



Financial Statements
June 30, 2023 and 2022

**Washington State Housing Finance
Commission (A Component Unit of the
State of Washington)**

Washington State Housing Finance Commission

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June 30, 2023 and 2022

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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

Opinion

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, 2023 and 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, 2023 and 2022, and the respective changes in financial position and, its, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 opinion.

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 statements 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 opinion. 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 proportionate share of net pension liability, contributions to the pension plan, and proportionate share of OPEB be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 schedule of program net position, schedule of program statements of revenues, expenses, and changes in net position, schedule of program 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 GAAS. In our opinion, the schedule of program net position, schedule of program statements of revenues, expenses, and changes in net position, schedule of program 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.

Eide Bailly LLP

Boise, Idaho

December 15, 2023

As management of the Washington State Housing Finance Commission (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, 2023. 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, 2023 (FY 2023):

Net position increased \$27.5 million to \$875.8 million primarily due to the \$41.4 million increase in net position of Program-Related Investments (PRI) offset by the \$14.6 million decrease in the Single-Family Bond Program. The increase in the PRI resulted from an excess of revenues over expenses totaling \$14.6 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 \$26.7 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 \$22.5 million primarily due to increased investments held in the General Operating and Bond Funds as excess liquidity was used to secure higher returning investments and a larger volume of single-family mortgages were held at fiscal year-end awaiting securitization. Mortgage-Backed Securities increased by \$50.1 million as new single-family bonds issued for the purchase of such securities increased in the current fiscal year and prepayments of outstanding MBSs slowed. Assets and deferred outflows of resources increased by \$84.8 million, largely due to these factors.

Total bonds payable of \$606.5 million were outstanding, net of premiums and discounts, \$89.6 million above the prior year balance. This increase was a result of the net issuance of bonds (\$147.1 million) and the net payment of principal (\$57.7 million). Unearned revenue and other liabilities decreased by \$34.8 million to \$149.6 million at year end as funds on hand for the administration of the US Department of Treasury's Homeowner Assistance Fund ("HAF") grant were distributed to subrecipients. Liabilities and deferred inflows of resources increased by \$57.5 million, largely due to these factors.

PRI and GOF program fees and grant revenue decreased by \$11.9 million due primarily to a decrease in program fees associated with Home Advantage as market conditions continue to hamper new loan production, offset by increases in interest and investment income and grant revenues. Bond program revenues (mortgage interest, unrealized loss on MBSs, investment earnings and other) increased by \$42.6 million primarily due to a smaller net decrease in the unrealized loss on MBSs, (\$25.2 million), offset by an increase in interest revenue from a higher balance of MBSs and higher interest rates on cash equivalents and investments held in the bond portfolio.

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 3.82% on June 30, 2023, from its June 30, 2022, rate of 2.98%. Federal Reserve (Fed) rate hikes, among other factors, drove rising interest rates. With the increase in the 10-year Treasury yield, average 30-year mortgage rates which typically follow it rose year-over-year to about 6.71% from 5.70%. Home Prices remained constant across the US. This represented a deceleration relative to price increases during FY 2022. According to the S&P CoreLogic Case-Schiller U.S. National Home Price Index, home prices changed by 0% nationally year-over-year, while Seattle had an 8.8% decrease during the year. A tight supply of single-family homes coupled with high housing prices and rapid rising mortgage rates continued to make purchases by the Commission's low-to-moderate income target customers difficult.

The Commission generated approximately \$135.1 million in lendable proceeds for our House Key Opportunity program through the issuance of tax-exempt bonds in fiscal year 2023. The program targets first-time homebuyers in lower-income households, generally providing a lower interest rate and additional down payment options.

The Commission securitized 2,000 Home Advantage loans using funds generated from selling into the To Be Announced (TBA) market in fiscal year 2023, a 62.9% decrease from the prior year. The dollar value of the loans purchased was about \$733.5 million, down 61.9% from the year prior. Traditionally, the Commission's Home Advantage program relied solely on TBA market funding. However, in fiscal year 2023, the Commission responded to changing economic conditions by generating approximately \$15 million in lendable proceeds through the issuance of taxable bonds for the Home Advantage program. This was the Commission's first time using taxable bond proceeds to fund the Home Advantage program.

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.

Washington State Housing Finance Commission

Management's Discussion and Analysis

June 30, 2023 and 2022

Based upon indications of the Fed, we believe interest rates may remain elevated. High short-term interest 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.

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, 2023 and 2022, (in millions):

	2023	2022	Change	
Assets				
Cash and cash equivalents	\$ 733.6	\$ 747.7	\$ (14.1)	(1.9%)
Investments	124.9	88.3	36.6	41.4%
Accrued interest receivable	8.6	4.8	3.8	79.2%
Fees receivable, net	12.6	10.4	2.2	21.2%
Other receivables	0.5	1.6	(1.1)	(68.8%)
Mortgage-backed securities, fair value	571.6	521.5	50.1	9.6%
Mortgage loans, net	496.4	485.2	11.2	2.3%
Prepaid fees and other	4.1	8.2	(4.1)	(50.0%)
Total assets	<u>1,952.3</u>	<u>1,867.7</u>	<u>84.6</u>	4.5%
Deferred Outflows of Resources	<u>1.5</u>	<u>1.3</u>	<u>0.2</u>	15.4%
Total assets and deferred outflows of resources	<u>\$ 1,953.8</u>	<u>\$ 1,869.0</u>	<u>\$ 84.8</u>	4.5%

Washington State Housing Finance Commission

Management's Discussion and Analysis

June 30, 2023 and 2022

	2023	2022	Change	
Liabilities				
Accounts payable and other liabilities	\$ 79.8	\$ 75.5	\$ 4.3	5.7%
Accrued interest payable	6.3	2.7	3.6	133.3%
Unearned revenue and other	149.6	184.4	(34.8)	(18.9%)
Derivative instrument - interest rate swap	(1.0)	(0.1)	(0.9)	900.0%
Notes payable	229.9	232.4	(2.5)	(1.1%)
Bonds payable, net	606.5	516.9	89.6	17.3%
Total liabilities	1,071.1	1,011.8	59.3	5.9%
Deferred Inflows of Resources	6.9	8.7	(1.8)	(20.7%)
Net Position				
Restricted				
Bond operations	104.3	118.9	(14.6)	(12.3%)
Net Pension Asset	1.7	5.9	(4.2)	NA
Grants and donations to PRI	0.8	0.9	(0.1)	(11.1%)
Net investment in capital assets	1.8	2.3	(0.5)	(21.7%)
Unrestricted				
General operations	23.5	18.1	5.4	29.8%
Housing Washington	0.4	0.5	(0.1)	(20.0%)
Program-related investments	743.3	701.9	41.4	5.9%
Total net position	875.8	848.5	27.3	3.2%
Total liabilities, deferred inflows of resources, and net position	\$ 1,953.8	\$ 1,869.0	\$ 84.8	4.5%

Cash, cash equivalents, and investments increased by \$22.5 million, and mortgage-backed securities and mortgage loans increased by \$61.3 million, which are the primary components of an increase in assets of \$84.6 million. The decrease in unearned revenue and other of \$34.8 million is primarily due to the disbursement Treasury HAF grant funds to subgrantees. Net bonds payable increased by \$89.6 million as new bonds were issued and prepayments slowed in our Single-Family MRB program.

