120</u>	<u>490,407</u>	<u>458,084</u>	<u>357,892</u>	<u>325,504</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
WSHFC's covered-employee payroll	\$ 7,208,684	\$ 7,175,419	\$ 6,526,599	\$ 6,157,091	\$ 6,157,091	\$ 6,157,091
Contribution as a percentage of covered-employee payroll	7.87%	7.88%	7.51%	7.44%	6.21%	6.15%

Plan 1 – No Commission employees are eligible for PERS 1. Commission contributions are required in order to address the PERS 1 unfunded actuarial accrued liability. Therefore, covered payroll and contributions as a percentage of covered payroll is not applicable to Plan 1.

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Washington State Housing Finance Commission
Schedule of Proportionated Share of OPEB Liability
Years Ended June 30, 2022

Schedule of Proportionate Share of OPEB Liability

	2022	2021	2020	2019	2018
WSHFC's portion of OPEB Liability	0.05534%	0.05680%	0.05985%	0.05805%	0.05840%
WSHFC's proportionate share of the OPEB liability	\$ 3,581,199	\$ 3,439,369	\$ 3,473,340	\$ 2,948,312	\$ 3,399,762
WSHFC covered employee payroll	\$ 7,208,684	\$ 7,175,419	\$ 6,526,599	\$ 6,157,091	\$ 5,762,602
WSHFC's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	49.68%	47.93%	53.22%	47.88%	59.00%
	2022	2021	2020	2019	2018
Statutorily-required contributions	\$ -	\$ 161,040	\$ 148,176	\$ 132,450	\$ 130,800
Contributions related to the statutorily-required contributions	-	161,040	148,176	132,450	130,800
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -
WSHFC's covered-employee payroll	\$ 7,208,684	\$ 7,175,419	\$ 6,526,599	\$ 6,157,091	\$ 5,762,602
Contribution as a percentage of covered-employee payroll	2.19%	2.24%	2.27%	2.15%	2.27%
Total number of monthly insurance payments	864	880	882	883	872
Monthly contribution	\$ 183	\$ 183	\$ 168	\$ 150	\$ 150
Total	\$ 158,112	\$ 161,040	\$ 148,176	\$ 132,450	\$ 130,800

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



Supplementary Information
June 30, 2022 and 2021

Washington State Housing Finance Commission

Washington State Housing Finance Commission
Schedule of Program Net Position
June 30, 2022

Assets and Deferred Outflows of Resources	Restricted Bond Fund			Program-Related Investments	General Operating Fund	2022	2021
	Single-family Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program				
Cash and Cash Equivalents	\$ 143,244,342	\$ 3,000,780	\$ 179,497,314	\$ 218,053,302	\$ 203,905,223	\$ 747,700,961	\$ 497,479,516
Investments							
U.S. government and agencies securities	-	-	-	40,228,570	4,574,805	44,803,375	47,619,992
Investment agreements and other investments	38,447,407	5,000,000	-	-	-	43,447,407	85,321,065
	<u>38,447,407</u>	<u>5,000,000</u>	<u>-</u>	<u>40,228,570</u>	<u>4,574,805</u>	<u>88,250,782</u>	<u>132,941,057</u>
Accrued Interest Receivable	1,617,302	176,161	-	2,794,220	224,495	4,812,178	3,638,791
Fees Receivable, Net	-	-	-	-	10,392,298	10,392,298	11,782,688
Other Receivables	1,342,461	-	-	236,381	-	1,578,842	1,788,020
Interfund Loans	(40,000,000)	-	-	40,000,000	-	-	-
Mortgage-Backed Securities, Cost	529,951,442	18,017,265	-	-	-	547,968,707	541,003,456
Cumulative unrealized gain (loss) on mortgage-backed securities	(26,825,760)	358,895	-	-	-	(26,466,865)	33,312,653
Mortgage-Backed Securities, fair value	<u>503,125,682</u>	<u>18,376,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>521,501,842</u>	<u>574,316,109</u>
Mortgage Loans, Net	-	-	-	485,226,601	-	485,226,601	436,579,018
Prepaid Fees And Other	-	-	-	-	8,202,680	8,202,680	498,719
Total assets	<u>647,777,194</u>	<u>26,553,101</u>	<u>179,497,314</u>	<u>786,539,074</u>	<u>227,299,501</u>	<u>1,867,666,184</u>	<u>1,659,023,918</u>
Deferred Outflows Of Resources	<u>(106,522)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,364,481</u>	<u>1,257,959</u>	<u>3,452,856</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 647,670,672</u>	<u>\$ 26,553,101</u>	<u>\$ 179,497,314</u>	<u>\$ 786,539,074</u>	<u>\$ 228,663,982</u>	<u>\$ 1,868,924,143</u>	<u>\$ 1,662,476,774</u>