The net position of the Commission increased \$27.3 million from the June 30, 2022 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, 2023 and 2022

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 \$37.6 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 2023 and 2022, (in millions):

	2023	2022	Change	
Revenues				
Bond programs mortgage interest	\$ 19.6	\$ 17.6	\$ 2.0	11.4%
Bond programs investments and other income	15.6	3.6	12.0	333.3%
Bond program gain (loss) on mortgage-backed securities	(25.2)	(59.8)	34.6	(57.9%)
Other bond fees	0.6	0.3	0.3	100.0%
Program fees and grants	90.6	113.5	(22.9)	(20.2%)
General operating fund interest income	9.9	(1.4)	11.3	(807.1%)
Total revenues	111.1	73.8	37.3	50.5%
Expenses				
Bond programs interest expense	26.6	17.2	9.4	54.7%
Other bond programs expenses	1.6	-	1.6	100.0%
Salaries and wages	10.3	7.4	2.9	39.2%
Other general operating fund and program-related investments expenses	45.1	11.2	33.9	302.7%
Total expenses	83.6	35.8	47.8	133.5%
Change in net position	\$ 27.5	\$ 38.0	(10.5)	(27.6%)

The primary components of total revenues for the bond fund are mortgage-related interest earnings, investment and other income, and the unrealized gain (loss) 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, interest income, and shared servicing revenue on Home Advantage mortgages outstanding. During fiscal year 2023, the Commission's General Operating Fund revenue and expense included \$39.4 million of housing counseling and foreclosure relief funds grants which were passed through to qualifying counseling agencies and other HAF program participants.

DEBT ADMINISTRATION

The Commission has long-term debt obligations of \$606.5 million, net of bond premium and discounts, and short-term notes payable of \$229.9 million, at June 30, 2023. 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, 2023, 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, 2023, such bonds have an aggregate outstanding principal amount payable of \$7.1 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, 2023, was \$819.6 million, an increase of about \$107.8 million from 2022. Changes enumerated by program are summarized in the following table (in millions):

	2022	Issued	Redeemed	Changes	2023
Single-family	\$ 503.3	\$ 147.2	\$ 53.7	\$ 93.5	\$ 596.8
Homeownership (NIPB)	13.7	-	4.0	(4.0)	9.7
Short-term notes payable	194.8	329.9	311.6	18.3	213.1
	<u>\$ 711.8</u>	<u>\$ 477.1</u>	<u>\$ 369.3</u>	<u>\$ 107.8</u>	<u>\$ 819.6</u>

Washington State Housing Finance Commission

Management's Discussion and Analysis

June 30, 2023 and 2022

The following table summarizes the changes in combined adjusted net position between June 30, 2022 and 2021 (in millions):

	2022	2021	Change	
Assets				
Cash and cash equivalents	\$ 747.7	\$ 497.5	\$ 250.2	50.3%
Investments	88.3	132.9	(44.6)	(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
 Total assets	 1,867.7	 1,659.0	 208.7	 12.6
Deferred Outflows of Resources	1.3	3.5	(2.2)	(62.9)
 Total assets and deferred outflows of resources	 \$ 1,869.0	 \$ 1,662.5	 \$ 206.5	 12.4%
	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)
Project equity held for borrower	232.4	187.3	45.1	24.1
Bonds and notes payable, net	516.9	565.1	(48.2)	(8.5)
 Total liabilities	 1,011.8	 848.8	 163.0	 19.3
Deferred Inflows of Resources	8.7	3.2	5.5	172.0
Net position				
Restricted				
Bond operations	118.9	168.5	(49.6)	(29.4)
Net Pension Asset	5.9	-	5.9	100.0
Grants and donations to PRI	0.9	0.9	-	-
Net investment in capital assets	2.3	0.1	2.2	2,200
Unrestricted				
General operations	18.1	24.0	(5.9)	(24.6)
Housing Washington	0.5	0.5	-	-
Program-related investments	701.9	616.5	85.4	13.9
 Total net position	 848.5	 810.5	 38.0	 4.7
 Total liabilities, deferred inflows of resources, and net position	 \$ 1,869.0	 \$ 1,662.5	 \$ 206.5	 12.4%

Washington State Housing Finance Commission
Management's Discussion and Analysis
June 30, 2023 and 2022

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

	<u>2022</u>	<u>2021</u>	<u>Change</u>	
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	<u>(1.4)</u>	<u>0.2</u>	<u>(1.6)</u>	<u>(800.0)</u>
Total revenues	<u>73.8</u>	<u>153.1</u>	<u>(79.3)</u>	<u>(51.8%)</u>
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	<u>11.2</u>	<u>7.5</u>	<u>3.7</u>	<u>49.3</u>
Total expenses	<u>35.8</u>	<u>35.9</u>	<u>(0.1)</u>	<u>(0.3%)</u>
Return remaining contribution for closed programs	<u>-</u>	<u>-</u>	<u>-</u>	
Change in net position	<u>\$ 38.0</u>	<u>\$ 117.2</u>	<u>\$ (79.2)</u>	<u>(67.6%)</u>

During the fiscal year ended June 30, 2022, the Commission's total assets increased by \$208.7 million largely attributable to an increase in cash and cash equivalents and mortgage loans, offset by decreases in investments and the fair value of MBSs.

The Commission's \$38.0 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, 2023 and 2022

	2023	2022
Assets		
Cash and Cash Equivalents	\$ 733,604,871	\$ 747,700,961
Investments		
U.S. government and agencies securities	60,393,754	44,803,375
Investment agreements	64,535,053	43,447,407
	124,928,807	88,250,782
Accrued Interest Receivable	8,570,963	4,812,178
Fees Receivable, Net	12,541,391	10,392,298
Other Receivables	527,629	1,578,842
Mortgage-Backed Securities, Cost	623,230,680	547,968,707
Cumulative unrealized loss on mortgage-backed securities	(51,646,466)	(26,466,865)
Mortgage-Backed Securities, Fair Value	571,584,214	521,501,842
Mortgage Loans, Net	496,422,292	485,226,601
Prepaid Fees and Other	4,118,739	8,202,680
	1,952,298,906	1,867,666,184
Total assets		
Deferred Outflows of Resources	1,542,517	1,257,959
Total assets and deferred outflows of resources	\$ 1,953,841,423	\$ 1,868,924,143

Washington State Housing Finance Commission

Statements of Net Position

June 30, 2023 and 2022

	2023	2022
Liabilities, Deferred Inflows of Resources, and Net Position		
Accounts Payable and Other Liabilities	\$ 79,805,036	\$ 75,538,668
Accrued Interest Payable	6,364,519	2,669,694
Unearned Revenue and Other	149,559,888	184,367,145
Derivative Instrument - Interest Rate Swap	(1,025,743)	(106,522)
Notes Payable	229,865,410	232,356,239
Bonds Payable		
Current interest bonds	566,585,000	487,465,000
Taxable bonds	26,500,446	16,235,290
Unamortized bond premium	13,391,764	13,240,689
Total bonds payable	606,477,210	516,940,979
Total liabilities	1,071,046,320	1,011,766,203
Deferred Inflows of Resources	6,914,110	8,728,477
Net Position		
 Restricted		
Bond operations	104,317,893	118,936,726
Net Pension Asset	1,767,015	5,925,839
Grants and donations to program-related investments	809,424	809,424
Net investment in capital assets	1,808,201	2,276,840
 Unrestricted		
General operations	23,521,050	18,082,063
Housing Washington	350,866	496,505
Program-related investments	743,306,544	701,902,066
Total net position	875,880,993	848,429,463
Total liabilities, deferred inflows of resources, and net position	\$ 1,953,841,423	\$ 1,868,924,143

Washington State Housing Finance Commission
Statements of Revenues Expenses, and Changes in Net Position
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Interest earned on mortgage loans and mortgage-backed securities	\$ 19,566,272	\$ 17,582,536
Other interest and investment income	25,473,388	2,228,539
Unrealized loss on mortgage-backed securities	(25,179,602)	(59,779,518)
Other fee income	51,765,712	106,021,160
Total operating revenues	<u>71,625,770</u>	<u>66,052,717</u>
Operating Expenses		
Interest on debt	26,645,652	17,175,809
Amortization of bond premium	(1,296,929)	(2,182,108)
Bond issuance costs	1,604,453	899,256
Servicing and commission fees	1,093,105	1,111,455
Salaries and wages	10,300,890	7,352,176
Communication and office expense	2,639,193	2,161,921
Professional fees	1,935,573	1,510,789
Trustee and paying agent fees	101,242	88,396
Other	1,151,061	(118,349)
Total operating expenses	<u>44,174,240</u>	<u>27,999,345</u>
Non-Operating Revenue and (Expense)		
Grant revenue	39,406,554	7,759,552
Grant expense	(39,406,554)	(7,759,552)
Total non-operating revenue and (expense)	<u>-</u>	<u>-</u>
Change In Net Position	27,451,530	38,053,372
Net Position, Beginning of Year	<u>848,429,463</u>	<u>810,376,091</u>
Net Position, End of Year	<u>\$ 875,880,993</u>	<u>\$ 848,429,463</u>

Washington State Housing Finance Commission

Statements of Cash Flow

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Receipts for interest on mortgages	\$ 19,108,717	\$ 17,560,191
Receipts for other fee income	52,988,866	287,090,615
Receipts for loans and mortgage prepayments	112,100,995	234,505,438
Payments for acquisition of loans and mortgages	(198,891,408)	(289,823,321)
Payments for bond program expenses	(2,235,940)	(1,867,652)
Payments to employees and suppliers	(82,864,406)	20,593,734
Net Cash from (used for) Operating Activities	<u>(99,793,176)</u>	<u>268,059,005</u>
Investing Activities		
Purchase of investments	(704,702,796)	(1,095,461,196)
Sale of investments	668,024,772	1,140,151,470
Interest received on investments	23,907,060	2,008,985
Net Cash from (used for) Investing Activities	<u>(12,770,964)</u>	<u>46,699,259</u>
Noncapital Financing Activities		
Proceeds from sale of bonds and notes	150,048,923	84,636,825
Proceeds from short-term loan	219,966,690	383,094,161
Repayments of collateralized loans	(192,280,618)	(386,046,611)
Interest paid on debt	(21,567,102)	(15,894,557)
Debt repayments	(57,699,843)	(130,326,637)
Net Cash from (used for) Noncapital Financing Activities	<u>98,468,050</u>	<u>(64,536,819)</u>
Net Change in Cash and Cash Equivalents	(14,096,090)	250,221,445
Cash and Cash Equivalents, Beginning of Year	<u>747,700,961</u>	<u>497,479,516</u>
Cash and Cash Equivalents, End of Year	<u>\$ 733,604,871</u>	<u>\$ 747,700,961</u>

Washington State Housing Finance Commission

Statements of Cash Flow

Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of Excess of Revenues Over		
Expenses to Net Cash from (used for) Operating Activities		
Excess of revenues over expenses	\$ 27,451,530	\$ 38,053,372
Adjustments to reconcile excess of revenues over expenses to net cash from (used for) operating activities		
Amortization of mortgage discount	(93,119)	(144,150)
Amortization of mortgage premium	23	22
Amortization of bond premium	(1,296,929)	(2,182,108)
Acquisition of mortgage loans	(198,891,408)	(289,823,321)
Repayments of mortgage loans	112,100,995	234,505,438
Unrealized loss on securities	25,179,602	59,779,518
Cash from changes in operating assets and liabilities:		
Interest and other receivables	(17,615,183)	(10,163,402)
Interest and other payables	(46,628,687)	238,033,636
Net Cash from (used for) Operating Activities	\$ (99,793,176)	\$ 268,059,005

Note 1 - Principal Business Activity and Significant Accounting Policies**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 \$27.1 million and \$25.9 million, respectively, for the years ending June 30, 2023 and 2022.

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 \$649.1 million and \$568.9 million and as of Washington State Housing Finance Commission, 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 7.85%.

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 issue 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, 2023 and 2022, 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 statement 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, 2023 and 2022, they held \$155.2 million \$146.2 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, 2023 and 2022.

Investments in the Bond Fund at June 30, 2023 and 2022, 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, 2023 and 2022.

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 \$13,784,232 and \$13,358,381 as of June 30, 2023 and 2022, 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, grant proceeds, and compliance monitoring fees that are received in advance. We record these fees when earned as other fee income on the statements 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, 2023 and 2022, 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, 2023	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, 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>

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 asset and liability, 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 and intangible lease assets, net of accumulated amortization. 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>2023</u>	<u>2022</u>
Commission fees	\$ 17,005,697	\$ 19,744,247
HomeOwnership Program fees	19,957,988	74,334,024
Other program fees	9,318,953	7,771,268
Other income	<u>5,483,074</u>	<u>4,171,621</u>
	<u>\$ 51,765,712</u>	<u>\$ 106,021,160</u>

In addition, we earn interest on mortgage loans outstanding, MBSs and other investments. All revenues and expenses, with the exception of grant revenue and expense, are considered operating, as they relate directly to the purpose of the Commission.

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.

New accounting pronouncement

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements ("SBITAs")*. Management examined the Commission's current SBITA obligations, and it is the opinion of management that the standard does not have a material impact on our financial position given current operations.

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, 2023 and 2022, 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, 2023 and 2022

Cash and cash equivalents by institution at June 30:

	2023		2022	
JP Morgan Chase	\$ 2,529,888	0.68%	\$ 3,843,882	0.91%
Local Government Investment Pool	365,160,063	98.11%	417,331,677	98.90%
All others	4,493,787	1.21%	782,966	0.19%
	\$ 372,183,738	100%	\$ 421,958,525	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, 2023 and 2022, investment securities were registered and held in our custodian agent’s name.

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2023 and 2022

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, 2023	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)
Classification/Provider				
US Government and Agency Obligations				
US Treasury Notes	\$ 21,777,683	\$ 21,777,683	\$ -	\$ -
US Agencies	33,882,880	-	33,882,880	-
Other Municipal Agencies	4,733,190	-	4,733,190	-
Total General and PRI Fund Investments	<u>\$ 60,393,753</u>	<u>\$ 21,777,683</u>	<u>\$ 38,616,070</u>	<u>\$ -</u>

June 30, 2022	Total Investment	Quoted Prices in		
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Classification/Provider				
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>

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2023 and 2022

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, 2023

Type	Total	Maturities (In Years)		
		Less than 1	1-5	>5
US Treasury Notes	\$ 21,777,683	\$ -	\$ 21,777,683	\$ -
US Agencies	33,882,880	5,335,023	28,547,857	-
Other Government Securities	4,733,190	1,452,732	3,138,204	142,254
Total General and PRI Fund Investments	<u>\$ 60,393,753</u>	<u>\$ 6,787,755</u>	<u>\$ 53,463,744</u>	<u>\$ 142,254</u>

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>

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, 2023 and 2022, 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 at June 30, 2023 and 2022.