Washington State Housing Finance Commission
Schedule of Program Net Position
June 30, 2022

Liabilities, Deferred Inflows of Resources, and Net Position	Restricted Bond Fund			Program- Related Investments	General Operating Fund	2022	2021
	Single-family Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program				
Accounts Payable and Other							
Liabilities	\$ 30,354,262	\$ -	\$ -	\$ 34,639,734	\$ 10,544,672	\$ 75,538,668	\$ 77,880,055
Accrued Interest Payable	1,114,840	33,843	335,061	1,185,950	-	2,669,694	1,392,802
Unearned Revenue and Other	-	-	-	-	184,367,145	184,367,145	15,248,392
Derivative Instrument - Interest							
Rate Swap	(106,522)	-	-	-	-	(106,522)	1,907,517
Notes Payable	5,192,086	-	179,162,253	48,001,900	-	232,356,239	187,306,788
Bonds Payable							
Current interest bonds	457,465,000	-	-	-	-	457,465,000	498,220,000
Taxable bonds	32,573,352	13,661,938	-	-	-	46,235,290	56,281,928
Unamortized bond premium	13,240,689	-	-	-	-	13,240,689	10,614,772
Total bonds payable	503,279,041	13,661,938	-	-	-	516,940,979	565,116,700
Total liabilities	539,833,707	13,695,781	179,497,314	83,827,584	194,911,817	1,011,766,203	848,852,254
Deferred Inflows of Resources	1,757,559	-	-	-	6,970,918	8,728,477	3,248,429
Net Position							
Restricted							
Bond operations	106,079,406	12,857,320	-	-	-	118,936,726	168,564,329
Net Pension Asset	-	-	-	-	5,925,839	5,925,839	-
Grants and donations to program-related investments	-	-	-	809,424	-	809,424	809,424
Net investment in capital assets	-	-	-	-	411,667	411,667	80,611
Unrestricted							
General operations	-	-	-	-	19,947,236	19,947,236	23,967,853
Housing Washington	-	-	-	-	496,505	496,505	473,047
Program-related investments	-	-	-	701,902,066	-	701,902,066	616,480,827
Total net position	106,079,406	12,857,320	-	702,711,490	26,781,247	848,429,463	810,376,091
Total Liabilities, Deferred Inflow of and Net Position	\$ 647,670,672	\$ 26,553,101	\$ 179,497,314	\$ 786,539,074	\$ 228,663,982	\$ 1,868,924,143	\$ 1,662,476,774

Washington State Housing Finance Commission
Schedule of Program Revenues, Expenses, and Changes in Program Net Position
Year Ended June 30, 2022

	Restricted Bond Fund			Program- Related Investments	General Operating Fund	2022	2021
	Single-family Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program				
Revenues							
Interest earned on mortgage loans and mortgage-backed securities	\$ 16,658,136	\$ 924,400	\$ -	\$ -	\$ -	\$ 17,582,536	\$ 21,391,114
Other interest and investment income (loss)	2,850,121	205,614	537,533	-	(1,364,729)	2,228,539	2,757,571
Gain (loss) on mortgage-backed securities	(58,037,649)	(1,741,869)	-	-	-	(59,779,518)	(10,452,926)
Other fee income	239,322	57,745	-	58,863,511	46,860,582	106,021,160	135,733,686
Nonoperating revenues - grants	-	-	-	-	7,759,552	7,759,552	3,696,435
Total revenues	(38,290,070)	(554,110)	537,533	58,863,511	53,255,405	73,812,269	153,125,880
Expenses							
Interest on debt	14,742,023	513,798	525,659	1,394,329	-	17,175,809	18,518,909
Amortization of bond premium	(2,182,108)	-	-	-	-	(2,182,108)	(1,434,908)
Bond issuance costs	899,256	-	-	-	-	899,256	1,225,829
Servicing and commission fees	1,053,709	57,746	-	-	-	1,111,455	1,204,588
Salaries and wages	-	-	-	-	7,352,176	7,352,176	8,789,791
Communication and office expense	-	-	-	-	2,161,921	2,161,921	2,048,091
Professional fees	-	-	11,874	-	1,498,915	1,510,789	1,259,436
Trustee and paying agent fees	82,326	6,070	-	-	-	88,396	99,964
Other	55,172	-	-	(173,521)	-	(118,349)	604,703
Nonoperating expenses - grants	-	-	-	-	7,759,552	7,759,552	3,696,435
Total expenses	14,650,378	577,614	537,533	1,220,808	18,772,564	35,758,897	36,012,838
Excess (Deficit) of Revenues Over Expenses	(52,940,448)	(1,131,724)	-	57,642,703	34,482,841	38,053,372	117,113,042
Change in Net Position	(52,940,448)	(1,131,724)	-	57,642,703	34,482,841	38,053,372	117,113,042
Net Position, Beginning of Year	154,575,285	13,989,044	-	617,290,251	24,521,511	810,376,091	693,263,049
Contribution (Distribution) of Equity	4,444,569	-	-	27,778,536	(32,223,105)	-	-
Net Position, End of Year	\$ 106,079,406	\$ 12,857,320	\$ -	\$ 702,711,490	\$ 26,781,247	\$ 848,429,463	\$ 810,376,091