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2023 and 2022

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, 2023		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	\$ 64,535,053	\$ -	\$ -	\$ 64,535,053
Total Single Family Bond Program Investments	\$ 64,535,053	\$ -	\$ -	\$ 64,535,053

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

Multifamily housing program

Cash and cash equivalents of \$206.2 million and \$179.5 million held at June 30, 2023 and 2022, 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, 2023 and 2022

For the fiscal year ended June 30, 2023, the net decrease in fair market value from that of the prior year-end based upon quoted market prices was \$25,179,602 and 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. 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 2023 and 2022 by program.

	2023			2022		
	Single Family Program Bonds	Homeownership Program Bonds	Total	Single Family Program Bonds	Homeownership Program Bonds	Total
MBS, at fair value	<u>\$ (24,448,493)</u>	<u>\$ (731,109)</u>	<u>\$ (25,179,602)</u>	<u>\$ (58,037,649)</u>	<u>\$ (1,741,870)</u>	<u>\$ (59,779,519)</u>

Cumulative unrealized losses at June 30, 2023 and 2022, were \$(51,646,466) and \$(26,466,865), 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 is shown below:

	June 30, 2023	June 30, 2022
Down Payment Assistance and Other Loans Supporting Homeownership	\$ 407,456,115	\$ 393,255,235
Multifamily Loans	111,564,873	120,447,168
Other Mortgage Loans Receivable	31,185,536	24,882,579
	550,206,524	538,584,982
Less:		
Allowance for Losses	(13,784,232)	(13,358,381)
Interfund Loan	(40,000,000)	(40,000,000)
	\$ 496,422,292	\$ 485,226,601
Net Mortgage Loans		

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, 2023 and 2022, are included in prepaid fees and other on the statements of net position.

June 30, 2023	<u>Useful Life</u>	<u>July 1, 2022</u>	<u>Increase</u>	<u>June 30, 2023</u>
Furniture, fixtures and equipment	3 to 10 years	\$ 2,424,329	\$ 167,273	\$ 2,591,602
Leasehold improvements	4 to 5 years	<u>176,058</u>	<u>-</u>	<u>176,058</u>
Total assets		2,600,387	167,273	2,767,660
Less accumulated depreciation		<u>(2,298,093)</u>	<u>(121,073)</u>	<u>(2,419,166)</u>
Net book value		<u>\$ 302,294</u>	<u>\$ 46,200</u>	<u>\$ 348,494</u>
June 30, 2022	<u>Useful Life</u>	<u>July 1, 2021</u>	<u>Increase</u>	<u>June 30, 2022</u>
Furniture, fixtures and equipment	3 to 10 years	\$ 2,107,351	\$ 316,978	\$ 2,424,329
Leasehold improvements	4 to 5 years	<u>176,058</u>	<u>-</u>	<u>176,058</u>
Total assets		2,283,409	316,978	2,600,387
Less accumulated depreciation		<u>(2,202,798)</u>	<u>(95,295)</u>	<u>(2,298,093)</u>
Net book value		<u>\$ 80,611</u>	<u>\$ 221,683</u>	<u>\$ 302,294</u>

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2023 and 2022

Note 7 - Leases

As of June 30, 2023, the Commission recognized a total Lease Liability of \$719,844, and a Right-of-Use Asset of \$2,295,954. Accumulated amortization of the lease assets totaled \$1,532,543 at fiscal year-end. During Fiscal Year 2023, the Commission recorded \$767,751 in amortization expense, and \$34,504 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 years ended June 30, 2023 and 2022, is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Right to use Leased Assets Being Amortized				
Right of use leased building	\$ 2,240,029	\$ -	\$ (95)	\$ 2,239,934
Right of use leased equipment	41,331	14,689	-	56,020
Total right to use leased assets being amortized	<u>2,281,360</u>	<u>14,689</u>	<u>(95)</u>	<u>2,295,954</u>
Less Accumulated Amortization for				
Right of use leased building	(746,676)	(746,629)	-	(1,493,305)
Right of use leased equipment	(18,116)	(21,122)	-	(39,238)
Total accumulated amortization	<u>(764,792)</u>	<u>(767,751)</u>	<u>-</u>	<u>(1,532,543)</u>
Net right to use leased assets	<u>\$ 1,516,568</u>	<u>\$ (753,062)</u>	<u>\$ (95)</u>	<u>\$ 763,411</u>

Washington State Housing Finance Commission

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	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Right to use Leased Assets Being Amortized				
Right of use leased building	\$ -	\$ 2,240,029	\$ -	\$ 2,240,029
Right of 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 of use leased building	-	(746,676)	-	(746,676)
Right of 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
2024	\$ 719.8	\$ 14.3
2025	-	-
2026	-	-
2027	-	-
2028	-	-
Total	\$ 719.8	\$ 14.3

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, 2023, we had outstanding bonds of \$593.1 million bearing interest varying in rates as listed below:

	FYE 2023	
	Low	High
Single-family Program	0.35%	5.50%
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. Conduit debt obligations are reported by the Commission at the maximum issuance amount less redemptions until conversion or the debt obligation is fully funded, at which point outstanding principal reflects actual payable amounts. As of June 30, 2023 and 2022, the conduit bonds have an aggregate outstanding principal amount payable of \$7.1 billion and \$6.8 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.

Washington State Housing Finance Commission

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June 30, 2023 and 2022

Using rates as of June 30, 2023, 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
2024	\$ 22,500,000	\$ 256,500	\$ (44,561)	\$ 22,711,939

The terms and counterparty credit ratings of the outstanding swaps as of June 30, 2023, are shown below. The notional amounts of the swaps match principal amounts of the associated debt as of June 30, 2023. 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	\$ 1,025,743	December 1, 2048	Aa2
	<u>\$ 22,500,000</u>	<u>\$ 22,500,000</u>				<u>\$ 1,025,743</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, 2023. A positive fair value represents the estimated amount receivable by the Commission had we terminated the swaps on June 30, 2023. 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, 2023 and 2022.

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, 2023, the interest rate on our variable rate debt with swaps and was 4.56% (2018 1N-MM) per annum while the variable interest rate on the corresponding swaps was 4.01% per annum (SIFMA at June 30, 2023). 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.

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Notes to Financial Statements
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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, 2023, we refunded two series of bonds decreasing debt service by \$5.7 million and resulting in an economic gain of \$2.4 million as shown in the following table:

Fiscal Year	Date of Issue	Bond Series	Amount	REFUNDING ISSUE		Bond Series	Amount	Reduction in Debt Service	Economic Gain (Loss)
				Premium and Other	Effective Rate				
2023	9/20/2022	Single Family Series 2022 2N & Series 2022 2A	\$ 10,053,663		3.198%	Series 2016 1A-R 1N VR-1N	630,000	\$ 3,976,084	\$ 2,514,391
						Series 2016 2A-R 2N	800,000		
						Series 2017 1A-R 1N	1,218,663		
						Series 2017 2A-R/2N	420,000		
						Series 2017 3N/3N-R/3A-R	1,145,000		
						Series 2018 1N/1N-MM	2,135,000		
						Series 2019 1N	1,670,000		
						Series 2019 2A/2N	625,000		
						Series 2020 1A/1N	370,000		
						Series 2020 2N	320,000		
						Series 2021 1N	490,000		
						Series 2021 2A/2N	230,000		
						2023	5/18/2023		
Series 2015 1A-R/1N	1,153,843								
Series 2016 1A-R 1N VR-1N	1,796,296								
Series 2016 2A-R 2N	1,716,262								
Series 2017 1A-R 1N	2,462,581								
Series 2017 2A-R/2N	1,057,357								
Series 2017 3N/3N-R/3A-R	1,803,409								
Series 2018 1N/1N-MM	3,210,000								
Series 2019 1N	2,595,000								
Series 2019 2A/2N	1,234,576								
Series 2020 1A/1N	1,170,619								
Series 2020 2N	1,271,017								
Series 2021 1N	1,941,565								
Series 2021 2A/2N	1,801,619								
Series 2022 1A/1N	471,777								

Fiscal Year	Date of Issue	Bond Series	Amount	REFUNDING ISSUE		Bond Series	Amount	Reduction in Debt Service	Economic Gain (Loss)
				Premium and Other	Effective Rate				
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		

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2023 and 2022

Future principal and interest payments and bonds outstanding

Bonds mature in varying amounts through 2058 based on their scheduled terms. However, some may be refinanced or redeemed early. As of June 30, 2023, 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
2024	\$ 24,215,000	\$ 19,565,587	\$ 43,780,587	\$ -	\$ 94,757	\$ 24,215,000	\$ 19,470,830
2025	23,545,000	18,965,502	42,510,502	-	94,757	23,545,000	18,870,745
2026	21,195,000	18,433,471	39,628,471	-	94,757	21,195,000	18,338,714
2027	17,565,000	17,925,911	35,490,911	-	94,757	17,565,000	17,831,154
2028	17,225,000	17,463,993	34,688,993	-	94,757	17,225,000	17,369,236
2029-2033	107,480,000	78,455,883	185,935,883	-	473,783	107,480,000	77,982,100
2034-2038	83,085,000	64,074,829	147,159,829	-	473,783	83,085,000	63,601,046
2039-2043	109,560,446	49,103,305	158,663,751	4,095,446	287,807	105,465,000	48,815,498
2044-2048	123,345,000	28,425,646	151,770,646	-	-	123,345,000	28,425,646
2049-2053	64,530,000	6,921,020	71,451,020	-	-	64,530,000	6,921,020
2054-2058	1,340,000	36,850	1,376,850	-	-	1,340,000	36,850
	<u>\$ 593,085,446</u>	<u>\$ 319,371,997</u>	<u>\$ 912,457,443</u>	<u>\$ 4,095,446</u>	<u>\$ 1,709,158</u>	<u>\$ 588,990,000</u>	<u>\$ 317,662,839</u>

Changes in bonds outstanding during the fiscal year ended June 30, 2023, are summarized in the following table:

	June 30, 2022	Issued	Redeemed	June 30, 2023
Direct placement	\$ 5,025,290	\$ -	\$ 929,844	\$ 4,095,446
All other bonds and notes	498,675,000	147,085,000	56,770,000	588,990,000
	<u>\$ 503,700,290</u>	<u>\$ 147,085,000</u>	<u>\$ 57,699,844</u>	<u>\$ 593,085,446</u>

Warehouse facility

During the fiscal year ending June 30, 2019, the Commission entered into a repurchase agreement with Plains Capital 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, 2023 and 2022, are summarized in the following table:

	<u>2023</u>	<u>2022</u>
Beginning Balance	\$ 5,192,086	\$ 11,444,209
Draws	148,983,817	259,057,674
Principal Repayments	<u>(146,034,685)</u>	<u>(265,309,797)</u>
Ending Balance	<u>\$ 8,141,218</u>	<u>\$ 5,192,086</u>

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 \$70,982,873, while repayments were \$46,245,933, leaving a balance outstanding as of June 30, 2023 of \$203,899,193.

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, 2023, totaled \$44,203,581.

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 51.0% 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, 2023 and 2022, are:

	2023		2022	
	Rate	Amount	Rate	Amount
Employer contributions				
Plan 1 component	3.83%	\$ 301,919	3.71%	\$ 267,442
Plan 2 and 3 component	6.54%	501,672	6.54%	458,474
	10.37%	\$ 803,591	10.25%	\$ 725,916
Employee Contributions				
Plan 2	6.36%	\$ 503,670	6.36%	\$ 462,569

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, 2022, DRS reports a total net pension liability for Plan 1 of \$2.8 billion, and a total net pension asset for Plan 2 and 3 of \$3.7 billion.

At June 30, 2023, the Commission recognized its proportionate share of the net pension liability of Plan 1 of \$1,199,406 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 \$(1,767,016) 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, 2022, and the total pension liability/asset used to calculate the net pension liability/asset was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022. 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, 2023 and 2022, were:

	2023	2022	Change
Plan 1	0.0441%	0.0466%	-0.00250%
Plans 2 and 3	0.0576%	0.0599%	-0.00230%

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, 2023 and 2022

For the years ended June 30, 2023 and 2022, the Commission recognized pension expense of \$214,000 and \$(1,410,837), respectively. For those years, we recognized deferred outflows and inflows of resources related to pension obligations from the following sources:

June 30, 2023	<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	\$ -	\$ 228,040
Plans 2 and 3	-	1,715,830
Net difference due to change in assumptions Plans 2 and 3	861,581	-
Net difference between expected and actual experience Plans 2 and 3	489,690	-
Contributions subsequent to the measurement date Plans 2 and 3	<u>793,628</u>	<u>-</u>
Total	<u><u>\$ 2,144,899</u></u>	<u><u>\$ 1,943,870</u></u>
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><u>\$ 935,443</u></u>	<u><u>\$ 6,028,689</u></u>

The \$793,628 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, 2024.

Washington State Housing Finance Commission

Notes to Financial Statements

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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:	
2024	\$ 1,527,640
2025	1,424,953
2026	1,360,891
2027	1,482,692
2028	16,798
2029	(3,660)
	\$ 5,809,314

The total pension liability in the June 30, 2021, actuarial valuation, which was rolled forward to June 30, 2022, was determined using the following actuarial assumptions.

Actuarial Assumptions

Inflation

Economic	2.75%
Salary	3.25%

Investment rate of return 7.00%

Discount rate 7.00%

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 7.0% 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.

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2023 and 2022

The target allocation and best estimates of arithmetic real rates of return for each major asset class (as of PERS year-end June 30, 2022), 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%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

The discount rate used to measure the total pension liability was 7.00%. 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 7.00% 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 7.00% 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 7.00% was used to determine the total liability.

The following presents the Commission's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00% 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Discount Rate Sensitivity		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Plan 1	\$ 1,640,465	\$ 1,199,406	\$ 867,838
Plan 2 and 3	\$ 2,515,723	\$ (1,767,015)	\$ (5,958,154)

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 2023, the explicit subsidy was up to \$183 per enrollee member per month and will remain at \$183 in calendar year 2024.