Washington State Housing Finance Commission
Schedule of Program Cash Flows
Year Ended June 30, 2022

	Restricted Bond Fund			Program-Related Investments	General Operating Fund	June 30, 2022
	Single-family Housing Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program			
Operating Activities						
Receipts for interest on mortgages	\$ 16,606,822	\$ 953,369	\$ -	\$ -	\$ -	\$ 17,560,191
Receipts for other fee income	607,798	57,745	-	57,628,598	229,640,958	287,935,099
Receipts for loans and mortgage prepayments	126,735,947	7,893,729	-	99,875,762	-	234,505,438
Payments for acquisition of loans and mortgages	(141,450,799)	-	-	(148,372,522)	-	(289,823,321)
Payments for bond program expenses	(1,803,446)	(64,206)	-	-	-	(1,867,652)
Payments to employees and suppliers	-	-	(11,874)	45,489,041	(25,727,917)	19,749,250
Net Cash from (used for) Operating Activities	<u>696,322</u>	<u>8,840,637</u>	<u>(11,874)</u>	<u>54,620,879</u>	<u>203,913,041</u>	<u>268,059,005</u>
Investing Activities						
Purchase of investments	(1,098,061,873)	-	-	2,600,677	-	(1,095,461,196)
Sale of investments	1,139,935,531	-	-	-	215,939	1,140,151,470
Interest received on investments	2,767,509	135,621	537,533	-	(1,431,678)	2,008,985
Net Cash from (used for) Investing Activities	<u>44,641,167</u>	<u>135,621</u>	<u>537,533</u>	<u>2,600,677</u>	<u>(1,215,739)</u>	<u>46,699,259</u>
Noncapital Financing Activities						
Proceeds from sale of bonds and notes	84,636,825	-	-	-	-	84,636,825
Proceeds from collateralized loans	259,057,674	-	124,036,487	-	-	383,094,161
Repayments of collateralized loans	(265,309,797)	-	(120,736,814)	-	-	(386,046,611)
Interest paid on debt	(15,129,423)	(538,711)	(226,423)	-	-	(15,894,557)
Debt repayments	(121,489,890)	(8,836,747)	-	-	-	(130,326,637)
Contributions	4,444,569	-	-	27,778,536	(32,223,105)	-
Net Cash from (used for) Noncapital Financing Activities	<u>(53,790,042)</u>	<u>(9,375,458)</u>	<u>3,073,250</u>	<u>27,778,536</u>	<u>(32,223,105)</u>	<u>(64,536,819)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(8,452,553)	(399,200)	3,598,909	85,000,092	170,474,197	250,221,445
Cash and Cash Equivalents, Beginning of Year	151,696,895	3,399,980	175,898,405	133,053,210	33,431,026	497,479,516
Cash and Cash Equivalents, End of Year	<u>\$ 143,244,342</u>	<u>\$ 3,000,780</u>	<u>\$ 179,497,314</u>	<u>\$ 218,053,302</u>	<u>\$ 203,905,223</u>	<u>\$ 747,700,961</u>

Washington State Housing Finance Commission
Schedule of Program Cash Flows
Year Ended June 30, 2022