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, 2022, and the reporting date of June 30, 2023. The portion of health care premiums attributed to retirees for both explicit and implicit subsidies is taken from the Fiscal Year 2022 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, 2023 and 2022

Additional information will be included in the Washington State 2023 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, 2023 and June 30, 2022, HCA reports total OPEB liability of \$4.2 billion and \$6.5 billion, respectively. At June 30, 2023, the Commission recognized its proportionate share of the OPEB liability of \$2,385,306, which is included in accounts payable and other liabilities within the General Operating Fund. The OPEB liability was measured as of June 30, 2022, and the total liability used to calculate the OPEB liability was determined by an actuarial valuation as of June 30, 2022. 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 0.0561% and 0.0553% used for the measurement of its obligations as of June 30, 2023 and 2022, an increase between years of 0.0008%. 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, 2023, components of the change in our proportionate share of the total OPEB liability are as follows:

Beginning OPEB Liability	\$	3,581,199
Change in proportionate Share		52,504
Service cost		175,963
Interest cost		81,644
Differences between expected and actual experience		(80,855)
Changes in assumptions		(1,365,165)
Changes of benefit terms		-
Benefit payments		(59,984)
Other		-
		-
Ending OPEB Liability	\$	2,385,306

For the years ended June 30, 2023 and 2022, the Commission recognized OPEB expense of \$(20,545) and \$133,916, 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, 2023		
Changes in assumptions	\$ 195,502	1,729,265
Changes in experience	49,725	83,928
Changes in proportion	117,934	238,506
Transactions subsequent to the measurement date	60,201	-
	-	-
Total	\$ 423,362	\$ 2,051,699

Washington State Housing Finance Commission

Notes to Financial Statements

June 30, 2023 and 2022

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
As of June 30, 2022		
Changes in assumptions	\$ 228,069	\$ 649,287
Changes in experience	61,258	13,863
Changes in proportion	80,594	279,079
Transactions subsequent to the measurement date	59,118	-
	<u>\$ 429,039</u>	<u>\$ 942,229</u>

The \$60,201 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, 2023.

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

<u>Years Ended June 30,</u>	
2024	\$ (278,152)
2025	(278,152)
2026	(278,156)
2027	(217,961)
2028	(141,464)
Thereafter	(494,653)
	<u>\$ (1,688,538)</u>

The total OPEB liability in the June 30, 2023, was determined using the following actuarial assumptions.

Inflation	
Economic	2.35%
Salary	3.25%
(Salaries are also expected to grow by promotions and longevity)	
Health care trend rates	
Initial rate(s)	2% - 11%
Expected by 2080	3.80%

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 3.54% for the June 30, 2022, measurement date.

The following represents the Commission's proportionate share of the OPEB liability calculated using the discount rate of 3.54% 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 (2.54%) or one percentage point higher (4.54%) than the current rate:

Discount Rate Sensitivity		
	Current	
1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
\$ 2,794,996	\$ 2,385,306	\$ 2,055,639

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
\$ 2,019,600	\$ 2,385,306	\$ 2,853,164

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, 2023, 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	2023	2022
Washington Higher Education Facilities Authority	\$ 303,255	\$ 288,274
Tobacco Settlement Authority	31,808	35,414
Receivable From		
Washington Higher Education Facilities Authority	\$ 80,864	\$ 69,396
Tobacco Settlement Authority	7,722	6,541



Required Supplementary Information
June 30, 2023 and 2022

Washington State Housing Finance Commission

Washington State Housing Finance Commission
Schedule of Proportionate Share of Net Pension Liability (Asset)
Year Ended June 30, 2023

Schedule of Proportionate Share of Net Pension Liability (Asset)

PLAN 1	2023	2022	2021	2020	2019	2018	2017
WSHFC's portion of net pension liability	0.0441%	0.0466%	0.0471%	0.0465%	0.0462%	0.0455%	0.0439%
WSHFC's proportionate share of the net pension liability	\$ 1,199,406	\$ 867,838	\$ 1,646,824	\$ 1,790,818	\$ 2,052,105	\$ 2,168,328	\$ 2,361,147
WSHFC's covered payroll	N/A	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 payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%
PLAN 2 and 3							
WSHFC's portion of net pension liability	0.0576%	0.0599%	0.0613%	0.0600%	0.0594%	0.0586%	0.0564%
WSHFC's proportionate share of the net pension liability (asset)	\$ (1,767,015)	\$ (5,925,840)	\$ 820,030	\$ 604,966	\$ 1,023,732	\$ 2,030,714	\$ 2,845,451
WSHFC's covered payroll	\$ 7,887,915	\$ 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 (asset) as a percentage of its covered payroll	-22.40%	-82.20%	11.43%	9.27%	16.63%	35.24%	53.75%
Plan fiduciary net position as a percentage of the total pension liability	106.73%	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
Year Ended June 30, 2023

Schedule of Contributions

PLAN 1	2023	2022	2021	2020	2019	2018	2017
Statutorily-required contributions	\$ 270,495	\$ 347,322	\$ 341,322	\$ 333,507	\$ 309,065	\$ 273,962	\$ 249,236
Contributions related to the statutorily-required contributions	270,495	347,322	341,322	333,507	309,065	273,962	249,236
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
WSHFC's covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PLAN 2 and 3							
Statutorily-required contributions	\$ 462,454	\$ 567,569	\$ 565,120	\$ 490,407	\$ 458,084	\$ 357,892	\$ 325,504
Contributions in related to the statutorily-required contributions	462,454	567,569	565,120	490,407	458,084	357,892	325,504
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
WSHFC's covered payroll	7,887,915	7,208,684	7,175,419	6,526,599	6,157,091	6,157,091	6,157,091
Contribution as a percentage of covered payroll	5.86%	7.87%	7.88%	7.51%	7.44%	6.21%	6.15%

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

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.

Washington State Housing Finance Commission
 Schedule of Proportionate Share of OPEB Liability
 Year Ended June 30, 2023

Schedule of Proportionate Share of OPEB Liability

	2023	2022	2021	2020	2019	2018
WSHFC's portion of OPEB Liability	0.05615%	0.05534%	0.05680%	0.05985%	0.05805%	0.05840%
WSHFC's proportionate share of the OPEB liability	\$ 2,385,306	\$ 3,581,199	\$ 3,439,369	\$ 3,473,340	\$ 2,948,312	\$ 3,399,762
WSHFC covered employee payroll	\$ 7,887,915	\$ 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	30.24%	49.68%	47.93%	53.22%	47.88%	59.00%
	2023	2022	2021	2020	2019	2018
Statutorily-required contributions	\$ 163,053	\$ 158,112	\$ 161,040	\$ 148,176	\$ 132,450	\$ 130,800
Contributions related to the statutorily-required contributions	163,053	158,112	161,040	148,176	132,450	130,800
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2023	2022	2021	2020	2019	2018
WSHFC's covered-employee payroll	\$ 7,887,915	\$ 7,208,684	\$ 7,175,419	\$ 6,526,599	\$ 6,157,091	\$ 5,762,602
Contribution as a percentage of covered-employee payroll	2.07%	2.19%	2.24%	2.27%	2.15%	2.27%
	2023	2022	2021	2020	2019	2018
Total number of monthly insurance payments	891	864	880	882	883	872
Monthly contribution	\$ 183	\$ 183	\$ 183	\$ 168	\$ 150	\$ 150
Total	\$ 163,053	\$ 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, 2023 and 2022

Washington State Housing Finance Commission

Washington State Housing Finance Commission
Schedule of Program Net Position
June 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Restricted Bond Fund				General Operating Fund	2023	2022
	Single-family Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program	Program-Related Investments			
Cash and Cash Equivalents	\$ 153,027,848	\$ 2,196,611	\$ 206,196,674	\$ 213,055,265	\$ 159,128,473	\$ 733,604,871	\$ 747,700,961
Investments							
U.S. government and agencies securities	-	-	-	46,921,616	13,472,138	60,393,754	44,803,375
Investment agreements and other investments	59,535,053	5,000,000	-	-	-	64,535,053	43,447,407
	59,535,053	5,000,000	-	46,921,616	13,472,138	124,928,807	88,250,782
Accrued Interest Receivable	2,598,604	389,328	-	4,622,218	960,813	8,570,963	4,812,178
Fees Receivable, Net		-	-		12,541,391	12,541,391	10,392,298
Other Receivables	221,273	-	-	306,356	-	527,629	1,578,842
Interfund Loans	(40,000,000)	-	-	40,000,000	-	-	-
Mortgage-Backed Securities, Cost	607,880,668	15,350,012	-	-	-	623,230,680	547,968,707
Cumulative unrealized gain (loss) on mortgage-backed securities	(51,274,253)	(372,213)	-	-	-	(51,646,466)	(26,466,865)
Mortgage-Backed Securities, fair value	556,606,415	14,977,799	-	-	-	571,584,214	521,501,842
Mortgage Loans, Net	-	-	-	496,422,292	-	496,422,292	485,226,601
Prepaid Fees and Other	-	-	-	-	4,118,739	4,118,739	8,202,680
Total Assets	731,989,193	22,563,738	206,196,674	801,327,747	190,221,554	1,952,298,906	1,867,666,184
Deferred Outflows of Resources	(1,025,743)	-	-	-	2,568,260	1,542,517	1,257,959
Total assets and deferred outflows of resources	\$ 730,963,450	\$ 22,563,738	\$ 206,196,674	\$ 801,327,747	\$ 192,789,814	\$ 1,953,841,423	\$ 1,868,924,143

Washington State Housing Finance Commission
Schedule of Program Net Position
June 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	Restricted Bond Fund				General Operating Fund	2023	2022
	Single-family Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program	Program-Related Investments			
Accounts Payable and Other							
Liabilities	\$ 30,962,794	\$ -	\$ -	\$ 36,755,017	\$ 12,087,225	\$ 79,805,036	\$ 75,538,668
Accrued Interest Payable	1,711,462	23,814	2,297,481	2,331,762	-	6,364,519	2,669,694
Unearned Revenue and Other	-	-	-	300,000	149,259,888	149,559,888	184,367,145
Derivative Instrument - Interest							
Rate Swap	(1,025,743)	-	-	-	-	(1,025,743)	(106,522)
Notes Payable	8,141,217	-	203,899,193	17,825,000	-	229,865,410	232,356,239
Bonds Payable							
Current interest bonds	566,585,000	-	-	-	-	566,585,000	487,465,000
Taxable bonds	16,855,147	9,645,299	-	-	-	26,500,446	16,235,290
Unamortized bond discount	-	-	-	-	-	-	-
Unamortized bond premium	13,391,764	-	-	-	-	13,391,764	13,240,689
	596,831,911	9,645,299	-	-	-	606,477,210	516,940,979
Total liabilities	636,621,641	9,669,113	206,196,674	57,211,779	161,347,113	1,071,046,320	1,011,766,203
Deferred Inflows of Resources	2,918,541	-	-	-	3,995,569	6,914,110	8,728,477
Net Position							
Restricted							
Bond operations	91,423,268	12,894,625	-	-	-	104,317,893	118,936,726
Net Pension Asset	-	-	-	-	1,767,015	1,767,015	5,925,839
Grants and donations to program- related investments	-	-	-	809,424	-	809,424	809,424
Net investment in capital assets	-	-	-	-	1,808,201	1,808,201	2,276,840
Unrestricted							
General operations	-	-	-	-	23,521,050	23,521,050	18,082,063
Housing Washington	-	-	-	-	350,866	350,866	496,505
Program-related investments	-	-	-	743,306,544	-	743,306,544	701,902,066
	91,423,268	12,894,625	-	744,115,968	27,447,132	875,880,993	848,429,463
Total Liabilities, Deferred Inflow of and Net Position	\$ 730,963,450	\$ 22,563,738	\$ 206,196,674	\$ 801,327,747	\$ 192,789,814	\$ 1,953,841,423	\$ 1,868,924,143

Washington State Housing Finance Commission
Schedule of Program Revenues, Expenses, and Changes in Program Net Position
Year Ended June 30, 2023

	Restricted Bond Fund			Program-Related Investments	General Operating Fund	2023	2022
	Single-family Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program				
Operating Revenues							
Interest earned on mortgage loans and mortgage-backed securities	\$ 18,874,539	\$ 691,733	\$ -	\$ -	\$ -	\$ 19,566,272	\$ 17,582,536
Other interest and investment income (loss)	8,363,810	405,888	6,830,220	-	9,873,470	25,473,388	2,228,539
Gain (loss) on mortgage-backed securities	(24,448,493)	(731,109)	-	-	-	(25,179,602)	(59,779,518)
Other fee income	570,690	43,840	-	18,638,157	32,513,025	51,765,712	106,021,160
Total operating revenues	3,360,546	410,352	6,830,220	18,638,157	42,386,495	71,625,770	66,052,717
Operating Expenses							
Interest on debt	16,618,505	323,207	6,819,465	2,884,475	-	26,645,652	17,175,809
Amortization of bond premium	(1,296,929)	-	-	-	-	(1,296,929)	(2,182,108)
Bond issuance costs	1,604,453	-	-	-	-	1,604,453	899,256
Servicing and commission fees	1,049,265	43,840	-	-	-	1,093,105	1,111,455
Salaries and wages	-	-	-	-	10,300,890	10,300,890	7,352,176
Communication and office expense	-	-	-	-	2,639,193	2,639,193	2,161,921
Professional fees	-	-	10,755	-	1,924,818	1,935,573	1,510,789
Trustee and paying agent fees	95,242	6,000	-	-	-	101,242	88,396
Other	45,672	-	-	1,105,389	-	1,151,061	(118,349)
Total operating expenses	18,116,208	373,047	6,830,220	3,989,864	14,864,901	44,174,240	27,999,345
Non-Operating Revenue and (Expense)							
Grant revenue	-	-	-	-	39,406,554	39,406,554	7,759,552
Grant expense	-	-	-	-	(39,406,554)	(39,406,554)	(7,759,552)
Total non-operating revenue and (expense)	-	-	-	-	-	-	-
Change in Net Position	(14,755,662)	37,305	-	14,648,293	27,521,594	27,451,530	38,053,372
Net Position, Beginning of Year	106,079,406	12,857,320	-	702,711,490	26,781,247	848,429,463	810,376,091
Contribution (distribution) of equity	99,524	-	-	26,756,185	(26,855,709)	-	-
Net Position, End of Year	\$ 91,423,268	\$ 12,894,625	\$ -	\$ 744,115,968	\$ 27,447,132	\$ 875,880,993	\$ 848,429,463

Washington State Housing Finance Commission
Schedule of Program Cash Flows
Year Ended June 30, 2023