	Restricted Bond Fund			Program-Related Investments	General Operating Fund	June 30, 2022
	Single-family Housing Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program			
Reconciliation of Excess (Deficit) of Revenues Over Expenses to Net Cash from (used for) Operating Activities						
Excess (deficit) of revenues over expenses	\$ (52,940,448)	\$ (1,131,724)	\$ -	\$ 57,642,703	\$ 34,482,841	\$ 38,053,372
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash from operating activities						
Amortization of mortgage discount	(144,150)	-	-	-	-	(144,150)
Amortization of mortgage premium	22	-	-	-	-	22
Amortization of bond premium	(2,182,108)	-	-	-	-	(2,182,108)
Acquisition of mortgage loans	(141,450,799)	-	-	(148,372,522)	-	(289,823,321)
Repayments of mortgage loans	126,735,947	7,893,729	-	99,875,762	-	234,505,438
Unrealized (gain) loss on securities	58,037,649	1,741,869	-	-	-	59,779,518
Cash from changes in operating assets and liabilities						
Interest and other receivables	(2,388,829)	(176,645)	(537,533)	(1,385,737)	(5,674,658)	(10,163,402)
Interest and other payables	15,029,038	513,408	525,659	46,860,673	175,104,858	238,033,636
Net Cash from (used for) Operating Activities	<u>\$ 696,322</u>	<u>\$ 8,840,637</u>	<u>\$ (11,874)</u>	<u>\$ 54,620,879</u>	<u>\$ 203,913,041</u>	<u>\$ 268,059,005</u>

Washington State Housing Finance Commission
Schedule of Notes and Bonds Payable
Year Ended June 30, 2022 with Comparative Totals for 2021

Series	Issue Date	Original Amount	Final Maturity Date	Balance Outstanding	
				6/30/2022	6/30/2021
Single-family (Open Indenture)					
Single-family Series 2013 1A-R/1N-R	3/27/2013	62,515,000	6/1/2043	\$ 19,405,000	\$ 21,325,000
Single-family Series 2014 1A-R/1N-R	1/28/2014	36,700,000	6/1/2043	-	285,000
Single family Series 2014 2A-R 2N 2N-R	12/18/2014	50,515,000	6/1/2044	5,790,000	8,675,000
Single-family Series 2015 1A-R/1N	12/10/2015	63,845,000	6/1/2038	16,125,000	22,840,000
Single family Series 2016 1A-R 1N VR-1N	5/26/2016	65,500,000	12/1/2046	32,305,000	38,480,000
Single family Series 2016 2A-R 2N	11/30/2016	67,045,000	12/1/2046	28,865,000	40,315,000
Single family Series 2017 1A-R 1N	4/27/2017	67,370,000	12/1/2047	15,690,000	37,955,000
Single family Series 2017 2A-R/2N	9/28/2017	35,230,000	6/1/2047	13,835,000	19,340,000
Single family Series 2017 3N/3N-R/3A-R	12/28/2017	70,475,000	12/1/2047	15,205,000	26,725,000
Single family Series 2018 1N/1N-MM	10/18/2018	98,190,000	12/1/2048	55,845,000	76,145,000
Single Family Series 2019 1N	3/20/2019	78,210,000	6/1/2049	24,405,000	47,720,000
Single Family Series 2019 2A/2N	11/26/2019	38,535,000	12/1/2049	34,775,000	37,035,000
Single Family Series 2020 1A/1N	5/28/2020	41,765,000	6/1/2050	38,490,000	40,775,000
Single Family Series 2020 2N	11/30/2020	38,835,000	12/1/2050	37,235,000	38,675,000
Single Family Series 2021 1N	5/27/2021	71,630,000	12/1/2049	70,390,000	71,630,000
Single Family Series 2022 1A/1N	11/30/2021	79,525,000	6/1/2051	79,105,000	-
Special Single family	10/18/2012	26,171,376	10/1/2042	2,573,352	4,083,242
				490,038,352	532,003,242
Unamortized Bond Premium				13,240,689	10,614,772
				<u>\$ 503,279,041</u>	<u>\$ 542,618,014</u>
Homeownership Program Bonds					
Homeownership Program Bonds 09 AC2/11 A	3/24/2011	99,990,000	10/1/2041	\$ -	\$ 300,000
Homeownership Program Bonds 2013A	1/30/2013	23,675,203	3/1/2040	2,451,938	3,818,686
Homeownership Program Bonds 2015 AB	5/28/2015	69,370,000	5/1/1941	11,210,000	18,380,000
				13,661,938	22,498,686
Unamortized Bond Premium				-	-
				<u>\$ 13,661,938</u>	<u>\$ 22,498,686</u>