	Restricted Bond Fund			Program-Related Investments	General Operating Fund	Year Ended June 30, 2023
	Single-family Housing Bond Program	Homeownership Bond Program (NIBP)	Multifamily Housing Bond Program			
Operating Activities						
Receipts for interest on mortgages	\$ 18,407,412	\$ 701,305	\$ -	\$ -	\$ -	\$ 19,108,717
Receipts for other fee income	1,691,878	43,840	-	17,040,184	34,212,964	52,988,866
Receipts for loans and mortgage prepayments	51,219,666	2,667,253	-	58,214,076	-	112,100,995
Payments for acquisition of loans and mortgages	(129,055,797)	-	-	(69,835,611)	-	(198,891,408)
Payments for bond program expenses	(2,186,100)	(49,840)	-	-	-	(2,235,940)
Payments to employees and suppliers	-	-	(10,755)	(30,479,826)	(52,373,825)	(82,864,406)
Net Cash from (used for) Operating Activities	<u>(59,922,941)</u>	<u>3,362,558</u>	<u>(10,755)</u>	<u>(25,061,177)</u>	<u>(18,160,861)</u>	<u>(99,793,176)</u>
Investing Activities						
Purchase of investments	(689,112,418)	-	-	(6,693,045)	(8,897,333)	(704,702,796)
Sale of investments	668,024,772	-	-	-	-	668,024,772
Interest received on investments	7,756,539	183,148	6,830,220	-	9,137,153	23,907,060
Net Cash from (used for) Investing Activities	<u>(13,331,107)</u>	<u>183,148</u>	<u>6,830,220</u>	<u>(6,693,045)</u>	<u>239,820</u>	<u>(12,770,964)</u>
Noncapital Financing Activities						
Proceeds from sale of bonds and notes	150,048,923	-	-	-	-	150,048,923
Proceeds from collateralized loans	148,983,817	-	70,982,873	-	-	219,966,690
Repayments of collateralized loans	(146,034,685)	-	(46,245,933)	-	-	(192,280,618)
Interest paid on debt	(16,376,821)	(333,236)	(4,857,045)	-	-	(21,567,102)
Debt repayments	(53,683,204)	(4,016,639)	-	-	-	(57,699,843)
Contributions	99,524	-	-	26,756,185	(26,855,709)	-
Net Cash from (used for) Noncapital Financing Activities	<u>83,037,554</u>	<u>(4,349,875)</u>	<u>19,879,895</u>	<u>26,756,185</u>	<u>(26,855,709)</u>	<u>98,468,050</u>
Net Increase (Decrease) In Cash and Cash Equivalents	9,783,506	(804,169)	26,699,360	(4,998,037)	(44,776,750)	(14,096,090)
Cash and Cash Equivalents, Beginning 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>
Cash and Cash Equivalents, End of Year	<u>\$ 153,027,848</u>	<u>\$ 2,196,611</u>	<u>\$ 206,196,674</u>	<u>\$ 213,055,265</u>	<u>\$ 159,128,473</u>	<u>\$ 733,604,871</u>

Washington State Housing Finance Commission
Schedule of Program Cash Flows
Year Ended June 30, 2023

	Restricted Bond Fund			Program-Related Investments	General Operating Fund	Year Ended June 30, 2023
	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 Operating Activities						
Excess (deficit) of revenues over expenses	\$ (14,755,662)	\$ 37,305	\$ -	\$ 14,648,293	\$ 27,521,594	\$ 27,451,530
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash from (used for) operating activities						
Amortization of mortgage discount	(93,119)	-	-	-	-	(93,119)
Amortization of mortgage premium	23	-	-	-	-	23
Amortization of bond premium	(1,296,929)	-	-	-	-	(1,296,929)
Acquisition of mortgage loans	(129,055,797)	-	-	(69,835,611)	-	(198,891,408)
Repayments of mortgage loans	51,219,666	2,667,253	-	58,214,076	-	112,100,995
Unrealized (gain) loss on securities	24,448,493	731,109	-	-	-	25,179,602
Cash from changes in operating assets and liabilities						
Interest and other receivables	(7,616,654)	(396,316)	(6,830,220)	(1,472,129)	(1,299,864)	(17,615,183)
Interest and other payables	17,227,038	323,207	6,819,465	(26,615,806)	(44,382,591)	(46,628,687)
Net Cash from (used for) Operating Activities	<u>\$ (59,922,941)</u>	<u>\$ 3,362,558</u>	<u>\$ (10,755)</u>	<u>\$ (25,061,177)</u>	<u>\$ (18,160,861)</u>	<u>\$ (99,793,176)</u>

Washington State Housing Finance Commission
Schedule of Notes and Bonds Payable
Year Ended June 30, 2023 with Comparative Totals for 2022

Series	Issue Date	Original Amount	Final Maturity Date	Balance Outstanding	
				6/30/2023	6/30/2022
Single-family (Open Indenture)					
Single-family Series 2013 1A-R/1N-R	3/27/2013	62,515,000	6/1/2043	\$ 18,930,000	\$ 19,405,000
Single family Series 2014 2A-R 2N 2N-R	12/18/2014	50,515,000	6/1/2044	3,735,000	5,790,000
Single-family Series 2015 1A-R/1N	12/10/2015	63,845,000	6/1/2038	12,245,000	16,125,000
Single family Series 2016 1A-R 1N VR-1N	5/26/2016	65,500,000	12/1/2046	28,180,000	32,305,000
Single family Series 2016 2A-R 2N	11/30/2016	67,045,000	12/1/2046	24,950,000	28,865,000
Single family Series 2017 1A-R 1N	4/27/2017	67,370,000	12/1/2047	10,640,000	15,690,000
Single family Series 2017 2A-R/2N	9/28/2017	35,230,000	6/1/2047	11,645,000	13,835,000
Single family Series 2017 3N/3N-R/3A-R	12/28/2017	70,475,000	12/1/2047	11,465,000	15,205,000
Single family Series 2018 1N/1N-MM	10/18/2018	98,190,000	12/1/2048	49,315,000	55,845,000
Single Family Series 2019 1N	3/20/2019	78,210,000	6/1/2049	19,130,000	24,405,000
Single Family Series 2019 2A/2N	11/26/2019	38,535,000	12/1/2049	31,955,000	34,775,000
Single Family Series 2020 1A/1N	5/28/2020	41,765,000	6/1/2050	35,520,000	38,490,000
Single Family Series 2020 2N	11/30/2020	38,835,000	12/1/2050	34,890,000	37,235,000
Single Family Series 2021 1N	5/27/2021	71,630,000	12/1/2049	66,190,000	70,390,000
Single Family Series 2021 2A/2N	11/30/2021	79,525,000	6/1/2051	75,895,000	79,105,000
Single Family Series 2022 1A/1N	9/20/2022	82,385,000	12/1/2052	81,900,000	-
Single Family Series 2023 1A/1N/1T	5/18/2023	64,700,000	12/1/2050	64,700,000	-
Special Single family	10/18/2012	26,171,376	10/1/2042	2,155,147	2,573,352
				583,440,147	490,038,352
Unamortized Bond Premium				13,391,764	13,240,689
				<u>\$ 596,831,911</u>	<u>\$ 503,279,041</u>
Homeownership Program Bonds					
Homeownership Program Bonds 2013A	1/30/2013	23,675,203	3/1/2040	\$ 1,940,299	\$ 2,451,938
Homeownership Program Bonds 2015 AB	5/28/2015	69,370,000	5/1/1941	7,705,000	11,210,000
				9,645,299	13,661,938
Unamortized Bond Premium				-	-
				<u>\$ 9,645,299</u>	<u>\$ 13,661,938</u>